

## Enfo Oyj's interim report 1/2011 (1 January – 31 March 2011)

### Key points of the interim report

- Turnover in January–March fell by 1.7% and stood at EUR 35.0 million (35.6).
- Operating profit (EBIT) in January–March amounted to EUR 1.6 million (2.4).
- Profit before taxes in January–March amounted to EUR 1.4 million (1.9).
- Earnings per share in January–March were EUR 1.79 (2.48).
- The twelve-month return on investment was 9.3% (13.0).
- In January–March, Enfo Group employed an average of 706 people (667). At the end of March, the Group employed a total of 715 people (656).
- Business cash flow in January–March stood at EUR -0.7 million (-0.2).
- If demand remains favourable, the company estimates that the Group's turnover in 2011 will increase slightly from the previous year. Because of efficiency measures planned to be carried out during the second quarter, operating profit is estimated to improve from 2010.

### Market

The future outlook of customer companies has stabilised within the company's main market area in Finland and Sweden, offering possibilities for IT services to grow. In 2011, the company estimates that the IT service market will grow by slightly less than 3% in Finland and more than 4% in Sweden. Price competition accelerated by the financial crisis has continued to be tough despite the recovery of demand.

### 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 3 February 2011, Enfo acquired all the shares in Swedish Enjoy IT Integration AB, a company specialised in system integration operations. Through the acquisition, 17 integration service experts were transferred to Enfo in Sweden.

### Business development

For Enfo's IT Services, the first three months of the year were challenging in Finland due to tough price competition in the market: demand was at a good level in the IT outsourcing market but strong price competition clearly reduced business growth and development. Companies are largely entering their IT agreements into bidding competitions and are willing to look for high-quality but highly cost-efficient IT services.

Enfo increased its market share in IT outsourcing services by signing new IT outsourcing service agreements with property investment company Technopolis Oyj, and building management and property service company Avara Management Oy. In consultation services, there was strong demand for development projects concerning Windows 7 and workstation environments: new major projects are being started and employment is at a high level.

In Information Logistics Services, business operations developed as planned, with demand for total services remaining at a good level. Electronic services are proceeding at an even pace. The operations of Information Logistics Services will strongly involve service development associated with a turning point in the energy industry, where emphasis will be placed on message transmission for electricity trading and reporting practices for statutory energy use, together with customers.

In Sweden, IT operations have advanced successfully and, in particular, there has been strong demand for integration services during the reporting period. Several projects are running and about to be started, which guarantees the favourable development of consultation services: demand is expected to grow in Sweden during the upcoming months. Current customers, such as Husqvarna AB, the Stockholm County Council and Getinge AB, a company specialised in healthcare products, expanded their service acquisitions. In addition to consultation services, Getinge AB acquired IT outsourcing and system integration services from Enfo.

On 28 March 2011, Enfo Oyj signed a business agreement with Relacom Finland Oy. According to the agreement, Enfo's local support and expert services were transferred to Relacom in Tampere, Turku and Lahti. Through the agreement, eight of Enfo's service employees were transferred to Relacom Finland Oy as established employees.

### Turnover

Enfo Group's turnover decreased by 1.7% in January–March and stood at EUR 35.0 million (35.6). The decrease in turnover was largely affected by decelerated sales in hardware and software. The decrease was evened out by the revival in the Swedish IT market.

#### *Development of turnover by reporting segment*

EUR million	1–3/2011	1–3/2010	1–12/2010
IT Services	27.0	27.9	105.8
Information Logistics Services	8.7	8.1	33.2

Turnover of the IT Services unit decreased by 3.4% in January–March, amounting to EUR 27.0 million (27.9). The decrease in turnover was affected by a decline in hardware and software sales in Finland. The decrease was evened out by the positive development of IT operations in Sweden.

Turnover of the Information Logistics Services unit increased in January–March to EUR 8.7 million (8.1), representing growth of 6.7%. The positive development in turnover was affected by good market demand for Information Logistics Services.

### Profitability

Enfo Group's profitability decreased in January–March, with operating profit totalling EUR 1.6 million, comprising 4.5% of turnover (EUR 2.4 million and 6.7%).

The Group's profit before taxes in January–March stood at EUR 1.4 million (1.9), comprising 4.1% of turnover (5.4%). The Group's net financing costs in January–March stood at EUR 0.2 million (0.5). The result in January–March was EUR 1.0 million (1.4), comprising 3.0% of turnover (3.9%). Earnings per share in January–March were EUR 1.83 (2.48).

*Development of operating profit by reporting segment*

EUR million	1–3/2011	1–3/2010	1–12/2010
IT Services	0.5	1.2	3.6
Information Logistics Services	1.2	1.2	5.1

The decrease in the operating profit of the Group and IT Services reflect the impact of the tough price competition in the Finnish IT service market, and the increase in personnel and other expenses. The operating profit of the Group and IT Services was also strained by the costs associated with the start-up of outsourcing operations in Sweden.

The operating profit of Information Logistics Services remained at the same level as in the same period last year. Information Logistics Services secured the good level of operating profit through good demand and effective functioning.

**Financing and investments**

Enfo's net financing investments in January–March stood at EUR 2.0 million (1.5). Investments consisted mainly of the acquisition of the new subsidiary and data centre hardware. The hardware was financed through financial leasing agreements.

The company's equity ratio was 42.9% (36.9) at the end of the period. Interest-bearing net liabilities at the end of March amounted to EUR 26.3 million (30.7), and net gearing was 61.0% (85.6).

**Personnel**

In January–March, Enfo Group employed an average of 706 people (667). At the end of March, the Group employed a total of 715 people (656).

Enfo's IT Services unit employed an average of 617 people (579) in January–March, while the Information Logistics Services unit employed an average of 72 people (74). Of Enfo's personnel, 367 (361) were employed in Finland and 339 (306) in Sweden.

On 10 February 2011, Enfo was selected as one of the best workplaces in Finland in the survey organised by Great Place to Work Institute Finland. Enfo was in 11th position on the list, and the fourth best IT workplace in the general series in Finland. In Sweden, Enfo went up to 7th position in the series of major corporations in the Great Place to Work list.

**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 in Unicus Oy; and Jorma Tammenaho, Senior Portfolio Manager of Ilmarinen Mutual Pension Insurance Company (until 24 March 2011). Timo Kärkkäinen, Senior Portfolio Manager of unlisted share investments in Ilmarinen Mutual Pension Insurance Company, started as a new member of Enfo Oyj's Board of Directors on 24 March 2011.

Enfo Group's Executive Management Team members are Managing Director Arto Herranen, Finance Director Kati Kokkonen (Finance and Communication), 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).

**Annual General Meeting 2011**

On 24 March 2011, Enfo Oyj's Annual General Meeting decided, in accordance with the Board of Directors' proposal, that a dividend of EUR 5.00 per each issued share be paid on the basis of the confirmed balance sheet for the financial period ending on 31 December 2010, i.e. a total of EUR 2,933,210.00. The dividend was paid on 15 April 2011.

According to the proposal of the Nomination Committee, the current members of the Board of Directors - Tapio Hakakari, Hannu Isotalo, Marja Liisa Kaario and Ossi Saksman - were elected as members of Enfo Oyj's Board of Directors. According to the Nomination Committee's proposal, Timo Kärkkäinen was elected as a new member of Enfo Oyj's Board of Directors. At the organisation meeting held after the Annual General Meeting, the Board of Directors elected Tapio Hakakari as the Chairman and Hannu Isotalo as the Deputy Chairman.

The Annual General Meeting authorised Enfo Oyj's Board of Directors to decide upon the acquisition of the company's shares using the company's unrestricted equity. The authorisation applies to the acquisition of a maximum of 10,000 shares at a minimum share price of EUR 1.00 and a maximum share price of EUR 120. The Board of Directors can decide upon the acquisition price and other acquisition terms.

The Annual General Meeting also authorised Enfo Oyj's Board of Directors to decide upon a rights issue. The authorisation applies to the assignment and/or issue of no more than 10,000 shares. Shares can be assigned when financing or completing any business acquisitions. Shares can be used as part of the company's salary and incentive scheme for the company's personnel and the personnel fund. The Board of Directors may decide upon the price and other terms of assignment. The Annual General Meeting authorised the Board of Directors to decide upon a rights issue concerning the issuance of a maximum of 113,500 shares at a minimum share subscription price of EUR 61.80 and a maximum share subscription price of EUR 76.60. Shares can be conveyed in order to obtain assets required in connection with a company or business acquisition.

**Shares**

On 31 March 2011, Enfo Oyj had a total of 586,720 shares. At the end of March, Enfo had a total of 108 shareholders. The company has one series of shares. Enfo owned 78 of its treasury shares at the end of March 2011.

As of the end of March 2011, 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, Kuopio Cooperative Bank, Hannu Isotalo Oy and Savon Voima Oyj. Osuuskunta KPY's share of ownership is 82.3%.

**Forecast for likely future development**

If demand remains favourable, the company estimates that the Group's turnover in 2011 will increase slightly from the previous year. Because of efficiency measures planned to be carried out during the second quarter, operating profit is estimated to improve from 2010.

**Risks and uncertainties**

Short-term risks and uncertainties are related to the maintenance of competitive prices in the highly competitive IT service market and any discontinuity factors caused by legal amendments in the Finnish information logistics market. In the long-term, the termination of the commitment arrangements for key individuals may expose the company to a key personnel risk, which is typical in the industry.

**Timetable for financial reporting in 2011**

The 2011 Q2 interim report will be published on 28 July 2011, and the Q3 interim report on 27 October 2011.

**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 off to the nearest million euros and may not add up to exact totals. The figures presented in the tables are unaudited.

<b>Consolidated income statement</b>			
EUR million	1–3/11	1–3/10	1–12/10
<b>Turnover</b>	35.0	35.6	137.6
Other operating income	0.0	0.0	0.0
Materials and services	-14.0	-16.3	-59.1
Employee benefit expenses	-14.4	-12.4	-50.8
Depreciation, amortisation and impairment	-1.1	-1.1	-4.7
Other operating expenses	-4.0	-3.4	-14.4
<b>Operating profit</b>	1.6	2.4	8.6
Financial income	0.2	0.1	1.0
Finance costs	-0.3	-0.5	-1.6
<b>Profit before taxes</b>	1.4	1.9	7.9
Income tax	-0.4	-0.5	-2.1
<b>Profit for the period</b>	1.0	1.4	5.8
Attributable to			
Equity-holders of the parent company	1.0	1.4	5.8
Earnings per share, basic and diluted, EUR	1.79	2.48	10.23

<b>Statement of comprehensive income</b>			
EUR million	1–3/11	1–3/10	1–12/10
<b>Profit for the period</b>	1.0	1.4	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	0.2	2.2	5.4
<b>Other comprehensive income for the period</b>	1.2	3.6	11.1
Attributable to			
Equity-holders of the parent company	1.2	3.6	11.2
Minority interests			

<b>Consolidated statement of financial position</b>			
EUR million	31 Mar. 2011	31 Mar. 2010	31 Dec. 2010
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	4.4	4.2	4.1
Goodwill	58.5	53.9	57.2
Other intangible assets	3.5	5.6	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	67.2	64.2	66.3

<b>Current assets</b>			
Inventories	0.4	0.2	0.5
Trade receivables	24.6	22.0	25.2
Other receivables	4.1	6.4	4.0
Available-for-sale investments	0.3	0.3	0.3
Cash and cash equivalents	4.2	5.8	8.1
Total current assets	33.5	34.7	38.2
<b>Total assets</b>	100.7	99.0	104.5
<b>Equity and liabilities</b>			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	1.6	0.2	1.6
Retained earnings	28.0	22.1	29.7
<b>Equity attributable to equity-holders of the parent company, total</b>	43.2	35.9	44.9
<b>Minority interest</b>	0.0	0.0	0.0
<b>Total equity</b>	43.2	35.9	44.9
<b>Non-current liabilities</b>			
Interest-bearing liabilities	25.9	29.9	27.6
Other liabilities	2.3	1.7	2.1
Non-current liabilities, total	28.1	31.5	29.8
<b>Current liabilities</b>			
Interest-bearing liabilities	5.0	6.9	4.8
Trade payables	6.0	6.4	6.3
Other liabilities	18.4	18.2	18.7
Current liabilities, total	29.4	31.5	29.8
<b>Total liabilities</b>	57.5	63.0	59.6
<b>Total equity and liabilities</b>	100.7	99.0	104.5

<b>Condensed statement of cash flows</b>	1–3/11	1–3/10	1–12/10
EUR million			
<b>Cash flow from operating activities</b>			
Profit for the period	1.0	1.4	5.8
Adjustments to the profit for the period	1.6	2.1	7.4
Change in working capital	-2.1	-2.9	3.2
Interest paid and received	-0.4	-0.5	-1.2
Taxes paid	-1.0	-0.3	-5.6
<b>Cash flow from operating activities</b>	<b>-0.7</b>	<b>-0.2</b>	<b>9.6</b>

<b>Cash flow from investment activities</b>			
Investments in tangible and intangible assets	-0.8	-1.5	-3.3
Investments in subsidiaries	-0.8	0.0	0.0
Changes in other investments	0.0	0.0	0.0
<b>Cash flow from investment activities</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-3.3</b>
<b>Cash flow from financing</b>			
Changes in loans	-1.6	-5.5	-9.9
Changes in equity	0.0	0.0	-1.2
<b>Cash flow from financing</b>	<b>-1.6</b>	<b>-5.5</b>	<b>-11.0</b>
<b>Changes in cash and cash equivalents</b>	<b>-4.0</b>	<b>-7.2</b>	<b>-4.8</b>
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	4.2	5.8	8.1

<b>Key figures</b>	1–3/11	1–3/10	1–12/10
Turnover (EUR million)	35.0	35.6	137.6
Operating profit (EUR million)	1.6	2.4	8.6
% of turnover	4.5	6.7	6.3
Profit before taxes (EUR million)	1.4	1.9	7.9
% of turnover	4.1	5.4	5.8
Profit for the period (EUR million)	1.0	1.4	5.8
% of turnover	3.0	3.9	4.2
Earnings per share, EUR	1.79	2.48	10.23
Return on investment, %	9.3	13.0	12.4
Return on equity, %	9.5	15.8	14.5
Equity ratio, %	43.5	36.9	43.6
Net gearing, %	61.0	85.6	53.4
Interest-bearing net debt (EUR million)	26.3	30.7	24.0
Equity/share, EUR	73.6	63.7	76.6
Average number of employees	706	667	681
Number of shares	586,720	564,256	586,720

<b>Consolidated statement of changes in equity</b>	Share capital	Share premium reserve	Reserve for invested non-restricted equity	Retained earnings	Total equity
Equity on 1 Jan. 2010	0.3	13.3	0.2	21.1	34.9
Items related to owners				-2.5	-2.5
Comprehensive income				3.6	3.6
Equity on 31 Mar. 2010	0.3	13.3	0.2	22.1	35.9
Equity on 1 Jan. 2011	0.3	13.3	1.6	29.7	44.9
Items related to owners				-2.9	2.9
Comprehensive income				1.2	1.2
Equity on 31 Mar. 2011	0.3	13.3	1.6	28.0	43.2

<b>Turnover by business segment</b>	1-3/11	1-3/10	1-12/10
EUR million			
IT Services	27.0	27.9	105.8
Information Logistics Services	8.7	8.1	33.2
Eliminations and others	-0.7	-0.4	-1.4
Group total	35.0	35.6	137.6

<b>Operating profit by business segment</b>	1-3/11	1-3/10	1-12/10
EUR million			
IT Services	0.5	1.2	3.6
Information Logistics Services	1.2	1.2	5.1
Group items and others	-0.1	0.0	-0.1
Group total	1.6	2.4	8.6

<b>Changes in tangible fixed assets</b>	1-3/11	1-3/10	1-12/10
EUR million			
Carrying amount at the beginning of the period	4.1	3.4	3.4
Increases	0.8	1.3	2.7
Decreases	0.0	0.0	-0.2
Depreciation and amortisation	-0.5	-0.4	-1.8
Exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	4.4	4.2	4.1

<b>Commitments and contingencies</b>	1–3/11	1–3/10	1–12/10
EUR million			
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	27.8	31.5	29.7
Mortgage amount	11.4	11.4	11.4
Subsidiary shares	14.8	14.8	14.8
<i>Other liabilities</i>			
Leasing liabilities	3.7	2.5	4.9
Other rental liabilities	12.7	7.6	13.0
Other contingent liabilities	0.1	0.1	0.1
Total other liabilities	16.5	10.2	18.0

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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 700 top experts ensure that Enfo's customers get the best out of their IT. Enfo's annual turnover is nearly EUR 140 million. For further information about Enfo, please visit [www.enfo.fi](http://www.enfo.fi) and [www.enfo.se](http://www.enfo.se).

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