

Enfo Oyj's interim report 2/2010 (1 January–30 June 2010)**Key points of the interim report**

- Turnover in April–June increased by 2.6% and stood at EUR 35.3 million (34.3). In January–June, turnover rose by 0.8% to EUR 70.9 million (70.4).
- Operating profit (EBIT) in April–June was up by 41.6%, totalling EUR 2.4 million (1.7). In January–June, operating profit amounted to EUR 4.8 million (2.9).
- Profit before taxes in April–June stood at EUR 2.7 million (1.2). In January–June, profit before taxes was EUR 4.6 million (1.6).
- Earnings per share in April–June were EUR 3.48 (1.58) and in January–June EUR 5.96 (2.14).
- The twelve-month return on investment was 14.3% (7.8).
- In January–June, the Group employed an average of 669 people (682). At the end of June, the Group employed a total of 690 people (682).
- In January–June, cash flow from operating activities totalled 1.5 million (3.1).
- As the company's emphasis has shifted more strongly to continuous IT services, the turnover of hardware and software sales will fall in Finland, but owing to the adjustment measures carried out, profitability is expected to increase from the previous year.

Market

Despite the weak first quarter, economic growth is expected to pick up in Finland by the end of the year. The Swedish economy has recovered from the recession clearly faster than the Finnish one. IT projects were postponed and cancelled due to the recession, but an increasing number of new projects are being launched in 2010. The company estimates the Finnish IT service market to grow by some 2% in 2010 compared with the previous year. Market growth in Sweden is expected to be slightly faster especially due to growth in the outsourcing market.

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.

Business development

The IT service market has developed favourably, and market demand has taken a positive turn in view of Enfo's IT Services. In the reporting period, IT Services signed a major customer contract with the Helsinki Regional Transport Authority (HSL) concerning IT services for the Travel Card system. The contract is valued at over EUR 7 million and covers production operations, supervision, as well as software and hardware maintenance. A new customer contract was also signed, among others, with Sponda Plc, which specialises in property investment. IT expert services are in strong demand for Windows 7 projects.

The demand for information logistics services grew steeply in the reporting period. Electronic services have grown strongly, and the interest in electronic invoicing services has remained good. New customer contracts were signed, for example, with Oy Vendor Ab and Satapirkan Sähkö Oy. Changes involving the VAT tax rate

of invoices as well as SEPA (Single Euro Payments Area) reforms kept Information Logistics Services busy in the second quarter.

In Sweden, the demand for Enfo's IT business picked up despite tough market competition and price pressure. IT outsourcing has got off to a good start in the country, and Enfo Sweden won its first major outsourcing contract in the reporting period. The large-scale project carried out for the City of Stockholm has employed experts in the Swedish unit, and Windows 7 modifications are now implemented at a monthly rate of 6,000 workstations.

Turnover

The Enfo Group's turnover in April–June increased by 2.6% and stood at EUR 35.3 million (34.4). Consolidated turnover increased by 0.8% in January–June, totalling EUR 70.9 million (70.4). The Group's turnover grew thanks to the positive development seen in Information Logistics Services and to the good demand for IT services in Sweden. Turnover growth was slowed down especially by the focus of Finnish operations shifting strongly from software and hardware sales to continuous IT services.

Development of turnover by reporting segment

EUR million	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009
IT Services	27.6	27.4	55.5	56.3	112.8
Information Logistics Services	8.1	7.4	16.2	15.1	29.9

The turnover of Enfo's IT Services increased by 0.7% in April–June and stood at EUR 27.6 million (27.4). In January–June, the turnover of IT Services decreased by 1.6% to EUR 55.5 million (56.3) as a result of the company's emphasis in Finland shifting from hardware and software sales to continuous services.

The turnover of Information Logistics Services grew strongly in April–June and amounted to EUR 8.1 million (7.4). This signalled a growth of 8.6%. In January–June, turnover increased by 7.6% and stood at EUR 16.2 million (15.1). Good market demand for electronic and printing services contributed to the positive development in turnover.

Profitability

Enfo Group's operating profit increased by 41.6% in April–June and stood at EUR 2.4 million, representing 6.9% of turnover (EUR 1.7 million and 5.0%). Profitability improved notably in January–June compared with the same period last year. The Group's operating profit in January–June amounted to EUR 4.8 million, comprising 6.8% of turnover (EUR 2.9 million and 4.2%). The improvement in profitability was driven by the solid performance development seen in Information Logistics Services and the revival of the Swedish IT market.

The Group's profit before taxes in April–June stood at EUR 2.7 million, comprising 7.6% of turnover (EUR 1.2 million and 3.6%). In January–June, profit before taxes amounted to EUR 4.6 million (1.6), comprising 6.5% of turnover (2.3%). The Group's net finance costs stood at EUR -0.2 million (0.5) in April–June and EUR 0.2 million (1.3) in January–June. Finance income in April–June included a non-recurring item of EUR 0.5 million related to a financial liability measurement. The result in April–June was EUR 2.0 million (0.9). In January–June, the result was EUR 3.4 million, comprising 4.7% of turnover (EUR 1.2 million and 1.7%). Earnings per share in April–June were EUR 3.48 (1.58), and in January–June EUR 5.96 (2.14).

Development of operating profit by reporting segment

EUR million	4-6/2010	4-6/2009	1-6/2010	1-6/2009	1-12/2009
IT Services	1.3	0.8	2.5	1.0	2.9
Information Logistics Services	1.2	1.0	2.4	2.0	4.1

Enfo IT Services' operating profit increased clearly from the same period last year. Growth in operating profit has been boosted by the demand for IT services picking up in Sweden and by the focus of operations in Finland shifting from hardware and software sales to continuous services.

The profitability of Information Logistics Services improved notably year-over-year. The demand for electronic services has been excellent and continues to grow.

Financing and investments

Enfo's net investments stood at EUR 0.5 million (0.2) in April–June and EUR 2.0 million (0.8) in January–June. The company's equity ratio was 39.9% (31.7%) at the end of June. At the end of June, interest-bearing net liabilities amounted to EUR 31.6 million (32.4) and net gearing was 81.2% (105.6%).

Personnel

In January–June, the Group employed an average of 669 people (682). At the end of June, the Group employed a total of 690 people (682).

Enfo's IT Services unit employed an average of 582 people (584) in January–June, while the Information Logistics Services unit employed an average of 72 people (84). Of Enfo's personnel, 357 (420) were employed in Finland and 312 (262) in Sweden.

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; Jorma Tammenaho, Senior Portfolio Manager of Ilmarinen Mutual Pension Insurance Company; and Marja Liisa Kaario, partner in Unicus Oy.

The Enfo Group Management Team includes Arto Herranen, Managing Director; Kati Kokkonen, Finance Director; Maria Lundell, HR Director; Pertti Silén, Development Director; Osmo Wilska, Director of Finnish Operations; and Johan de Verdier, Director of Swedish Operations.

Shares

On 30 June 2010, Enfo Oyj had a total of 564,256 shares. At the end of June, the company had a total of 95 shareholders. The company has one series of shares and owned 78 of its treasury shares at the end of June 2010.

As of the end of June, 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 Vidgren Oy, Keski-suomalainen Oyj, Kuopio Cooperative Bank, Hannu Isotalo Oy and Savon Voima Oyj. Osuuskunta KPY's share of ownership is 85.5%.

Forecast for likely future development

As the company's emphasis has shifted more strongly to continuous IT services, the turnover of hardware and software sales will fall in Finland, but owing to the adjustment measures carried out, profitability is expected to increase from the previous year.

Risks and uncertainties

Short-term risks and uncertainties are related to the preservation of a good invoicing rate in Sweden after big consultation projects are wrapped up at the end of the year and to the maintenance of price competitiveness in the highly competitive Finnish outsourcing market. In the long-term, the termination of the commitment arrangements for key personnel in the Swedish operations may expose the company to a key personnel risk, which is typical in the industry.

Events after the reporting period

Enfo Oyj has offered a share issue to Enfo Oyj's Personnel Fund HR as part of the company's incentive scheme. Enfo Oyj's Personnel Fund HR has subscribed for 4,300 of Enfo Oyj's shares at a price of EUR 61.8 per share in all at a price of EUR 265,912 on 9 July 2010. The price per share is equivalent to company's equity/share value on 31 December 2009.

Timetable for financial reporting in 2010

The Q3 interim report will be released on 28 October 2010.

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 Financial Statements. At the beginning of 2010, the company adopted new standards and interpretations related to financial statements, but their adoption does not have any significant impact on the company's financial statements. 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.

Consolidated income statement					
EUR million	4-6/10	4-6/09	1-6/10	1-6/09	1-12/09
Turnover	35.3	34.4	70.9	70.4	140.8
Other operating income	0.1	0.0	0.1	0.0	0.1
Materials and services	-14.9	-17.2	-31.2	-35.8	-70.4
Employee benefit expenses	-13.2	-11.2	-25.6	-23.1	-45.9
Depreciation, amortisation and impairment	-1.1	-1.3	-2.2	-2.5	-5.2
Other operating expenses	-3.7	-3.0	-7.1	-6.0	-12.3
Operating profit	2.4	1.7	4.8	2.9	7.0
Finance income	0.5	0.0	0.6	0.0	0.3
Finance costs	-0.3	-0.5	-0.8	-1.3	-2.2
Profit before taxes	2.7	1.2	4.6	1.6	5.0
Income tax	-0.7	-0.3	-1.2	-0.4	-1.5
Profit for the period	2.0	0.9	3.4	1.2	3.5
Attributable to					
Equity-holders of the parent company	2.0	0.9	3.4	1.2	3.5
Minority interests	0.0	0.0	0.0	0.0	0.0
Earnings per share, basic and diluted, EUR	3.48	1.58	5.96	2.14	6.29

Statement of comprehensive income			
EUR million	1-6/10	1-6/09	1-12/09
Profit for the period	3.4	1.2	3.5
Translation difference	2.9	0.1	2.1
Other comprehensive income for the period	6.2	1.3	5.6
Attributable to			
Equity-holders of the parent company	6.2	1.3	5.6
Minority interests	0.0	0.0	0.0

Consolidated statement of financial position			
EUR million	30.6.10	30.6.09	31.12.09
Assets			
Non-current assets			
Tangible assets	4.2	3.7	3.4
Goodwill	54.7	49.8	51.8
Other intangible assets	5.0	7.0	5.7
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.4	0.9	0.4
Non-current assets, total	64.6	61.6	61.5

Current assets			
Inventories	0.3	0.6	0.4
Trade receivables	24.1	21.4	25.3
Other receivables	6.4	3.7	4.5
Available-for-sale investments	0.3	0.2	0.3
Cash and cash equivalents	3.4	11.2	12.9
Total current assets	34.4	37.1	43.5
Total assets	99.0	98.7	105.0
Equity and liabilities			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	0.5	0.2	0.2
Retained earnings	24.8	16.9	21.1
Equity attributable to equity-holders of the parent company, total	38.9	30.7	34.9
Minority interest	0.0	0.0	0.0
Total equity	38.9	30.7	34.9
Non-current liabilities			
Interest-bearing liabilities	30.1	39.8	35.8
Other liabilities	1.5	2.1	1.7
Non-current liabilities, total	31.6	41.9	37.6
Current liabilities			
Interest-bearing liabilities	5.2	4.0	6.4
Trade payables	5.9	7.8	10.2
Other liabilities	17.2	14.3	15.9
Current liabilities, total	28.4	26.1	32.5
Total liabilities	60.0	68.0	70.1
Total equity and liabilities	99.0	98.7	105.0

Condensed statement of cash flows	1-6/10	1-6/09	1-12/09
EUR million			
Cash flow from operating activities			
Profit for the period	3.4	1.2	3.5
Adjustments to the profit for the period	3.7	4.3	8.6
Change in working capital	-3.6	0.2	-1.4
Interest paid and received	-0.5	-1.1	-1.6
Taxes paid	-1.4	-1.5	-2.4
Cash flow from operating activities	1.5	3.1	6.8

Cash flow from investing activities			
Investments in tangible and intangible assets	-2.0	-0.8	-1.4
Changes in other investments	0.0	0.0	0.0
Cash flow from investing activities	-2.0	-0.8	-1.4
Cash flow from financing activities			
Changes in loans	-6.8	-8.0	-9.3
Changes in equity	-2.2	-0.5	-0.5
Cash flow from financing activities	-9.1	-8.5	-9.8
Changes in cash and cash equivalents	-9.5	-6.2	-4.4
Cash and cash equivalents at the beginning of the period	12.9	17.4	17.4
Cash and cash equivalents at the end of the period	3.4	11.2	12.9

Key ratios	1-6/10	1-6/09	1-12/09
Turnover (EUR million)	70.9	70.4	140.8
Operating profit (EUR million)	4.8	2.9	7.0
% of turnover	6.8	4.2	5.0
Profit before taxes (EUR million)	4.6	1.6	5.0
% of turnover	6.5	2.3	3.6
Profit for the period (EUR million)	3.4	1.2	3.5
% of turnover	4.7	1.7	2.5
Earnings per share, EUR	5.96	2.14	6.29
Return on investment, %	14.3	7.8	9.3
Return on equity, %	18.2	8.0	11.0
Equity ratio, %	39.9	31.7	33.7
Net gearing, %	81.2	105.6	83.3
Interest-bearing net debt (EUR million)	31.6	32.4	29.1
Equity/share, EUR	69.0	54.7	61.8
Average number of employees	669	682	685
Number of shares	564 256	561 256	564 256

Consolidated statement of changes in equity	Share capital	Share premium reserve	Reserve for invested non-restricted equity	Retained earnings	Total
Equity on 1 Jan. 2009	0.3	13.3	0.0	16.0	29.7
Items related to owners			0.2	-0.6	-0.4
Comprehensive income				1.3	1.3
Equity on 30 June 2009	0.3	13.3	0.2	16.9	30.7
Equity on 1 Jan. 2010	0.3	13.3	0.2	21.1	34.9
Items related to owners			0.3	-2.5	-2.2
Comprehensive income				6.2	6.2
Equity on 30 June 2010	0.3	13.3	0.5	24.8	38.9

Turnover by business segment	4-6/10	4-6/09	1-6/10	1-6/09	1-12/09
EUR million					
IT Services	27.6	27.4	55.5	56.3	112.8
Information Logistics Services	8.1	7.4	16.2	15.1	29.9
Eliminations and others	-0.4	-0.5	-0.8	-1.0	-2.0
Group total	35.3	34.4	70.9	70.4	140.8

Operating profit by business segment	4-6/10	4-6/09	1-6/10	1-6/09	1-12/09
EUR million					
IT Services	1.3	0.8	2.5	1.0	2.9
Information Logistics Services	1.2	1.0	2.4	2.0	4.1
Group items and others	0.0	-0.1	-0.1	-0.1	0.0
Group total	2.4	1.7	4.8	2.9	7.0

Changes in tangible fixed assets	1-6/10	1-6/09	1-12/09
EUR million			
Carrying amount at the beginning of the period	3.4	4.2	4.2
Increases	1.7	0.4	0.9
Decreases	0.0	0.0	0.0
Depreciation and amortisation	-0.9	-0.9	-1.8
Carrying amount at the end of the period	4.2	3.7	3.4

Commitments and contingencies	30.6.10	30.6.09	31.12.09
EUR million			
Liabilities with business mortgage as security			
Loans from financial institutions	31.5	40.3	38.4
Mortgage amount	11.4	11.4	11.4
<i>Other liabilities</i>			
Leasing liabilities	2.8	2.1	3.2
Other rental liabilities	7.0	10.1	8.7
Other contingent liabilities	0.1	0.1	0.1
Total other liabilities	9.9	12.3	12.0

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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 most out of their IT. Enfo's annual turnover is more than EUR 140 million. For further information about Enfo, please visit www.enfo.fi and www.enfo.se.

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