

Enfo Oyj's interim report 2/2014 (1 January – 30 June 2014)

Key points of the interim report

- Turnover in April–June fell by 11.6% and stood at EUR 35.8 million (40.5). Turnover for January–June fell by 6.6% to EUR 72.9 million (78.0).
- In spite of the decrease in turnover, operating profit (EBIT) increased in April–June by 4.2% to EUR 2.4 million (2.3). Operating profit for January–June increased by 10.2% to EUR 5.7 million (5.2).
- Profit before taxes in April–June stood at EUR 1.8 million (1.7). In January–June, profit before taxes increased by 5.5% and stood at EUR 4.8 million (4.5).
- Earnings per share in April–June were EUR 1.62 (1.33). In January–June, earnings per share were EUR 4.86 (4.22).
- The twelve-month return on investment was 12.9% (13.6).
- In January–June, Enfo Group employed an average of 757 people (792). At the end of June, the Group had a total of 762 employees (794).
- In January–June, cash flow from operating activities totalled EUR 6.6 million (3.8).
- 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.

Market

The crisis in Ukraine weakened the economic outlook in the eurozone, and particularly in Finland, during the second quarter. Sweden also experienced weaker than expected economic growth during the second quarter. Intensive price competition will continue in all of the company's operating areas.

In 2014, the company estimates that the IT service market will grow by 2–3% in Finland and Sweden.

Group'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.

Business development

IT Services

Despite the uncertainty in the general economic situation, there were no significant changes in the Nordic IT services market during the period under review. There is demand for well productized and cost-efficient IT services. The sales cycle is somewhat longer than expected, particularly in more extensive cases of outsourcing IT services. During the period under review, Enfo concluded new service agreements in Finland with several parties, including Kemijoki Oy. Kemijoki Oy chose Enfo as its supplier of IT services, and the agreement includes basic IT services, such as server and workstation management, as well as on-site support for three years. The Central Administration of the Evangelical Lutheran Church of Finland also chose Enfo as their IT partner for the Church's Central Fund and as a producer of capacity services. The agreement includes capacity services for the Central Administration and through that, for all the Church's parishes in Finland. The objective of this cooperation is to improve the efficiency of the Church's IT operations. The agreement includes data centre, capacity and archiving services for various functions, including the keeping of parish registers.

Enfo has markedly improved the efficiency and automation of its service production during the past year, and data centre services have also been concentrated, particularly at centres located in Kuopio. In Sweden, Enfo concluded an extensive IT service agreement with FOREX Bank, the largest Nordic company specialising in currency exchange operations. The agreement is one of the largest Enfo has ever signed in the Nordic Countries.

In spite of intense price competition in Sweden, infrastructure consulting has developed positively, thanks to the enhancement actions taken. Self-service products in particular have generated a lot of interest in the market. In integration consulting, resources have been invested in service productization to allow more flexible responses to customers' needs. SAP consulting services have made steady progress. In Business Intelligence services, existing customers such as COOP and British American Tobacco have initiated new projects, and demand has been good. Other new agreements signed by Consulting Services include those concluded with Saab AB, Gunnebo Nordic AB and Brightstar 20:20 Mobile Norden, Ambea AB and the municipality of Värmdö.

Financial Process Services

Financial Process Services have made good progress. The business has developed in line with expectations, and particularly the demand for information logistics services has been favourable. The total volume of e-invoicing has grown well. New service agreements have been signed with, among others, Keva (a company handling earnings-related pension services for public entities such as municipalities), HSS Media Group (specialists in media services) and Svea Perintä Oy (a company providing debt collection services). In addition, there has been demand for extensions to automatic meter management (AMM) services. The development was enhanced by financial management outsourcing projects, and demand has been particularly brisk in the market for process consultation.

Turnover

Enfo Group's turnover decreased by 11.6% in April–June and stood at EUR 35.8 million (40.5). In January–June, turnover fell by 6.6% and stood at EUR 72.9 million (78.0). The decrease in Group turnover reflects the downscaling of the infrastructure consulting business in Sweden and the decline of hardware and software sales in Finland. In addition, the decrease in turnover was affected by the end of automatic meter management (AMM) projects.

Development of turnover by reporting segment

EUR million	4–6/2014	4–6/2013	1–6/2014	1–6/2013	1–12/2013
IT Services	27.1	31.4	55.0	59.1	113.0
Financial Process Services	9.1	9.5	18.7	19.6	38.9

The turnover of the IT Services unit decreased by 13.7% in January–June and was EUR 27.1 million (31.4). In January–June, the turnover of IT Services decreased by 6.9% and stood at EUR 55.0 million (59.1). The decrease in turnover was particularly affected by the downscaling of the infrastructure consulting business in Sweden and the decline of hardware and software sales in Finland. The decrease also reflects the expenditure in the growth and development of Outsourcing Services in Sweden and the modest progress made in integration consulting.

The turnover of Financial Process Services fell by 3.8% in April–June to EUR 9.1 million (9.5). In January–June, the turnover of Financial Process Services decreased to EUR 18.7 million (19.6). The decrease was 4.6%. The decrease in turnover was due to the ending of automatic meter management (AMM) projects. The decrease was mitigated by the growth in invoicing services and the good progress made in financial management outsourcing services.

Profitability

Enfo Group's operating profit increased by 4.2% in April–June and stood at EUR 2.4 million, representing 6.8% of turnover (EUR 2.3 million and 5.8%). The Group's operating profit in January–June amounted to EUR 5.7 million, or 7.9% of turnover (EUR 5.2 million and 6.7%). In January–June, operating profit increased by 10.2% compared with the same period last year. The positive development in profitability was affected by the growth of Outsourcing Services in Finland and the efficiency measures regarding infrastructure consulting in Sweden, as well as the good progress made in SAP consulting in Sweden.

The Group's profit before taxes in April–June stood at EUR 1.8 million, representing 5.1% of turnover (1.7 and 4.2%). In January–June, profit before taxes amounted to EUR 4.8 million (4.5), or 6.6% of turnover (5.8%). The Group's net financial expenses in April–June stood at EUR -0.6 million (-0.6) and EUR -0.9 million (-0.7) in January–June. The result for April–June was EUR 1.4 million, or 4.0% of turnover (EUR 1.3 million and 3.2%). In January–June, the result was EUR 3.8 million, representing 5.2% of turnover (EUR 3.4 million and 4.4%). Earnings per share in April–June were EUR 1.62 (1.33). In January–June, earnings per share were EUR 4.86 (4.22).

Development of operating profit by reporting segment

EUR million	4–6/2014	4–6/2013	1–6/2014	1–6/2013	1–12/2013
IT Services	1.6	1.5	3.7	3.3	7.0
Financial Process Services	0.8	0.8	2.0	1.9	4.3

The result of IT Services was boosted by the growth of Outsourcing Services in Finland and the efficiency measures regarding infrastructure consulting in Sweden, as well as the good progress made in SAP consulting in Sweden. Profitability was weakened by the growth investments made in Sweden in integration consulting and outsourcing.

Thanks to increases in volumes, operating profit of Financial Process Services remained at the same level as in the corresponding period last year.

Financing and investments

Enfo's net investments stood at EUR 2.5 million (1.0) in April–June and EUR 3.9 million (1.6) in January–June. The investments were mainly attributable to data centre hardware acquired with financial leasing agreements.

The company's equity ratio was 42.0% (42.7) at the end of the period. At the end of June, interest-bearing net liabilities amounted to EUR 29.6 million (31.0) and net gearing was 59.3% (63.8%).

In June 2014, Enfo Oyj participated in a EUR 70 million multi-issuer bond guaranteed by Garantia Insurance Company with a share of EUR 10 million. The multi-issuer bond has a maturity of five years. The loan will allow Enfo to diversify its financing structure.

Personnel

In January–June, Enfo Group employed an average of 757 people (792). At the end of June, the Group had a total of 762 employees (794).

Enfo's IT Services unit employed an average of 632 people (688) in January–June, while the Financial Process Services unit employed an average of 101 people (81). Of Enfo's personnel, 365 (348) were stationed in Finland and 392 (444) 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; Mammu Kaario, investment director at Korona Invest Oy; Timo Kärkkäinen, senior portfolio manager at Ilmarinen Mutual Pension Insurance Company; Soili Mäkinen, CIO at Cargotec Corporation; and Lauri Kerman, Chairman of the Board of Directors of Osuuskunta KPY.

Enfo Group's Management Team members were CEO Arto Herranen, CFO Tero Kosunen (Finance, Communications and IT), Senior Vice President Maria Lundell (HR), Executive Vice President Nina Annala (Outsourcing Services), Executive Vice President Osmo Wilska (Outsourcing Services), Managing Director Tero Saksman (Enfo Zender), Executive Vice President Lars Aabol (Consultancy Services), Managing Director Fredrik Bergman (Enfo Zsystems), Managing Director Erik Brügge (Enfo Zipper), and Marketing Director Adam Ritzén.

Shares

On 30 June 2014, Enfo Oyj had a total of 590,833 shares. At the end of June, Enfo had a total of 112 shareholders. The company has one series of shares. Enfo held 1,011 treasury shares at the end of June 2014.

At the end of June 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, Keski-suomalainen 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 in 2014 compared with the previous year. However, operating profit is expected to grow as a consequence of efficiency measures carried out in consultancy operations in Sweden.

The turnover of the Group's Financial Process Services reporting 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 consolidated turnover will decrease 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 to the next financial period.

Timetable for financial reporting in 2014

The 2014 Q3 interim report will be published 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 euros and may not add up to exact totals. The figures presented in the tables are unaudited.

Consolidated income statement					
EUR million	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
Turnover	35.8	40.5	72.9	78.0	150.9
Other operating income	0.0	0.0	0.1	0.0	0.0
Materials and services	-11.5	-14.8	-23.5	-26.9	-52.7
Employee benefit expenses	-16.1	-17.7	-32.2	-35.0	-65.0
Depreciation and amortisation	-1.1	-0.9	-2.1	-2.0	-4.1
Other operating expenses	-4.7	-4.8	-9.4	-9.0	-18.0
Operating profit	2.4	2.3	5.7	5.2	11.2
Financial income	0.1	0.1	0.1	0.4	0.7
Financial expenses	-0.7	-0.8	-1.1	-1.1	-2.0
Profit before taxes	1.8	1.7	4.8	4.5	10.0
Income tax	-0.4	-0.4	-1.0	-1.1	-2.4
Profit for the period	1.4	1.3	3.8	3.4	7.6
Attributable to					
Equity holders of the parent company	1.0	0.8	2.9	2.5	6.2
Non-controlling interests	0.5	0.5	0.9	0.9	1.3
Earnings per share, EUR	1.62	1.33	4.86	4.22	10.69

Statement of comprehensive income			
EUR million	1-6/14	1-6/13	1-12/13
Profit for the period	3.8	3.4	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	-0.6	-0.4	-0.6
Hedging for net investments in foreign subsidiaries	0.0	0.0	0.0
Other translation differences	-0.5	-0.3	-0.4
Cash flow hedging	0.0	0.2	0.2
Other comprehensive income items	0.0	0.0	0.0
Taxes associated with other comprehensive income items	-0.1	-0.1	-0.1
Other comprehensive income for the period	2.7	3.0	6.8
Attributable to			
Equity holders of the parent company	1.8	2.0	5.5
Non-controlling interests	0.9	1.0	1.3

Consolidated statement of financial position			
EUR million	30 June 2014	30 June 2013	31 December 2013
Assets			
Non-current assets			
Tangible assets	5.3	4.8	5.3
Goodwill	61.9	64.0	63.6
Other intangible assets	5.7	3.6	4.1
Available-for-sale investments	0.1	0.2	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.4	0.6	0.6
Total non-current assets	73.5	73.3	73.8
Current assets			
Inventories	0.3	0.3	0.3
Trade receivables	25.2	31.6	28.1
Other receivables	3.0	2.7	2.6
Tax assets based on the period's taxable income	4.2	3.9	2.7
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	13.4	3.3	4.2
Total current assets	46.1	41.7	37.9
Total assets	119.7	115.0	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	1.7	1.2	1.8
Retained earnings	33.8	32.9	35.1
Equity attributable to equity holders of the parent company, total	49.1	47.7	50.5
Non-controlling interests	0.9	1.0	1.3
Total equity	50.0	48.7	51.7
Non-current liabilities			
Interest-bearing liabilities	30.7	20.9	18.8
Other liabilities	0.5	1.6	0.5
Deferred tax liabilities	0.4	0.9	0.4
Non-current liabilities, total	31.5	23.5	19.7
Current liabilities			
Interest-bearing liabilities	12.4	13.4	13.8
Trade payables	7.8	9.1	7.9
Other liabilities	18.0	20.4	18.5
Current liabilities, total	38.1	42.9	40.3
Total liabilities	69.7	66.3	60.0
Total equity and liabilities	119.7	115.0	111.7

Condensed statement of cash flows	1-6/14	1-6/13	1-12/13
EUR million			
Cash flow from operating activities			
Profit for the period	3.8	3.4	7.6
Adjustments to the profit for the period	4.1	3.6	7.4
Change in working capital	1.9	-0.1	2.0
Interest paid and received	-0.5	-0.5	-1.1
Taxes paid	-2.6	-2.6	-5.0
Cash flow from operating activities	6.6	3.8	10.9
Cash flow from investment activities			
Investments in tangible and intangible assets	-0.7	-0.7	-1.4
Cash flow from investment activities	-0.7	-0.7	-1.4
Cash flow from financing			
Changes in loans	9.3	0.2	-2.5
Changes in equity	-4.5	-2.4	-3.9
Repayment of financial leasing liabilities	-1.4	-1.0	-2.4
Cash flow from financing	3.4	-3.3	-8.8
Changes in cash and cash equivalents	9.3	-0.2	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	13.4	3.3	4.2

Key figures	1-6/14	1-6/13	1-12/13
Turnover (EUR million)	72.9	78.0	150.9
Operating profit (EUR million)	5.7	5.2	11.2
% of turnover	7.9	6.7	7.5
Profit before taxes (EUR million)	4.8	4.5	10.0
% of turnover	6.6	5.8	6.6
Profit for the period (EUR million)	3.8	3.4	7.6
% of turnover	5.2	4.4	5.0
Earnings per share, EUR	4.86	4.22	10.69
Return on investment, %	12.9	13.6	14.3
Return on equity, %	14.9	14.3	15.2
Equity ratio, %	42.0	42.7	46.6
Net gearing, %	59.3	63.8	54.8
Interest-bearing net debt (EUR million)	29.6	31.0	28.4
Equity/share, EUR	83.2	81.7	86.5
Average number of employees	757	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	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						2.5	2.5	1.0	3.4
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investments in foreign subsidiaries				-0.4			-0.4		-0.4
Net investment hedging									
Other translation differences				-0.2			-0.2		-0.3
Cash flow hedging					0.2		0.2		0.2
Taxes associated with other comprehensive income items									
Other comprehensive income items for the period after taxes				-0.6	0.2		-0.4		-0.4
Other comprehensive income for the period				-0.6	0.2	2.5	2.1	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 13	0.3	13.3	-0.4	3.1	1.6	29.8	47.7	1.0	48.7

Consolidated statement of changes in equity	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve	Retained earnings	Total	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						2.9	2.9	0.9	3.8
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investments in foreign subsidiaries				-0.6			-0.6		-0.6
Net investment hedging				0.1			0.1		0.1
Other translation differences				-0.4			-0.4	-0.1	-0.5
Taxes associated with other comprehensive income items							0.0		0.0
Other comprehensive income items for the period after taxes				-1.0			-1.0	-0.1	-1.1
Other comprehensive income for the period				-1.0		2.9	1.9	0.9	2.7
Business operations with owners									
Distributed dividends						-3.2	-3.2	-1.2	-4.4
Total						-3.2	-3.2	-1.2	-4.4
Equity on 30 June 14	0.3	13.3	-0.1	1.8	1.7	32	49.1	0.9	50.0

Turnover by business segment	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
EUR million					
IT Services	27.1	31.4	55.0	59.1	113.0
Financial Process Services	9.1	9.5	18.7	19.6	38.9
Eliminations and others	-0.4	-0.4	-0.8	-0.6	-1.0
Group total	35.8	40.5	72.9	78.0	150.9

Operating profit by business segment	4-6/14	4-6/13	1-6/14	1-6/13	1-12/13
EUR million					
IT Services	1.6	1.5	3.7	3.3	7.0
Financial Process Services	0.8	0.8	2.0	1.9	4.3
Group items and others	0.0	0.0	0.0	0.0	0.0
Group total	2.4	2.3	5.7	5.2	11.2

Changes in tangible fixed assets	1-6/14	1-6/13	1-12/13
EUR million			
Carrying amount at the beginning of the period	5.3	4.9	4.9
Increases	1.6	1.2	3.5
Decreases	-0.2	-0.2	-0.5
Depreciation and amortisation	-1.3	-1.1	-2.5
Exchange rate differences	0.0	0.0	-0.1
Carrying amount at the end of the period	5.4	4.8	5.3

Commitments and contingencies	30 June 2014	30 June 2013	31 December 2013
EUR million			
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	25.9	29.9	27.0
Business mortgage	11.4	11.4	11.4
Subsidiary shares	16.4	16.4	16.4
<i>Derivative contracts</i>			
Interest swaps			
Fair value	-0.3	-0.3	-0.3
Rated value SEK (SEK 52,297,280)	5.7	9.0	7.4
Rated value EUR	7.2	8.1	7.7
<i>Other liabilities</i>			
Leasing liabilities	5.9	7.5	7.2
Other rental liabilities	8.6	7.0	10.2
Other contingent liabilities	0.3	0.3	0.3
Total other liabilities	14.8	14.8	17.7



1964 - 2014 > TO BE CONTINUED

Enfo Oyj

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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 core businesses. 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.

Distribution: main media and www.enfo.fi

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