

Enfo Oyj's Interim Report 2/2013 (1 January – 30 June 2013)

Key points of the interim report

- Turnover in April–June increased by 8.9% and stood at EUR 40.5 million (37.2). In January–June, turnover rose by 5.0% to EUR 78.0 million (74.3).
- Operating profit (EBIT) in April–June was up by 5.0%, totalling EUR 2.3 million (2.2). In January–June, operating profit increased by 9.1% and amounted to EUR 5.2 million (4.8).
- Profit before taxes in April–June amounted to EUR 1.7 million (2.0). In January–June, profit before taxes increased by 10.4% and stood at EUR 4.5 million (4.1).
- Earnings per share in April–June were EUR 1.33 (1.97). In January–June, earnings per share were EUR 4.22 (4.02).
- The twelve-month return on investment was 13.6% (12.0%).
- In January–June, Enfo Group employed an average of 792 people (771). At the end of June, the Group employed a total of 794 people (785).
- In January–June, cash flow from operating activities totalled EUR 3.8 million (2.1).
- The company estimates that the Group's turnover and operating profit will reach the previous year's level in the third quarter of 2013.

Market

Macroeconomic uncertainty is affecting customers' decision-making processes within the company's main market areas in Finland and Sweden, and reducing demand for the company's consulting services.

The company estimates the IT service market to grow by 2% in Finland and Sweden in 2013.

Group structure

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

Business development

The general economic uncertainty and caution employed by customers have caused demand to fluctuate in the IT market from Enfo's point of view. In Sweden, there is less demand for Consulting Services in infrastructure projects, whereas demand for integration projects is at a good level. In Finland, there is good demand for properly productised and cost-efficient IT services in Outsourcing Services. Competition over prices remained fierce in all of the Group's business operations.

However, Enfo has succeeded in signing new IT services agreements in Finland with Lassila & Tikanoja Oyj, a company that specialises in environmental management and support services for properties and facilities. In addition, Etteplan Oyj, a company specialising in the design of industrial equipment and offering solutions and services for technical product information, signed a three-year extension agreement with Enfo on its IT services in the Nordic countries. The IT Services unit has been busy with major projects related to the activation of VR's IT services. In Sweden, Outsourcing Services have continued to standardise their service production processes with Finnish Outsourcing Services. Outsourcing service agreements have been signed with Volvo Finance in Sweden.

In Industry Verticals, an agreement was signed with VR on the delivery of ticket sales machines for railbuses. There has been strong demand for unified communications services, with the eHaukka solution, designed for multi-channel incident management and communication, raising much interest.

Consulting Services have proceeded slowly in infrastructure consulting in Sweden, where the fierce price competition has decreased profitability. New consulting projects have been launched with Skandinaviska Enskilda Banken and telecommunications provider Tele2 AB. In the current uncertain economic situation, customers have aimed to produce rapid savings and efficiency-improving solutions through system integration projects. Enfo has delivered solutions to Xylem Sverige, a company which specialises in water technology, and AMF Pensionförsäkring AB, a pension insurance company. There has been steady demand for SAP consulting services.

The Information Logistics Services unit has proceeded as planned during the reporting period. In particular, process consulting for financial administration has grown strongly during the review period. In addition, demand for sales and purchase invoice services has developed positively within the energy and water sectors, as well as in information and communications. New agreements have been signed with Kymen Vesi Oy, Hyvinkään Lämpövoima Oy and Salon Puhelin Oy.

Turnover

Enfo Group's turnover in April–June increased by 8.9% to EUR 40.5 million (37.2). In January–June, turnover increased by 5.0% to EUR 78.0 million (74.3) The Group's turnover was increased by strong demand for Outsourcing Services in the IT market. The growth was also strengthened by positive development in Information Logistics Services.

Development of turnover by reporting segment

EUR million	4–6/2013	4–6/2012	1–6/2013	1–6/2012	1–12/2012
IT Services	31.4	29.5	59.1	58.4	111.8
Information Logistics Services	9.5	8.4	19.6	17.1	35.4

The turnover of Enfo's IT Services increased by 6.3% in April–June and stood at EUR 31.4 million (29.5). In January–June, the turnover of IT Services increased by 1.1% and stood at EUR 59.1 million (58.4). The growth in turnover shows the success of Outsourcing Services in the Finnish and Swedish IT markets. The development of turnover was hindered by the fierce price competition in Consulting Services in Sweden.

The turnover of Information Logistics Services in April–June increased by 13.0% and stood at EUR 9.5 million (8.4). In January–June, the turnover of Information Logistics Services increased to EUR 19.6 million (17.1), showing growth of 14.0%. The growth in turnover is based on the success of automatic meter reading (AMM) projects and the positive development in demand for consulting services in information logistics.

Profitability

Enfo Group's operating profit in April–June stood at EUR 2.3 million (2.2), comprising 5.8% of turnover (6.0%). The Group's operating profit in January–June amounted to EUR 5.2 million (4.8), comprising 6.7% of turnover (6.4%). Operating profit improved in January–June by 9.1% compared with the same period last year. The positive development in profitability shows the success of Outsourcing Services in the Finnish and Swedish markets. The increase in profitability was hindered by the fierce price competition in the Swedish IT market.

The Group's profit before taxes in April–June stood at EUR 1.7 million (2.0), comprising 4.2% of turnover (5.4%). In January–June, profit before taxes amounted to EUR 4.5 million (4.1), comprising 5.8% of turnover

(5.5%). The Group's net financial costs in April–June stood at EUR -0.6 million (-0.2), and EUR -0.7 million (-0.7) in January–June. The result in April–June was EUR 1.3 million (1.5), representing 3.2% of turnover (4.0%). In January–June, the result was EUR 3.4 million (3.1), comprising 4.4% of turnover (4.1%). Earnings per share in April–June were EUR 1.33 (1.97). In January–June, earnings per share were EUR 4.22 (4.02).

Development of operating profit by reporting segment

EUR million	4–6/2013	4–6/2012	1–6/2013	1–6/2012	1–12/2012
IT Services	1.5	1.3	3.3	2.8	3,2
Information Logistics Services	0.8	1.0	1.9	2.2	4,7

The good result of IT Services was boosted by good demand for Outsourcing Services in Finland and the operations of Swedish Outsourcing Services, which proceeded better than expected.

The operating profit of Information Logistics Services decreased compared with the same period last year. This was affected by the fierce price competition in the information logistics service market.

Financing and investments

Enfo's net investments stood at EUR 1.0 million (1.0) in April–June, and EUR 1.6 million (1.6) in January–June. Investments consisted mainly of data centre equipment acquired through financial leasing agreements, expenses allocated to the MyEnfo service management system, and the acquisition of videoconferencing equipment for Enfo's meeting rooms.

The company's equity ratio was 42.7% (43.3%) at the end of the period. Interest-bearing net liabilities at the end of June amounted to EUR 31.0 million (30.8), and net gearing was 63.8% (64.0%).

Personnel

In January–June, Enfo Group employed an average of 792 people (771). At the end of June, the Group employed a total of 794 people (785).

Enfo's IT Services unit employed an average of 688 people (683) in January–June, while the Information Logistics Services unit employed an average of 81 people (72). Of Enfo's personnel, 348 (330) were employed in Finland and 444 (441) in Sweden during the review period.

Board of Directors and management

The Chairman of the Board of Directors of Enfo Oyj 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; Mammu Kaario, Investment Director at Korona Invest Oy; Timo Kärkkäinen, Senior Portfolio Manager of Ilmarinen Mutual Pension Insurance Company; and Soili Mäkinen, CIO at Cargotec Oyj.

Enfo Group's management team members were: CEO Arto Herranen, CFO Tero Kosunen (finance and communications), Senior Vice President Maria Lundell (HR), Executive Vice President Nina Annala (Industry Verticals), Executive Vice President Osmo Wilska (Outsourcing Services), Managing Director Tero Saksman (Enfo Zender), Executive Vice President Lars Aabol (Consulting Services), Managing Director Fredrik Bergman (Enfo Systems), Managing Director Peter Lörincz (Enfo Zipper), Business Unit Director Johan Wilhelmsson (Outsourcing Sweden), and Marketing Director Adam Ritzén.

Shares



On 30 June 2013, Enfo Oyj had a total of 589,120 shares. At the end of June, the company had a total of 104 shareholders. The company has one series of shares. Enfo owns 5,152 of its treasury shares.

At the end of June 2013, the ten largest shareholders in the company were: Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Enfo Oyj's Personnel Fund HR, Enfo Oyj, Einari Vidgrén Oy, Keski-suomalainen Oyj, Pohjois-Savon Osuuspankki, Hannu Isotalo Oy, Savon Voima Oyj and Kallax Oy.

Osuuskunta KPY increased its holding of Enfo Oyj in June 2013. Osuuskunta KPY acquired a total of four percentage points more of Enfo Oyj's shares from Pohjola Vakuutus Oy and Suomi Mutual Life Assurance Company (Suomi Mutual). After the transaction at the end of June 2013, Osuuskunta KPY held 86.0% of Enfo Oyj's shares.

Forecast for likely future development

The company estimates the Group's turnover and operating profit to reach the previous year's level in the third quarter of 2013.

Risks and uncertainties

Short-term risks and uncertainties are associated with maintaining competitive prices and the demand for consultancy services in the highly competitive IT services market.

Timetable for financial reporting in 2013

The 2013 Q3 interim report will be published on 24 October 2013.

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 2012 financial statements. The figures in the tables have been rounded to the nearest million euro and may not add up to exact totals. The figures presented in the tables are unaudited.

Consolidated income statement					
EUR million	4-6/13	4-6/12	1-6/13	1-6/12	1-12/12
Turnover	40.5	37.2	78.0	74.3	145.2
Other operating income	0.0	0.0	0.0	0.1	0.2
Materials and services	-14.8	-12.5	-26.9	-24.7	-49.2
Employee benefit expenses	-17.7	-16.8	-35.0	-33.6	-65.9
Depreciation, amortization and impairment	-0.9	-1.1	-2.0	-2.3	-4.6
Other operating expenses	-4.8	-4.6	-9.0	-9.1	-17.8
Operating profit	2.3	2.2	5.2	4.8	7.9
Financial income	0.1	0.2	0.4	0.2	0.8
Finance expenses	-0.8	-0.4	-1.1	-0.9	-2.0
Profit before taxes	1.7	2.0	4.5	4.1	6.7
Income tax	-0.4	-0.5	-1.1	-1.0	-2.3
Profit for the period	1.3	1.5	3.4	3.1	4.4
Attributable to					
Equity holders of the parent company	0.8	1.2	2.5	2.4	3.0
Non-controlling interests	0.5	0.3	1.0	0.7	1.4
Earnings per share, EUR	1.33	1.97	4.22	4.02	5.16

Statement of comprehensive income			
EUR million	1-6/13	1-6/12	1-12/12
Profit for the period	3.4	3.1	4.4
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	-0.4	0.2	0.6
Hedging for net investment in foreign subsidiaries	0.0	0.0	0.0
Other translation differences	-0.3	0.2	0.0
Cash flow hedging	0.2	-0.1	-0.5
Other comprehensive income items	0.0	0.0	-0.5
Taxes associated with other comprehensive income items	-0.1	0.0	0.1
Other comprehensive income for the period	3.0	3.4	4.2
Attributable to			
Equity holders of the parent company	2.0	2.7	2.8
Non-controlling interests	1.0	0.7	1.4

Consolidated statement of financial position			
EUR million	30.6.13	30.6.12	31.12.12
Assets			
Non-current assets			
Tangible assets	4.8	5.5	4.9
Goodwill	64.0	64.0	65.2
Other intangible assets	3.6	3.3	3.7
Available-for-sale investments	0.2	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.6	0.5	0.5
Total non-current assets	73.3	73.6	74.4
Current assets			
Inventories	0.3	0.5	0.3
Trade receivables	31.6	27.0	30.7
Other receivables	2.7	2.9	2.6
Tax assets based on the period's taxable income	3.9	3.5	1.9
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	3.3	4.8	3.5
Total current assets	41.7	38.6	39.0
Total assets	115.0	112.1	113.5
Equity and liabilities			
Equity			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	1.2	4.2	1.5
Retained earnings	32.9	29.6	31.7
Equity attributable to equity holders of the parent company total	47.7	47.4	46.7
Non-controlling interests	1.0	0.7	1.4
Total equity	48.7	48.1	48.1
Non-current liabilities			
Interest-bearing liabilities	20.9	26.2	23.8
Other liabilities	1.6	1.4	1.8
Deferred tax liabilities	0.9	1.5	0.7
Non-current liabilities, total	23.5	29.1	26.4
Current liabilities			
Interest-bearing liabilities	13.4	9.4	10.7
Trade payables	9.1	7.0	8.3
Other liabilities	20.4	18.6	19.9
Current liabilities, total	42.9	35.0	39.0
Total liabilities	66.3	64.1	65.3
Total equity and liabilities	115.0	112.1	113.5

Condensed statement of cash flows	1-6/13	1-6/12	1-12/12
EUR million			
Cash flow from operating activities			
Profit for the period	3.4	3.1	4.4
Adjustments to the profit for the period	3.6	4.0	8.5
Change in working capital	-0.1	-0.9	0.8
Interest paid and received	-0.5	-1.0	-1.7
Taxes paid	-2.6	-3.0	-5.6
Cash flow from operating activities	3.8	2.1	6.3
Cash flow from investment activities			
Investments in tangible and intangible assets	-0.7	-0.7	-1.5
Changes in other investments	0.0	0.0	
Cash flow from investment activities	-0.7	-0.7	-1.5
Cash flow from financing			
Changes in loans	0.2	-0.5	-2.7
Changes in equity	-2.4	-1.0	-2.9
Repayment of financial leasing liabilities	-1.0	-1.0	-1.9
Cash flow from financing	-3.3	-2.6	-7.5
Changes in cash and cash equivalents	-0.2	-1.2	-2.6
Impact of exchange rate changes in cash and cash equivalents	0.0	0.0	0.1
Cash and cash equivalents at the beginning of the period	3.5	6.0	6.0
Cash and cash equivalents at the end of the period	3.3	4.8	3.5

Key figures	1-6/13	1-6/12	1-12/12
Turnover (EUR million)	78.0	74.3	145.2
Operating profit (EUR million)	5.2	4.8	7.9
% of turnover	6.7	6.4	5.5
Profit before taxes (EUR million)	4.5	4.1	6.7
% of turnover	5.8	5.5	4.6
Profit for the period (EUR million)	3.4	3.1	4.4
% of turnover	4.4	4.1	3.0
Earnings per share, EUR	4.22	4.02	5.16
Return on investment, %	13.6	12.0	10.6
Return on equity, %	14.3	13.0	9.3
Equity ratio, %	42.7	43.3	42.7
Net gearing, %	63.8	64.0	64.6
Interest-bearing net debt (EUR million)	31.0	30.8	31.1
Equity/share, EUR	81.7	80.4	79.9
Average number of employees	792	771	778
Number of shares	589 120	589 120	589 120

Consolidated statement of changes in equity	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve	Retained earnings	Total equity	Non-controlling interest	Total equity
Equity on 1 Jan. 2012	0.3	13.3	-0.1	2.1	1.8	28.2	45.7	0.4	46.2
Comprehensive income									
Other comprehensive income items									
Profit/loss for the period						2.4	2.4	0.7	3.1
Exchange rate differences caused by net net investments in foreign subsidiaries				0.2			0.2		0.2
Other translation differences				0.2			0.3		0.3
Cash flow hedging					-0.1		-0.1		-0.1
Other comprehensive income item for the period after taxes	0.0	0.0	0.0	0.4	-0.1	2.4	2.7	0.7	3.4
Business operations with owners									
Distributed dividends						-1.0	-1.0	-0.4	-1.4
Total						-1.0	-1.0	-0.4	-1.5
Equity on 30 June 2012	0.3	13.3	-0.1	2.6	1.7	29.6	47.4	0.7	48.1

Consolidated statement of changes in equity	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve	Retained earnings	Total equity	Non-controlling interest	Total equity
Equity on 1 Jan. 2013	0.3	13.3	-0.4	3.7	1.5	28.4	46.7	1.4	48.1
Comprehensive income									
Other comprehensive income items									
Profit/loss for the period						2.5	2.5	1.0	3.4
Available-for-sale investments					0.0		0.0		0.0
Exchange rate differences caused by net net investments in foreign subsidiaries				-0.4			-0.4		-0.4
Net investment hedging				0.0			0.0		0.0
Other translation differences				-0.2			-0.2	0.0	-0.3
Cash flow hedging					0.2		0.2		0.2
Taxes associated with other comprehensive income items					0.0		0.0		0.0
Other comprehensive income item for the period after taxes				-0.6	0.2	2.5	2.0	1.0	3.0
Business operations with owners									
Distributed dividends						-1.0	-1.0	-1.4	-2.4
Total						-1.0	-1.0	-1.4	-2.4
Equity on 30 June 2013	0.3	13.3	-0.4	3.1	1.6	29.8	47.7	1.0	48.7

Turnover by business segment	4-6/13	4-6/12	1-6/13	1-6/12	1-12/12
EUR million					
IT Services	31.4	29.5	59.1	58.4	111.8
Information Logistics Services	9.5	8.4	19.6	17.1	35.4
Eliminations and others	-0.4	-0.7	-0.6	-1.2	-1.9
Group total	40.5	37.2	78.0	74.3	145.2

Operating profit by business segment	4-6/13	4-6/12	1-6/13	1-6/12	1-12/12
EUR million					
IT Services	1.5	1.3	3.3	2.8	3.2
Information Logistics Services	0.8	1.0	1.9	2.2	4.7
Group items and others	0.0	-0.1	0.0	-0.2	0.0
Group total	2.3	2.2	5.2	4.8	7.9

Changes in tangible fixed assets	1-6/13	1-6/12	1-12/12
EUR million			
Carrying amount at the beginning of the period	4.9	5.2	5.2
Increases	1.2	1.4	2.9
Decreases	-0.2	0.0	-1.0
Depreciation and amortization	-1.1	-1.2	-2.3
Exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	4.8	5.4	4.9

Commitments and contingencies	30.6.2013	30.6.2012	31.12.2012
EUR million			
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	29.9	31.9	30.1
Business mortgage	11.4	11.4	11.4
Subsidiary shares	16.4	14.8	16.4
<i>Derivative contracts</i>			
Interest swaps			
Current values	-0.3	-0.4	-0.5
Rated value SEK (91.520.240 SEK)	9.0	11.9	10.7
Rated value EUR	8.1	9.0	8.6
<i>Other liabilities</i>			
Leasing liabilities	7.5	4.8	6.1
Other rental liabilities	7.0	10.9	8.3
Other contingent liabilities	0.3	0.2	0.1
Other liabilities total	14.8	15.9	14.5



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Enfo is a Nordic IT company, offering IT outsourcing, business process outsourcing, and niche IT consulting designed to help our customers in Sweden, Norway, Denmark, Finland, to focus on their core business. With almost 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 more than EUR 140 million. For further information about Enfo, please visit www.enfo.fi and www.enfo.se

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