

Q2



INTERIM REPORT

1 April-30 June 2016



ENFO GROUP'S INTERIM REPORT 1 APRIL–30 JUNE 2016

Key points of the interim report

- Turnover increased in accordance with the growth strategy by 15.4% in April–June and stood at EUR 41.3 (35.8) million. In January–June, turnover increased by 15.7%, amounting to EUR 81.2 (70.2) million.
- Due to our strategic reform and growth-related investments, operating profit (EBIT) excluding non-recurring items fell by 21.1% in April–June and stood at EUR 1.5 (1.9) million. Half-year operating profit (EBIT) excluding non-recurring items totalled EUR 2.1 million.
- Operating profit (EBIT) decreased by 26.3% in April–June and stood at EUR 1.4 (1.9) million. Operating profit includes EUR 0.1 million of non-recurring costs related to business reorganisation. Operating profit (EBIT) for January–June totalled EUR 1.6 (3.3) million, including EUR 0.5 million in business reorganisation costs. Compared to the previous year's first half the operating profit decreased by 52.4%.
- Profit before taxes in April–June amounted to EUR 1.1 (1.8) million. Profit for January–June decreased by 67.7% and stood at EUR 1.0 (3.1) million.
- Earnings per share in April–June were EUR -0.27 (1.85) and in January–June EUR -1.23 (3.10).
- The twelve-month return on investment was 3.7% (8.0).
- In January–June, Enfo Group employed an average of 901 (809) people. At the end of June, the Group employed a total of 907 (801) people.
- Cash flow from operating activities totalled EUR 1.1 (3.4) million in April–June and EUR 1.2 (8.3) million in January–June.

Outlook for 2016

The Group's turnover is expected to increase in 2016. The operating profit is expected to decrease from the year before due to investments in new business operations. In addition, non-recurring costs arising from measures to improve the efficiency of specific business units will reduce this year's operating profit.

Risks and uncertainties

Short-term risks and uncertainties are associated with maintaining competitive prices in all of the Group's business areas. Furthermore, the profitability of new business operations may develop more weakly than planned. Recruitment problems, particularly in the Stockholm area, are weakening the otherwise good growth prospects of the Business Solutions business area.

The largest long-term uncertainties are associated with a decrease in demand for traditional IT services and the schedule for implementing changes as part of Enfo's revised strategy.

Arto Herranen, CEO:

Digitalisation and the rapid development of the related technologies mean new, interesting business opportunities for our customers. Through our new strategy, and the new organisation that entered into force at the beginning of 2016, we will continue to strongly shift the focus of our operations towards new IT services that support digitalisation. At present, we are involved in a number of customer projects enabling us to deliver Enfo's expertise by developing innovative business solutions in the fields of the internet of things, analytics and digital customer experience.

Our strategic reform boosted our turnover as expected: our January–June turnover increased by almost 16% year-on-year, to EUR 81.2 million. A significant proportion of this growth was attributable to the success of Enfo Rongo Oy – part of the Enfo Group since 2015 – in business intelligence and analytics services. We were particularly delighted that our organic growth exceeded 7%, clearly outperforming the industry average.

Due to our strategic reform and growth-related investments, the Group's half-year operating profit decreased year-on-year from EUR 3.3 million to EUR 1.6 million. Non-recurring costs totalled EUR 0.5 million. Our investments in IT outsourcing services in Sweden and outsourcing services for financial processes are now reflected in strong growth in turnover, but will also strengthen Enfo's profitability in the long term.

Timetable for financial reporting in 2016

The Q3 interim report will be published on 31 October 2016. The 2016 financial statements bulletin will be issued on 2 March 2017.

Enfo's business operations

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

At IT Services, the first half of the year proceeded as planned. In April-June, sales grew by 17.1% year-on-year to EUR 33.1 (28.3) million, and operating profit grew by 9.7% to EUR 1.6 (1.4) million. In January-June, sales grew by 19.7% to EUR 64.3 (53.8) million. Half-year operating profit totalled EUR 2.0 (1.9) million, a year-on-year increase of 5.5%.

Our customers are showing increasing interest in digitalisation in Finland and Sweden. To respond to this demand, we are continuing to actively build a new service range to help our customers utilise the opportunities offered by digitalisation.

Enfo continued to implement its intra-Group development programme launched at the end of 2015. The company has intensified cooperation between various units and countries in order to offer its customers increasingly efficient IT service solutions that support digitalisation. The goal of Enfo's customer-oriented approach is to respond to the changing business needs of our customers and to offer an even better service experience.

Enfo's digitalisation-based solutions have been enthusiastically welcomed by the markets, which is reflected in strong sales growth in the IT Services unit. In particular, demand for business consulting has shown strong growth, and Enfo aims to expand the range of these services in Finland and Sweden. Within the Managed Services unit, development work focuses on creating genuine added value for business managers who own customer solutions, for IT managers acquiring modern IT solutions, and for employees who use digital tools in their daily work.

New agreements have been signed with existing and new customers, such as Oriola, Okmetic, Fazer, Klarna and Nordic Investment Bank.

Financial Process Services

Demand for Financial Process Services was reasonable during the second quarter of 2016, considering general economic trends. Turnover for April-June totalled EUR 8.2 (8.0) million, and that for January-June totalled EUR 17.1 (17.3) million. Compared to the corresponding periods a year earlier, these represented growth of 2.6% and a fall of -0.9%, respectively. Operating profit for April-June decreased by -131.4% to EUR -0.1 (0.4) million, and that for January-June decreased by -125.4% to EUR -0.4 (1.4) million. Major investments in service development and price competition in invoice operator services continued to erode operating profit.

The Financial Process Services unit continued to focus on the construction of a digital platform for the financial management of medium-sized companies, as well as the upgrading of its information logistics services platform.

Both of these projects will further strengthen the offering of the Financial Process Services unit. Enfo's cooperation, announced in June, with the energy software solutions provider Enoro, will enable energy companies to further extend their service offering while responding to cost pressures arising from the market situation. This cooperation agreement will further strengthen the role of energy companies as an important customer sector for Enfo's Financial Process Services.

In April-June, Enfo focused on the implementation of contracts won at the end of 2015 and in early 2016. The digitalisation of the Waltti ticketing and payment system for the public transport sector is an excellent example of the capability of Financial Process Services to digitalise highly customer-specific finance- and payment-related processes. During the second half of 2016, Enfo expects to secure both major new contracts and service expansions for existing customers.

Turnover and result

In April-June, Enfo Group's turnover grew by 15.4% to EUR 41.3 (35.8) million. In January-June, turnover grew by 15.7% to EUR 81.2 (70.2) million. The Group's profitability declined in April-June, with operating profit totalling EUR 1.4 (1.9) million, comprising 3.4% (5.2) of turnover. Operating profit for January-June totalled EUR 1.6 (3.3) million, comprising 1.9% (4.7) of turnover. Enfo Group's operating profit for January-June decreased by 52.4% year-on-year.

The Group's profit before taxes in April-June stood at EUR 1.1 (1.8) million, comprising 2.6% (5.0) of turnover. Profit before taxes for January-June totalled EUR 1.0 (3.1) million, or 1.2% (4.4) of turnover. The Group's net financing costs amounted to EUR -0.3 (0.0) million in April-June and to EUR -0.6 (-0.1) million in January-June. The result in April-June was EUR 0.8 (1.4) million, comprising 2.0% (3.9) of turnover. The result for January-June totalled EUR 0.8 (2.5) million, representing 1.0% (3.6) of turnover. Earnings per share in April-June were EUR -0.21 (1.85) and in January-June EUR -1.17 (3.10).

Development by reporting segment

In April–June, the turnover of IT Services increased by 17.1% to EUR 33.1 (28.3) million. Operating profit grew by 9.7% to EUR 1.6 (1.4) million. In April–June, the turnover of Financial Process Services increased by 2.6% to EUR 8.2 (8.0) million. Operating profit declined to EUR -0.1 (0.4) million.

In January–June, sales of IT Services grew by 19.7% to EUR 64.3 (53.8) million. Half-year operating profit totalled EUR 2.0 (1.9) million, a year-on-year increase of 5.5%. In January–June, the turnover of Financial Process Services decreased by -0.9% to EUR 17.1 (17.3) million. Half-year operating profit declined to EUR -0.4 (1.4) million.

Financing and investments

Enfo's net investments in January–June totalled EUR 2.1 (1.5) million. These mainly consisted of data centre hardware acquired through financial leasing agreements. The company's equity ratio was 41.3% (43.3) at the end of the review period. Interest-bearing net liabilities at the end of June amounted to EUR 34.9 (27.1) million and net gearing was 69.4% (53.8).

Personnel

In January–June, Enfo Group employed an average of 901 (809) people. At the end of June, the Group employed a total of 907 (801) people.

Enfo's IT Services unit employed an average of 746 (683) people in January–June, while Financial Process Services employed an average of 96 (93) people. Of Enfo's personnel, 413 (349) were employed in Finland and 488 (460) in Sweden during the review period.

Shares

On 30 June 2016, Enfo Oyj had a total of 600,833 shares and 114 shareholders. The company has one series of shares. At the end of June, Enfo owned 1,350 treasury shares.

At the end of June 2016, the ten largest shareholders in the company were: Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Enfo Oyj's Personnel Fund HR, Rongo Cap Oy, Einari Vidgrén Oy, Keskiuomalainen Oy, Pohjois-Savon Osuuspankki, Hannu Isotalo Oy, Kallax Oy and Arto Herranen. Osuuskunta KPY holds 84.91% of Enfo's shares.

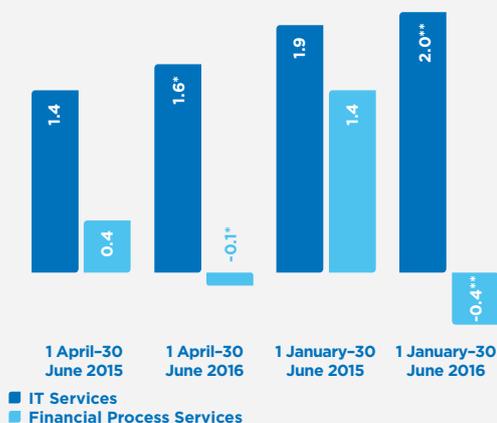
Accounting principles

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 2015 financial statements. The figures in the tables have been rounded to the nearest million euros and may not add up to precise totals. The figures presented in the tables are unaudited.

DEVELOPMENT OF TURNOVER BY REPORTING SEGMENT (EUR MILLION)



DEVELOPMENT OF OPERATING PROFIT BY REPORTING SEGMENT (EUR MILLION)



* The figures include EUR 0.1 million in non-recurring items.

** The figures include EUR 0.5 million in non-recurring items.

Consolidated income statement

EUR million	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Turnover	41.3	35.8	81.2	70.2	140.6
Other operating income	0.0	0.0	0.1	0.8	1.0
Materials and services	-13.4	-11.1	-27.2	-22.7	-46.1
Employee benefit expenses	-19.3	-17.2	-38.9	-34.1	-65.1
Depreciation and amortisation	-1.5	-1.3	-3.0	-2.5	-5.0
Other operating expenses	-5.7	-4.4	-10.6	-8.4	-17.8
Operating profit	1.4	1.9	1.6	3.3	7.5
Financial income	0.0	0.2	0.1	0.4	0.5
Financial expenses	-0.4	-0.2	-0.6	-0.5	-1.3
Profit before taxes	1.1	1.8	1.0	3.1	6.8
Income tax	-0.2	-0.4	-0.2	-0.6	-1.4
Profit for the period	0.8	1.4	0.8	2.5	5.4
Attributable to					
Equity holders of the parent company	-0.1	1.0	-0.7	1.8	4.4
Non-controlling interests	1.0	0.4	1.5	0.7	1.0
Earnings per share, EUR	-0.21	1.85	-1.17	3.1	7.39

Statement of comprehensive income

EUR million	1-6/2016	1-6/2015	1-12/2015
Profit for the period	0.8	2.5	5.4
Exchange rate differences caused by net investments in foreign subsidiaries	-0.4	0.3	0.4
Other translation differences	-0.2	0.2	0.2
Net investment hedging	-0.1	0.1	0.1
Cash flow hedging	0.0	0.0	0.1
Other comprehensive income for the period	0.1	3.1	6.2
Attributable to			
Equity holders of the parent company	-1.3	2.8	5.2
Non-controlling interests	1.4	0.3	1

Consolidated statement of financial position

EUR million	30 June 2016	30 June 2015	31 Dec 2015
Assets			
Non-current assets			
Tangible assets	4.7	5.4	4.4
Goodwill	71.3	63.2	71.5
Other intangible assets	7.7	6.0	9.2
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	1.2	0.2	1.4
Total non-current assets	85.2	75.1	86.7
Current assets			
Inventories	0.1	0.3	0.1
Trade receivables	28.4	23.4	26.4
Other receivables	3.5	3.1	3.3
Tax assets based on the period's taxable income	3.0	4.0	2.0
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	1.9	10.9	5.7
Total current assets	36.9	41.7	37.4
Total assets	122.1	116.8	124.1
Equity and liabilities			
Equity			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	3.9	1.7	4.8
Retained earnings	31.1	34.4	35.1
Equity attributable to equity holders of the parent company, total	48.5	49.7	53.5
Non-controlling interests	1.8	0.7	1.4
Total equity	50.3	50.4	54.9
Non-current liabilities			
Interest-bearing liabilities	22.6	22.8	23.2
Other liabilities	5.1	0.3	5.0
Deferred tax liabilities	0.9	0.7	1.1
Non-current liabilities, total	28.6	23.8	29.3
Current liabilities			
Interest-bearing liabilities	14.2	15.2	10.2
Trade payables	8.7	7.8	9.7
Other liabilities	20.2	19.7	20.0
Current liabilities, total	43.1	42.6	39.9
Total liabilities	71.8	66.4	69.2
Total equity and liabilities	122.1	116.8	124.1

Condensed statement of cash flows

EUR million	1-6/2016	1-6/2015	1-12/2015
Cash flow from operating activities			
Profit for the period	0.8	2,5	5.4
Adjustments to the profit for the period	3.8	3,4	6.6
Change in working capital	-1.6	3,6	2.5
Interest paid and received	-0.5	-0,6	-1.1
Taxes paid	-1.3	-0,5	-1.3
Cash flow from operating activities	1.2	8,3	12.1
Cash flow from investment activities			
Acquisition of subsidiaries less cash and cash equivalents on the acquisition date	-2.0		-3.8
Investments in tangible and intangible assets	-0.3	-0.9	-1.6
Sales gains from business transactions			1.0
Cash flow from investment activities	-2.4	-0.9	-4.4
Cash flow from financing			
Changes in loans	3.7	-3,2	-7.0
Changes in equity	-4.7	-4,9	-4.9
Repayment of financial leasing liabilities	-1.7	-1,7	-3.3
Cash flow from financing	-2.7	-9,8	-15.2
Changes in cash and cash equivalents	-3.9	-2,4	-7.6
Impact of exchange rate changes on cash and cash equivalents	0.0	-0,1	-0.1
Cash and cash equivalents at the beginning of the period	5.7	13,3	13.3
Cash and cash equivalents at the end of the period	1.8	10,9	5.7

Key figures

EUR million	1-6/2016	1-6/2015	1-12/2015
Turnover (EUR million)	81.2	70.2	140.6
Operating profit (EUR million)	1.6	3.3	7.5
% of turnover	1.9	4.7	5.4
Profit before taxes (EUR million)	1.0	3.1	6.8
% of turnover	1.2	4.4	4.8
Profit for the period (EUR million)	0.8	2.5	5.4
% of turnover	1.0	3.5	3.8
Earnings per share, EUR	-1.2	3.1	7.39
Return on investment, %	3.7	8.0	8.8
Return on equity, %	2.9	9.7	10.1
Equity ratio, %	41.3	43.3	44.4
Net gearing, %	69.4	53.8	50.7
Interest-bearing net liabilities (EUR million)	34.9	27.1	27.8
Equity/share, EUR	80.9	84.3	89.0
Average number of employees	901	809	818
Number of shares	600,833	592,785	600,883

Changes in equity

EUR million	Share capital	Share premium account	Treasury shares	Transitions differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1 Jan 2015	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 income items									
Exchange rate differences caused by net investment in foreign subsidiaries				0.3			0.3		0.3
Net investment hedging				0.1			0.1		0.1
Other translation differences				0.1			0.1	0.0	0.2
Cash flow hedging					0.1		0.1		0.1
Other comprehensive income items for the period after taxes				0.5	0.1	0.0	0.6	0.0	0.6
Comprehensive income for the period				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 shares			-0.1				-0.1		-0.1
Management incentive scheme						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
EUR million	Share capital	Share premium account	Treasury shares	Transitions differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1 Jan 2016	0.3	13.3	-0.1	2.1	2.9	35.1	53.5	1.4	54.9
Profit/loss for the period						-0.7	-0.7	1.5	0.8
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0.4			-0.4		-0.4
Net investment hedging				-0.1			-0.1		-0.1
Other translation differences				-0.4		0.3	-0.2	0.0	-0.2
Cash flow hedging					0.1		0.1		0.1
Other comprehensive income items for the period after taxes	0.0	0.0	0.0	-1.0	0.0	0.3	-0.7	0.0	-0.7
Comprehensive income for the period				-1.0	0.0	-0.4	-1.4	1.5	0.1
Business operations with owners									
Distributed dividends						-3.5	-3.5	-1.1	-4.6
Acquisition of treasury shares			-0.1				-0.1		-0.1
Sale of shares							0.0		0.0
Total	0.0	0.0	-0.1	0.0	0.0	-3.6	-3.6	-1.1	-4.7
Differences caused by translation of financial statements						0.0	0.0	0.0	0.0
Equity on 30 June 2016	0.3	13.3	-0.1	1.1	2.9	31.1	48.5	1.8	50.3

Turnover by business segment

EUR million	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
IT Services	33.1	28.3	64.3	53.8	110.5
Financial Process Services	8.2	8.0	17.1	17.3	32.4
Eliminations and others	0.0	-0.5	-0.3	-0.9	-2.2
Group total	41.3	35.8	81.2	70.2	140.6

Operating profit by business segment

EUR million	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
IT Services	1.6	1.4	2.0	1.9	6.4
Financial Process Services	-0.1	0.4	-0.4	1.4	1.2
Group items and others	0.0	0.0	0.0	0.0	0.0
Group total	1.4	1.9	1.6	3.3	7.5

Changes in tangible fixed assets

EUR million	4-6/2016	4-6/2015	1-12/2015
Carrying amount at the beginning of the period	4.4	5.2	5.2
Increases	2.0	1.6	1.8
Decreases	-0.4	-0.1	-0.2
Depreciation and amortisation	-1.2	-1.2	-2.5
Carrying amount at the end of the period	4.7	5.4	4.4

Commitments and contingencies

EUR million	30 June 2016	30 June 2015	31 Dec 2015
Debts and their securities			
Loans from financial institutions	21.8	22.4	18.5
Business mortgage	0.0	11.4	0.0
Subsidiary shares	0.0	16.4	0.0
Derivative contracts			
Interest swaps			
Fair value	0.0	-0.2	-0.1
Rated value SEK (SEK 13,074,320)	0.0	2.8	1.4
Rated value EUR	5.4	6.3	5.9
Other liabilities			
Leasing liabilities	5.6	7.5	6.1
Other rental liabilities	8.3	6.0	7.3
Other contingent liabilities	0.0	0.0	0.0
Bank guarantees	0.3	0.3	0.2
Total other liabilities	14.2	13.8	13.7



Simpler, smoother, smarter business in the Digital Dimension

Enfo creates innovative digital solutions that develop, innovate and improve operations for our customers. With business awareness, technical expertise and proven work methods, we refine information flows and develop IT solutions so that our clients take the initiative in a digitalized world and are able to deliver results and experiences to their clients.

Enfo consists of 1,000 niched experts in Finland and Sweden. Turnover MEUR 140 (2015).

For more information visit enfogroup.com

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