

Enfo Oyj's interim report 1/2014 (1 January – 31 March 2014)

Key points of the interim report

- Turnover in January–March fell by 1.2% and stood at EUR 37.1 million (37.5).
- Operating profit (EBIT) increased in January–March by 15.0% and stood at EUR 3.3 million (2.9).
- Profit before taxes in January–March amounted to EUR 3.0 million (2.8).
- Earnings per share in January–March were EUR 3.24 (2.89).
- The twelve-month return on investment was 16.0% (15.1).
- In January–March, Enfo Group employed an average of 754 people (792). At the end of March, the Group employed a total of 752 people (788).
- Cash flow from operating activities in January–March totalled EUR 3.2 million (2.6).
- Short-term risks are associated with maintaining competitive prices in the highly competitive IT services market. In IT Services, delays in start-up projects in Outsourcing Services may cause the invoicing of continuous services to be transferred to the next financial period.

Market

There were no significant changes in the market situation during the first quarter. Of the company's main market areas, Sweden is expected to show stronger signs of economic growth than Finland. Competition over prices will continue to be fierce in all of the company's operating areas.

In 2014, the company estimates that IT service market growth is 2-3% in Finland and Sweden.

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 Financial Process Services.

Business development

IT Services

There was good demand for Enfo's IT Services during the first quarter. In Finland, Enfo signed IT service agreements with Pharmadata Oy, a company owned by the Association of Finnish Pharmacies. The company is responsible for the data system services of nearly 500 pharmacies. Pharmadata selected Enfo as its IT partner to deliver critical IT services to Pharmadata and its customer under a three-year service agreement. In addition, Enfo won a bidding process for an IT service agreement on the IT infrastructure management of Kemijoki Oy, a company specialised in hydropower. Enfo will be responsible for tasks related to Kemijoki Oy's IT infrastructure, such as server and workstation management and local support. Integrating Industry Verticals as part of Outsourcing Services succeeded as planned. A good example is the IT service agreement signed with Mainio Vire Oy, a company producing social and care services, where basic IT services are supplemented by a wide variety of communication solutions.

In Sweden, Outsourcing Services have proceeded favourably on the IT market. Mölnlycke Health Care, the world's leading supplier of disposable operating room and wound care products, signed a three-year IT service

agreement with Enfo in Sweden. The agreement covers workstation services, monitoring and management services for networks, servers and central infrastructure applications, and level 2 Service Desk support. The agreement makes Enfo a strategically important IT partner for the global operations of Mölnlycke Health Care because Enfo will deliver IT services to all of the group's 4,000 workstation users all around the world. The agreement signed with Mölnlycke Health Care is one of the most extensive IT service agreements signed by Enfo in Sweden.

Price competition on the Swedish IT market continues to be fierce, particularly in consultancy projects, with companies launching bidding processes in order to save costs. Due to the efficiency measures carried out in 2013, the profitability outlook on infrastructure consulting in Enfo's Consulting Services has become clearly more positive despite the price competition. Demand for system integrations and SAP consulting has increased steadily. Business Intelligence products have also been in good demand, with several new agreements being signed, for example, with Bisnoden, Mercedes Benz, international English schools and Opus Bilprovning.

Financial Process Services

Outsourcing service operations for Financial Process Services took a long leap forward as Enfo Zender concluded a business transaction with the energy group Pohjolan Voima Oy concerning a financial administration service centre. Through the transaction, Enfo Zender will produce external accounting services for Pohjolan Voima. According to the agreement, 12 employees from the financial administration service centre of Pohjolan Voima will be transferred to Enfo Zender as established employees. In Financial Process Services, there has been particularly good demand for process consulting, with many financial administration identification projects being launched during the reporting period. The demand is expected to increase further.

In e-invoicing services, the adoption of e-invoicing by companies has accelerated due to the discontinuation of the national direct debiting system. As a result, the volumes of e-invoices have shown a strong increase.

Turnover

Enfo Group's turnover decreased by 1.2% in January–March and stood at EUR 37.1 million (37.5). The decrease in Group's turnover shows the end of automatic meter management (AMM) projects in Financial Process Services in Finland. The decrease was decelerated by the positive development of outsourcing service operations in IT Services in Finland and Sweden.

Development of turnover by reporting segment

EUR million	1–3/2014	1–3/2013	1–12/2013
IT Services	27.9	27.7	113.0
Financial Process Services	9.6	10.1	38.9

The turnover of Enfo's IT Services increased by 0.8% in January–March and stood at EUR 27.9 million (27.7). The increase in turnover is based on stronger demand for Outsourcing Services in Finland and Sweden. The growth was decelerated by the poor increase in demand for infrastructure consulting in Sweden.

The turnover of Financial Process Services fell in January–March to EUR 9.6 million (10.1), showing a decrease of 5.3%. The decrease in turnover was affected by the end of automatic meter management (AMM) projects. The decrease was decelerated by stronger demand for e-invoicing and growth in volumes.

Profitability

Enfo Group's profitability improved in January–March, with operating profit totalling EUR 3.3 million, comprising 8.9% of turnover (2.9 and 7.6%). The increase in profitability reflects the strong progress of Outsourcing Services

in Finland and Sweden. Profitability was also strengthened by the increased demand for electronic services offered by Financial Process Services.

The Group's profit before taxes in January–March stood at EUR 3.0 million (2.8), comprising 8.0% of turnover (7.5%). The Group's net financing costs in January–March were EUR -0.3 million (0.0). The result in January–March was EUR 2.4 million (2.1), comprising 6.4% of turnover (5.7%). Earnings per share in January–March were EUR 3.24 (2.89).

Development of operating profit by reporting segment

EUR million	1–3/2014	1–3/2013	1–12/2013
IT Services	2.1	1.8	7.0
Financial Process Services	1.2	1.1	4.3

The increase in the operating profit of IT Services was affected by the good progress of outsourcing operations, particularly in Finland. The increase also shows the success of efficiency measures carried out in infrastructure consulting in Sweden.

The operating profit of Financial Process Services improved slightly from the previous year. The operating profit was affected by the growth in the volumes of electronic services and expanded customer agreements.

Financing and investments

Enfo's net investments in January–March stood at EUR 1.4 million (0.6). Investments consisted of data centre hardware purchased through a financial leasing agreement and development costs arising from Financial Process Services operations.

The company's equity ratio was 45.4% (44.0) at the end of the review period. Interest-bearing net liabilities at the end of March amounted to EUR 26.6 million (29.4), and net gearing was 52.5% (58.7).

Personnel

In January–March, Enfo Group employed an average of 754 people (792). At the end of March, the Group employed a total of 752 people (788).

Enfo's IT Services employed an average of 634 people (689) in January–March, while Financial Process Services employed an average of 95 people (80). Of Enfo's personnel, 359 (346) were employed in Finland and 395 (446) in Sweden during the review period.

On 14 February 2014, Enfo Oyj was yet again selected as one of the best workplaces in Finland in the survey organised by the Great Place to Work Institute Finland. This year, Enfo came 15th in the general series. In Sweden, the results were released on 28 March 2014, and Enfo was 3rd 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 (until 19 March 2014), Chairman of the Board of Directors of Osuuskunta KPY; Mammu Kaario, Investment Director at Korona Invest Oy; Timo Kärkkäinen, Senior Portfolio Manager of Capital Investments at Ilmarinen Mutual Pension Insurance Company; and Soili Mäkinen, CIO at Cargotec Corporation. Lauri Kerman, CEO of Osuuskunta KPY, started as a new member of the Board of Directors on 19 March 2014.

Annual General Meeting 2014

Enfo Oyj's Annual General Meeting, which was held on 19 March 2014, decided, in accordance with the Board of Directors' proposal, that a dividend of EUR 5.40 per each issued share be paid on the basis of the confirmed balance sheet for the financial period ending on 31 December 2013, i.e., a total of EUR 3,185,038.80. The dividend will be paid to shareholders who are recorded in the company's list of shareholders maintained by Euroclear Finland Oy on the record date for the dividend payment, 24 March 2014. The dividend will be paid on 30 May 2014.

According to the proposal of the Nomination Committee, the current members of the Board of Directors – Tapio Hakakari, Hannu Isotalo, Mammu Kaario, Timo Kärkkäinen and Soili Mäkinen – were elected as members of Enfo Oyj's Board of Directors. According to the proposal of the Nomination Committee, Lauri Kerman was elected as a new member of Enfo Oyj's Board of Directors. Currently, Lauri Kerman is the CEO of Osuuskunta KPY, Enfo Oyj's parent company. 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 also authorised Enfo Oyj's Board of Directors to decide upon the issuance of new shares through a rights issue. The authorisation concerns the issuance of a maximum of 113,500 shares. Shares can be conveyed in order to obtain assets required in connection with a company or business acquisition. The Board of Directors decides on the subscription price and other terms and conditions of the share issue.

In addition, the Annual General Meeting authorised the Board of Directors to decide on conveying new or treasury shares through a directed rights issue. The authorisation applies to the assignment and/or issue of no more than 10,000 shares. Shares can also be conveyed and/or issued in order to finance or complete any business transactions, or as part of the company's salary and incentive scheme for the company's personnel and the personnel fund. The Board of Directors decides on the subscription price and other terms and conditions of the share issue.

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 shares can be purchased for use as consideration when the company acquires assets for its business operations, for any business acquisitions, as part of the company's salary or incentive system, or in order to fulfil the company's share repurchase commitments and for cancellation. The Board of Directors can decide upon the acquisition price and other acquisition terms. The authorisations are valid until the end of the next Annual General Meeting.

Shares

On 31 March 2014, Enfo Oyj had a total of 590,833 shares. At the end of the period, the company had a total of 112 shareholders. The company has one series of shares. Enfo owned 1,011 of its treasury shares at the end of March 2014.

At the end of March 2014, 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 86.3%.

Forecast for likely future development

The company estimates that the turnover of the IT Services segment will decrease slightly in 2014 compared with the previous year. However, turnover is expected to grow as a consequence of efficiency measures carried out in Consulting Services in Sweden.



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The turnover of the Group's Financial Process Services segment is estimated to fall from the previous year due to the end of AMM projects. Furthermore, operating profit is expected to decrease due to investments in new services and the fierce competition over prices.

The company estimates that Group's turnover will decrease slightly in 2014. However, operating profit is expected to improve from the year before.

Risks and uncertainties

Short-term risks are associated with maintaining competitive prices in the highly competitive IT services market. In IT Services, delays in start-up projects in Outsourcing Services may cause the invoicing of continuous services to be transferred over to the next financial period.

Timetable for financial reporting in 2014

The 2014 Q2 interim report will be published on 21 August 2014, and the Q3 interim report on 30 October 2014.

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 2013 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	1-3/14	1-3/13	1-12/13
Turnover	37.1	37.5	150.9
Other operating income	0.0	0.0	0.0
Materials and services	-12.0	-12.1	-52.7
Employee benefit expenses	-16.1	-17.2	-65.0
Depreciation and amortisation	-1.0	-1.1	-4.1
Other operating expenses	-4.6	-4.2	-18.0
Operating profit	3.3	2.9	11.2
Financial income	0.0	0.3	0.7
Financial expenses	-0.4	-0.3	-2.0
Profit before taxes	3.0	2.8	10.0
Income tax	-0.6	-0.7	-2.4
Profit for the period	2.4	2.1	7.6
Attributable to			
Equity holders of the parent company	1.9	1.7	6.2
Non-controlling interests	0.5	0.5	1.3
Earnings per share, EUR	3.24	2.89	10.69

Statement of comprehensive income			
EUR million	1-3/14	1-3/13	1-12/13
Profit for the period	2.4	2.1	7.6
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	0.5	-0.6
Hedging for net investments in foreign subsidiaries	0.0	-0.1	0.0
Other translation differences	-0.1	0.4	-0.4
Cash flow hedging	0.0	0.1	0.2
Other comprehensive income items	0.0	0.0	0.0
Taxes associated with other comprehensive income items	0.0	0.0	-0.1
Other comprehensive income for the period	2.1	3.0	6.8
Attributable to			
Equity holders of the parent company	1.6	2.6	5.5
Non-controlling interests	0.5	0.4	1.3

Consolidated statement of financial position			
EUR million	31.3.2014	31.3.2013	31.12.2013
Assets			
Non-current assets			
Tangible assets	5.4	4.5	5.3
Goodwill	63.1	66.6	63.6
Other intangible assets	4.3	3.7	4.1
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.3	0.5	0.6
Total non-current assets	73.4	75.5	73.8
Current assets			
Inventories	0.3	0.4	0.3
Trade receivables	26.0	27.6	28.1
Other receivables	3.1	3.3	2.6
Tax assets based on the period's taxable income	3.6	3.0	2.7
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	5.8	4.9	4.2
Total current assets	38.8	39.2	37.9
Total assets	112.2	114.7	111.7
Equity and liabilities			
Equity			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	1.8	1.5	1.8
Retained earnings	33.5	33.1	35.1
Equity attributable to equity holders of the parent company, total	48.9	48.2	50.5
Non-controlling interests	1.7	1.9	1.3
Total equity	50.6	50.1	51.7
Non-current liabilities			
Interest-bearing liabilities	18.4	23.6	18.8
Other liabilities	0.5	2.0	0.5
Deferred tax liabilities	0.4	0.8	0.4
Non-current liabilities, total	19.3	26.3	19.7
Current liabilities			
Interest-bearing liabilities	13.9	10.7	13.8
Trade payables	6.9	6.8	7.9
Other liabilities	21.5	20.7	18.5
Current liabilities, total	42.3	38.3	40.3
Total liabilities	61.6	64.6	60.0
Total equity and liabilities	112.2	114.7	111.7

Condensed statement of cash flows	1-3/14	1-3/13	1-12/13
EUR million			
Cash flow from operating activities			
Profit for the period	2.4	2.1	7.6
Adjustments to the profit for the period	2.0	1.9	7.4
Change in working capital	0.1	0.5	2.0
Interest paid and received	-0.2	-0.2	-1.1
Taxes paid	-1.1	-1.6	-5.0
Cash flow from operating activities	3.2	2.6	10.9
Cash flow from investment activities			
Investments in tangible and intangible assets	-0.4	-0.4	-1.4
Cash flow from investment activities	-0.4	-0.4	-1.4
Cash flow from financing			
Changes in loans	-0.4	-0.4	-2.5
Changes in equity	0.0	0.0	-3.9
Repayment of financial leasing liabilities	-0.7	-0.5	-2.4
Cash flow from financing	-1.1	-0.9	-8.8
Changes in cash and cash equivalents	1.6	1.3	0.7
Impact of exchange rate changes in cash and cash equivalents	-0.1	0.0	0.0
Cash and cash equivalents at the beginning of the period	4.2	3.5	3.5
Cash and cash equivalents at the end of the period	5.8	4.9	4.2

Key figures	1-3/14	1-3/13	1-12/13
Turnover (EUR million)	37.1	37.5	150.9
Operating profit (EUR million)	3.3	2.9	11.2
% of turnover	8.9	7.6	7.5
Profit before taxes (EUR million)	3.0	2.8	10.0
% of turnover	8.0	7.5	6.6
Profit for the period (EUR million)	2.4	2.1	7.6
% of turnover	6.4	5.7	5.0
Earnings per share, EUR	3.24	2.89	10.69
Return on investment, %	16.0	15.1	14.3
Return on equity, %	18.5	17.4	15.2
Equity ratio, %	45.4	44.0	46.6
Net gearing, %	52.5	58.7	54.8
Interest-bearing net debt (EUR million)	26.6	29.4	28.4
Equity/share, EUR	82.9	82.6	86.5
Average number of employees	754	792	784
Number of shares	590,833	589,120	590,833

Consolidated statement of changes in equity	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve	Retained earnings	Total equity	Non-controlling interests	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
Profit/loss for the period						1.7	1.7	0.5	2.1
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investments in foreign subsidiaries				0.5			0.5		0.5
Net investment hedging				-0.1			-0.1		-0.1
Other translation differences				0.4			0.4		0.4
Cash flow hedging					0.1		0.1		0.1
Other comprehensive income items for the period after taxes				0.8	0.1		0.9		0.9
Other comprehensive income for the period				0.8	0.1	1.7	2.5	0.5	3.0
Business operations with owners									
Distributed dividends						-1.0	-1.0		-1.0
Total						-1.0	-1.0		-1.0
Equity on 31 March 2013	0.3	13.3	-0.4	4.4	1.5	29.1	48.2	1.9	50.1

Consolidated statement of changes in equity	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve	Retained earnings	Total equity	Non-controlling interests	Total equity
Equity on 1 January 2014	0.3	13.3	-0.1	2.8	1.8	32.3	50.5	1.3	51.7
Profit/loss for the period						1.9	1.9	0.5	2.4
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investments in foreign subsidiaries				-0.2			-0.2		-0.2
Other translation differences				-0.1			-0.1		-0.1
Other comprehensive income items for the period after taxes				-0.3			-0.3		-0.3
Other comprehensive income for the period				-0.3		1.9	1.6	0.5	2.1
Business operations with owners									
Distributed dividends						-3.2	-3.2		-3.2
Total						-3.2	-3.2		-3.2
Equity on 31 March 2014	0.3	13.3	-0.1	2.6	1.8	31.1	48.9	1.7	50.6

Turnover by business segment	1-3/14	1-3/13	1-12/13
EUR million			
IT Services	27.9	27.7	113.0
Financial Process Services	9.6	10.1	38.9
Eliminations and others	-0.4	-0.2	-1.0
Group total	37.1	37.5	150.9

Operating profit by business segment	1-3/14	1-3/13	1-12/13
EUR million			
IT Services	2.1	1.8	7.0
Financial Process Services	1.2	1.1	4.3
Eliminations and others	0.0	0.0	0.0
Group total	3.3	2.9	11.2

Changes in tangible fixed assets	1-3/14	1-3/13	1-12/13
EUR million			
Carrying amount at the beginning of the period	5.3	4.9	4.9
Increases	0.8	0.4	3.5
Decreases	0.0	-0.1	-0.5
Depreciation and amortisation	-0.6	-0.7	-2.5
Exchange rate differences	0.0	0.0	-0.1
Carrying amount at the end of the period	5.4	4.5	5.3

Commitments and contingencies	31 March 2014	31 March 2013	31 December 2013
EUR million			
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	26.5	30.2	27.0
Business mortgage	11.4	11.4	11.4
Subsidiary shares	16.4	16.4	16.4
<i>Derivative contracts</i>			
Interest swaps			
Current value	-0.3	-0.4	-0.3
Rated value SEK (SEK 65,371,600)	7.3	11.0	7.4
Rated value EUR	7.7	8.6	7.7
<i>Other liabilities</i>			
Leasing liabilities	6.5	5.2	7.2
Other rental liabilities	9.2	8.1	10.2
Other contingent liabilities	0.3	0.1	0.3
Total other liabilities	16.0	13.4	17.7



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Enfo Oyj

Interim Report 30 April 2014 at 9:00 a.m.

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Enfo is a Nordic IT service company which offers IT outsourcing, financial process services and IT consulting services for our customers in Finland, Sweden, Norway and Denmark so that our customers can focus on their key 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 150 million. For further information about Enfo, please visit www.enfo.fi and www.enfo.se

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