



2015

enfo

INTERIM REPORT

January – June
20 August 2015

Q2

Key points of the interim report

- Enfo Group's turnover increased by 0.1% in April–June and stood at EUR 35.8 (35.8) million. The turnover for January–June decreased by 3.7% to EUR 70.2 (72.9) million.
- Operating profit (EBIT) fell by 24% in April–June and stood at EUR 1.9 (2.4) million. Calculated from the beginning of the year, operating profit was EUR 3.3 (5.7) million, a decrease of 42.9% from the latter half of the previous year.
- Profit before taxes during the quarter remained at the previous year's level, being EUR 1.8 (1.8) million. Correspondingly, profit during the first half of the year fell by 35.2% to EUR 3.1 (4.8) million.
- Earnings per share were EUR 1.85 (1.62) in April–June and EUR 3.10 (4.86) in January–June.
- The twelve-month return on investment was 8.0% (12.9%).
- In January–June, cash flow from operating activities totalled EUR 8.3 (6.6) million.
- In January–June, Enfo Group employed an average of 809 people (757). At the end of June, the Group had a total of 801 employees (762).
- The company estimates that consolidated turnover in 2015 will remain at the previous year's level. Operating profit is expected to grow slightly from the year before.
- Short-term risks are associated with maintaining competitive prices in the highly competitive IT services market.

ARTO HERRANEN, CEO:

Our expectations of the economic situation turning to an upward trend remained unfulfilled in Finland. In Sweden, however, economic growth developed positively. The market for IT services reflected the general economic trend, with Finland and Sweden showing fairly different expectations for growth. Intensive price competition continued in all of the company's operating areas.

In comparison with the market situation, the second quarter was a reasonable one for Enfo, even though we were unable to achieve our growth objective. We continued to invest in development projects to build new solutions to correspond to our customers' future needs. We will change our operating methods in a number of sectors, and the general shortage of resources is forcing us to adopt more efficient methods. Mobile solutions, cloud services, the industrial internet, analytics – these are just a few areas we will be actively developing. Enfo's objective is to be a trailblazer in offering completely new solutions and ever larger packages for outsourcing IT services and business processes.

This quarter was an active one, also in terms of partners and customers. We expanded our cooperation with SAP, our long-term technology partner, by signing an agreement on the resale of the next generation of SAP business systems in all the Nordic countries. We also agreed upon a partnership with Palette, one of the market's leading suppliers of automated financial administration systems. Enfo will offer Palette's scaled purchase invoice system as part of its Financial Process

Services. We also made good progress in acquiring new customers and signed many extended agreements, such as an agreement on outsourcing services with VVO Group.

At the beginning of June, we appointed Samuli Savo (M.Sc. Eng.) Executive Vice President of IT Services and Outsourcing and a member of the Group's Management Team. Savo has solid experience in developing and managing IT service operations in an international operating environment. Through his most recent position, he has an excellent understanding of how Enfo can best help its customers in the ongoing transition caused by digitisation. Savo will begin working at Enfo at the beginning of August.

Enfo's objective is to grow more quickly in the near future than the average in the sector. We will continue working to achieve this goal.

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 slightly compared with the corresponding quarter last year. The market for IT Services remained fairly stable, particularly in Sweden, where the general economic situation has kept demand high in the long term. Specific interest was shown in solutions that facilitate digitisation.

We made systematic investments in the development of our service range and competence. Changes in our customers' operating methods allow us to offer even larger packages, but also make them more demanding. Our aim in terms of solutions offered to our customers is to combine Enfo's diverse expertise in an ever wider scope, while breaking familiar boundaries.

The most significant agreement we signed in Finland was with VVO Group, Finland's largest private rental agent. The four-year extension includes development services for the customer environment, management services for workstations and devices, and user support, server and data network services. In Sweden, we signed a new agreement with Sandvik, a global industrial group operating in the metal and mining industries.

Financial Process Services

The turnover of Financial Process Services developed as expected, while being lower than in the reference period. In particular, outsourcing services were more attractive among potential customers than before. The total volume of electronic invoices increased, while fierce competition continued in the market for invoice operations. As the digitisation and automation of financial processes are distinctively growing trends, Enfo continued to invest in developing new electronic solutions.

Enfo extended its agreements with a number of customers,

continued to develop its expertise and service range, and recruited new professionals during the quarter. As customer companies will focus more closely on developing their key competence, the market for outsourced support functions is expected to grow.

Turnover

Enfo Group's turnover increased by 0.1% in April–June and stood at EUR 35.8 (35.8) million. In January–June, turnover fell by 3.7% and stood at EUR 70.2 (72.9) million.

Development of turnover by reporting segment

EUR million	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
IT Services	28.3	27.1	53.8	55.0	109.3
Financial Process Services	8.0	9.1	17.3	18.7	37.6

The turnover of IT Services increased by 4.4% in April–June to EUR 28.3 (27.1) million. In January–June, the turnover of IT Services decreased by 2.2% and stood at EUR 53.8 (55.0) million. The high demand in Sweden was reflected in the turnover, which increased in Q2.

The turnover of Financial Process Services fell by 11.9% in April–June to EUR 8.0 (9.1) million. In January–June, the turnover of Financial Process Services decreased to EUR 17.3 (18.7) million, representing a decrease of 7.3%. Divestments carried out during the year had an expected impact on the turnover of Financial Process Services.

Profitability

Enfo Group's operating profit decreased by 24.0% in April–June and stood at EUR 1.9 (2.4) million, representing 5.2% of turnover (6.8%). The Group's operating profit in January–June amounted to EUR 3.3 (5.7) million, or 4.7% of turnover (7.9%). In January–June, operating profit decreased by 42.9% compared with the same period last year.

Development of operating profit by reporting segment

EUR million	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
IT Services	1.4	1.6	1.9	3.7	5.6
Financial Process Services	0.4	0.8	1.4	2.0	4.1

The decrease in the operating profit of IT Services was affected by increasingly fierce price competition in all of the company's businesses.

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 0.9 (2.5) million in April–June and EUR 1.5 (3.9) million in January–June. The investments were mainly attributable to data centre hardware acquired with financial leasing agreements.

At the end of June, the company's equity ratio was 43.3% (42.0). Interest-bearing net liabilities stood at EUR 27.1 (29.6) million, and net gearing was 53.8% (59.3) at the end of June.

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–June, Enfo Group employed an average of 809 people (757). At the end of June, the Group had a total of 801 employees (762).

Enfo's IT Services unit employed an average of 683 people (632) in January–June, while the Financial Process Services unit employed an average of 93 people (101). Of Enfo's personnel, 349 (365) were stationed in Finland and 460 (392) in Sweden during the review period.

Shares

On 30 June 2015, Enfo Oyj had a total of 592,785 shares. At the end of June, Enfo had a total of 112 shareholders. The company has one series of shares. Enfo held 1,415 treasury shares at the end of June 2015.

At the end of June 2015, the ten largest shareholders in the company were Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Enfo Oyj's Personnel Fund HR, Einari Vidgrén Oy, Keskisuomalainen 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 estimates that the turnover of the IT Services segment will increase in 2015 compared with the previous year. 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 divested operations.

The company estimates that consolidated turnover in 2015 will remain at the previous year's level. Operating profit is expected to grow slightly 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

The 2015 Q3 interim report will be published on 28 October 2015.

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	4-6/15	4-6/14	1-6/15	1-6/14	1-12/14
Turnover	35.8	35.8	70.2	72.9	145.3
Other operating income	0.0	0.0	0.8	0.1	0.1
Materials and services	-11.1	-11.5	-22.7	-23.5	-48.5
Employee benefit expenses	-17.2	-16.1	-34.1	-32.2	-62.6
Depreciation and amortisation	-1.3	-1.1	-2.5	-2.1	-4.6
Other operating expenses	-4.4	-4.7	-8.4	-9.4	-19.9
Operating profit	1.9	2.4	3.3	5.7	9.7
Financial income	0.2	0.1	0.4	0.1	0.4
Financial expenses	-0.2	-0.7	-0.5	-1.1	-2.0
Profit before taxes	1.8	1.8	3.1	4.8	8.1
Income tax	-0.4	-0.4	-0.6	-1.0	-1.6
Profit for the period	1.4	1.4	2.5	3.8	6.4
Attributable to					
Equity holders of the parent	1.0	1.0	1.8	2.9	5.0
Non-controlling interests	0.4	0.5	0.7	0.9	1.4
Earnings per share, EUR	1.85	1.62	3.1	4.86	8.50

Statement of comprehensive income

EUR million	1-6/15	1-6/14	1-12/14
Profit for the period	2.5	3.8	6.4
Translation differences from net investments in a foreign subsidiary	0.3	-0.6	-1.0
Other translation differences	0.2	-0.5	-0.6
Cash flow hedging	0.1	0.0	0.0
Other comprehensive income items	0.0	0.0	0.0
Taxes associated with other comprehensive income items	0.0	-0.1	-0.0
Other comprehensive income for the period	3.1	2.7	4.7
Attributable to			
Equity holders of the parent company	2.8	1.8	3.3
Non-controlling interests	0.3	0.9	1.4

Consolidated statement of financial position

EUR million	30 June 2015	30 June 2014	31 December
Assets			
Non-current assets			
Tangible assets	5.4	5.3	5.2
Goodwill	63.2	61.9	62.3
Other intangible assets	6.0	5.7	7.1
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.2
Deferred tax assets	0.2	0.4	1.2
Total non-current assets	75.1	73.5	76.0
Current assets			
Inventories	0.3	0.3	0.3
Trade receivables	23.4	25.2	25.8
Other receivables	3.1	3.0	3.0
Tax assets based on the period's taxable income	4.0	4.2	3.4
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	10.9	13.4	13.3
Total current assets	41.7	46.1	45.9
Total assets	116.8	119.7	121.9
Equity and liabilities			
Equity			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	1.7	1.7	1.8
Retained earnings	34.4	33.8	35.3
Equity attributable to equity holders of the parent company,	49.7	49.1	50.6
Non-controlling interests	0.7	0.9	1.4
Total equity	50.4	50.0	52.0
Non-current liabilities			
Interest-bearing liabilities	22.8	30.7	26.8
Other liabilities	0.3	0.5	0.3
Deferred tax liabilities	0.7	0.4	0.7
Non-current liabilities, total	23.8	31.5	27.8
Current liabilities			
Interest-bearing liabilities	15.2	12.4	15.2
Trade payables	7.8	7.8	9.4
Other liabilities	19.7	18.0	17.4
Current liabilities, total	42.6	38.1	42.0
Total liabilities	66.4	69.7	69.9
Total equity and liabilities	116.8	119.7	121.9

Condensed statement of cash flows

EUR million	1-6/15	1-6/14	1-12/14
Cash flow from operating activities			
Profit for the period	2.5	3.8	6.4
Adjustments to the profit for the period	3.4	4.1	7.8
Change in working capital	3.6	1.9	2.8
Interest paid and received	-0.6	-0.5	-1.0
Taxes paid	-0.5	-2.6	-4.5
Cash flow from operating activities	8.3	6.6	11.5
Cash flow from investment activities			
Acquisition of subsidiaries less cash and cash equivalents on the			-3.0
Investments in tangible and intangible assets	-0.9	-0.7	-1.0
Cash flow from investment activities	-0.9	-0.7	-4.0
Cash flow from financing			
Changes in loans	-3.2	9.3	9.1
Changes in equity	-4.9	-4.5	-4.5
Repayment of financial leasing liabilities	-1.7	-1.4	-3.1
Cash flow from financing	-9.8	3.4	1.5
Changes in cash and cash equivalents	-2.4	9.3	9.0
Impact of exchange rate changes on cash and cash equivalents	-0.1	-0.1	-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	10.9	13.4	13.3

Key figures

	1-6/15	1-6/14	1-12/14
Turnover (EUR million)	70.2	72.9	145.3
Operating profit (EUR million)	3.3	5.7	9.7
% of turnover	4.7	7.9	6.7
Profit before taxes (EUR million)	3.1	4.8	8.1
% of turnover	4.4	6.6	5.5
Profit for the period (EUR million)	2.5	3.8	6.4
% of turnover	3.5	5.2	4.4
Earnings per share, EUR	3.1	4.86	8.50
Return on investment, %	8.0	12.9	11.3
Return on equity, %	9.7	14.9	12.4
Equity ratio, %	43.3	42.0	42.9
Net gearing, %	53.8	59.3	55.1
Interest-bearing net liabilities (EUR million)	27.1	29.6	28.7
Equity/share, EUR	84.3	83.2	85.8
Average number of employees	809	757	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
Equity on 1 Jan. 2014	0.3	13.3	-0.1	2.8	1.8	32.3	50.5	1.3	51.7
Profit/loss for the period						5.0	5.0	1.4	6.4
Comprehensive income									
Other comprehensive									
Translation differences from net investments in a foreign subsidiary				-1.0			-1.0		-1.0
Net investment hedging				-0.1			-0.1		-0.1
Other translation				-0.5			-0.5	-0.1	-0.6
Other comprehensive income items for the period	0.0	0.0	0.0	-1.6	0.0	0.0	-1.6	-0.1	-1.7
Other comprehensive				-1.6	0.0	5.0	3.4	1.3	4.7
Business operations with owners									
Distributed dividends						-3.2	-3.2	-1.2	-4.4
Total	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	-1.2	-4.4
Equity on 31 Dec. 2014	0.3	13.3	-0.1	1.2	1.8	34.2	50.6	1.4	52.0

	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 31 Dec. 2014	0.3	13.3	-0.1	1.2	1.8	34.2	50.6	1.4	52.0
Profit/loss for the period						1.8	1.8	0.7	2.5
Comprehensive income									
Other comprehensive									
Translation differences from net investments in a foreign subsidiary				0.3			0.3		0.3
Net investment hedging				0.1			0.1		0.1
Other translation				0.1			0.1	0.0	0.2
Cash flow hedging					0.1		0.1		0.1
Other comprehensive income items for the period				0.5	0.1	0.0	0.6	0.0	0.6
Other comprehensive				0.5	0.1	1.8	2.4	0.7	3.1
Business operations with owners									
Distributed dividends						-3.5	-3.5	-1.4	-4.9
Acquisition of treasury			-0.1				-0.1		-0.1
Management incentive						0.2	0.2		0.2
Total			-0.1			-3.3	-3.4	-1.4	-4.7
Equity on 30 June 2015	0.3	13.3	-0.2	1.9	1.8	32.5	49.7	0.7	50.4

Turnover by business segment

EUR million	4-6/15	4-6/14	1-6/15	1-6/14	1-12/14
IT Services	28.3	27.1	53.8	55.0	109.3
Financial Process	8.0	9.1	17.3	18.7	37.6
Eliminations and others	-0.5	-0.4	-0.9	-0.8	-1.5
Group total	35.8	35.8	70.2	72.9	145.3

Operating profit by

EUR million	4-6/15	4-6/14	1-6/15	1-6/14	1-12/14
IT Services	1.4	1.6	1.9	3.7	5.6
Financial Process	0.4	0.8	1.4	2.0	4.1
Group items and others	0.0	0.0	0.0	0.0	0.0
Group total	1.9	2.4	3.3	5.7	9.7

Changes in tangible fixed assets

EUR million	1-6/15	1-6/14	1-12/14
Carrying amount at the beginning of the period	5.2	5.3	5.3
Increases	1.6	1.6	3.2
Decreases	-0.1	-0.2	-0.8
Depreciation and	-1.2	-1.3	-2.6
Carrying amount at the end of the period	5.4	5.4	5.2

Commitments and contingencies

EUR million	30 June 2015	30 June 2014	31 December
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	22.4	25.9	25.4
Business mortgage	11.4	11.4	11.4
Subsidiary shares	16.4	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	7.5	5.9	7.0
Other rental liabilities	6.0	8.6	6.7
Other contingent liabilities	0.0	0.0	0.1
Bank guarantees	0.3	0.3	0.3
Total other liabilities	13.8	14.8	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).

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 and www.enfo.se.

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Enfo Oyj

Business ID: 2081212-9

Visiting address: Viestikatu 7, FI-70600 Kuopio

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

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

Switchboard: +358 20 54321

Email: firstname.lastname@enfo.fi