

Enfo Oyj's interim report 1 January – 30 June 2008

The reference figures from 2007 are based on comparable figures extracted from the financial statements of Enfo Oyj (Business ID: 1437714-0) which was demerged on 1 July 2007. The operations are examined in accordance with the structure of the Group following the demerger.

Key points of the interim report

- Turnover in April–June increased by 46.4% and stood at EUR 40.9 million (28.0). Turnover in January–June increased by 37.1 % to EUR 75.0 million (54.7).
- Operating profit (EBIT) in April–June amounted to EUR 2.5 million (1.0). Operating profit in January–June stood at EUR 4.8 million (2.2). The improvement of operating profit was influenced by the acquisition of Enfo Sweden AB and by the improved profitability of the Finnish operations.
- Profit before taxes in April–June was EUR 1.8 million (2.8). Profit before taxes in January–June stood at EUR 3.8 million (4.1). The profit before taxes was decreased and this was influenced by the increased financial costs.
- Earnings per share in April–June were EUR 2.40 (3.56). Earnings per share in January–June were EUR 4.91 (5.37).
- 12-month return on investment was 17.5% (28.0).
- During the first half of the year, the Group employed an average of 697 people (459 people in 2005). At the end of June, the Group employed a total of 716 people (456).
- In 2008, Enfo Group's turnover will increase and profitability will clearly improve on Enfo Sweden AB's (Semcon Innovation AB before the corporate acquisition) incorporation into the Group on 8 February 2008. The main emphasis in domestic operations will be placed on actions aimed at improving profitability. As a result of the corporate acquisition, the company's equity ratio will clearly decrease from the level of 2007, while nevertheless remaining at a sufficient level.

Market

The IT service market developed positively in Enfo's market areas in Finland, Sweden and Russia during the second quarter of 2008, although the first signs of a possible recession are already evident. The key market challenge is still related to the availability of personnel resources with special competence.

In Finland, the market in IT services for medium-sized enterprises is still growing more strongly than the general market growth. Price competition in hardware and software services has become increasingly tight. Information Logistics Services, especially electronic invoicing services, will continue to grow strongly.

Group structure

Enfo Oyj is the parent company of Enfo Group. Enfo's business operations are divided into two lines of business – IT Services and Information Logistics Services. The reporting segments are the IT System and Application Services and IT Infrastructure Services profit centres, which make up the IT Services business area, and the Information Logistics Services business area. Enfo Sweden AB was merged into the Enfo Group through a corporate acquisition on 8 February 2008. Enfo Oyj has sold a 9,38 % minority interest of the parent company of its Swedish subgroup to 26 key employees as a part of a key personnel incentive program on the 3rd of June 2008. It has been agreed with the buyers that there is a callback option during the years 2008-2013.

Business development

Enfo's position in the Finnish IT services market has improved, which has been clearly evident in the number of new customer agreements. During the second quarter of 2008, Enfo signed outsourcing agreements with Destia and Otava Books and Magazines Group. The total outsourcing agreement signed with Destia covers the servicing and application consolidation of approximately 180 different applications. Enfo will be responsible for application operations, maintenance and further development. Furthermore, Enfo will take care of the lifecycles of workstations and servers, including their procurement, use and data-secure disposal. A total of 30 employees were transferred to Enfo's service in connection with the outsourcing agreements signed with Destia and Otava Books and Magazines Group.

IT outsourcing in Finnish medium-sized enterprises and organisations is still increasing. In recent years, the IT System and Application Services unit has strongly focused on reforming and developing its operations and the service structure. Through the development work, Enfo has created a new modular service structure. Using the new service structure, Enfo can serve its medium-sized customer organisations, in particular, in a more flexible manner as well as more efficiently. As part of the new service model, Enfo outsourced some of its on-site support and hardware maintenance services provided in client premises to Relacom Finland Oy. The outsourcing agreement was signed on 30 January 2008. At the same time, Enfo merged its Help Desk and part of its on-site support service into a central Service Desk, which will be the key service channel for Enfo's IT services.

Enfo has been able to increase its market share in the Infrastructure Services unit despite the challenging market situation. The areas of the IT Infrastructure Services unit that are growing the fastest include software sales and related expert projects. Price competition in the IT Infrastructure Services continues to be tight.

The transition to electronic services will continue and increase in the Information Logistics Services unit. Electronic invoicing between companies is becoming more common at a steady pace and even smaller companies are transferring to the electronic model in their purchase and sales invoices. Dozens of customer agreements have been signed for the electronic invoicing of consumers. Currently, the volume of electronic consumer invoicing is relatively low. The number of paper printouts in Enfo's Information Logistics Services unit is still growing, in contrast to the general market development.

Enfo's first customer agreement for the Russian market was signed with Stockmann on 17 September 2007. The launch of the Russian operations has progressed as planned, albeit slightly behind the original timetable. In addition to Stockmann, Enfo's customers in Russia include Valio and Aberdeen Property Investors. The demand for IT services in Russia is still strong and Enfo has signed a number of new customer agreements in spring. Challenges in the Russian operations include high inflation and the availability of personnel resources requiring special competence.

Enfo Oyj and Swedish Semcon AB (plc) signed a corporate acquisition agreement on 31 December 2007, through which Enfo purchased all the shares of Semcon Innovation AB, a subsidiary of Semcon AB operating in the information technology field. Before the agreement, Enfo AB operated under the marketing name Zpider as part of the listed Swedish company Semcon AB. Enfo's customers in Sweden include SonyEricsson, AstraZeneca, Volvo IT and E.ON. In Sweden, Enfo Sweden AB is responsible for providing Enfo's services. Each of Enfo AB's operational subsidiaries, Zipper by Enfo, Zystems by Enfo, Zingle by Enfo and Zuite by Enfo, has specialised in its own sharply-defined service area. Enfo's services in Sweden include IT infrastructure services, IT system integration services and application services related to ERP systems and user management. Enfo Sweden AB was consolidated into the Group as of 8 February 2008.

Enfo's Swedish operations developed in a highly positive manner in April–June and in the first half of the year. There has been strong growth and business profitability has remained at an excellent level. Swedish operations have signed a number of new agreements with the existing and new customers. Enfo's Swedish business operations act as an independent country organisation within Enfo. Administrative and IT system-related integration was completed in June.

Turnover

The Group's turnover increased by 46.4% in April–June and stood at EUR 40.9 million (28.0). Turnover in the first half-year increased by 37.1% to EUR 75.0 million (54.7). The merger of Enfo Sweden AB into the Group as of 8 February 2008 had a significant impact on the increase in the turnover of the Group and the IT System and Application Services unit. Turnover of the IT Infrastructure Services increased despite the challenging market situation. Turnover of the Information Logistics Services units developed as predicted.

Development of turnover by reporting segment

EUR million	4–6/2008	4–6/2007	1–6/2008	1–6/2007	1–12/2007
IT System and Application Services	20.8	8.5	36.0	16.6	34.5
IT Infrastructure Services	13.3	12.5	25.3	24.0	46.6
Information Logistics Services	7.6	6.0	15.2	12.7	25.9

Turnover of the IT System and Application Services increased by 144.1% to EUR 20.8 million (8.5) in April–June and to EUR 36.0 million (16.6) in the first half-year. The increase in turnover was largely affected by the result of the incorporation of Enfo Sweden AB into the Group on 8 February 2008. All of Enfo's Swedish operations are reported as part of the IT System and Application Services unit. The increase in turnover of the IT System and Application Services unit was also influenced by the growth in the Finnish business operations, which was quicker than the market and was created through new customer agreements.

Turnover of the IT Infrastructure Services increased by 6.4% to EUR 13.3 million (12.5) in April–June and to EUR 25.3 million (24.0) in the first half-year, despite the challenging market situation. This slower growth was caused by tight competition, turnover in personnel and challenges in the recruitment of new employees with special expertise.

Turnover of the Information Logistics Services increased by 24.8% to EUR 7.6 million (6.0) in April–June and to EUR 15.2 million (12.7) in the first half-year. The increase in turnover was affected by the increase in electronic services between companies and the increase in printing services.

Profitability

The Group's profitability improved in April–June with the operating profit totalling EUR 2.5 million, comprising 6.0% of turnover (EUR 1.0 million and 3.5%). The Group's operating profit in January–June stood at EUR 4.8 million (2.2). The merger of Enfo Sweden AB into the Group as of 8 February 2008 and the positive development in the profitability of the IT System and Application Services and the Information Logistics Services units had a large impact on the increase in the profitability of the Group and the IT System and Application Services unit. Write-off of intangible rights worth EUR 1.1 million related to the acquisition of Enfo Sweden AB had a reducing impact on the Group's operating profit (IFRS 3).

The Group's profit before taxes in April–June stood at EUR 1.8 million comprising 4.4% of turnover (EUR 2.8 million and 10.1%). The Group's profit before taxes in the first half-year stood at EUR 3.8 million comprising 5.1% of turnover (EUR 4.1 million and 7.6%). The Group's financing costs stood at EUR 0.7 million (-1.8) in April–June and EUR -1.0 million (2.0) in the first half-year. The result in April–June was EUR 1.3 million, i.e. 3.3% of turnover (2.1 and 7.4%). The result in the first half-year was EUR 2.8 million, i.e. 3.7% of turnover (3.0 and 5.6%). Earnings per share in April–June were EUR 2.40 (3.56).

Development of operating profit by reporting segment

EUR million	4–6/2008	4–6/2007	1–6/2008	1–6/2007	1–12/2007
IT System and Application Services	1.4	0.4	3.1	1.2	2.9
IT Infrastructure Services	0.5	0.0	0.2	0.4	0.7
Information Logistics Services	0.7	0.2	1.6	0.8	1.3

Operating profit of the IT System and Application Services improved significantly in April–June and the first half-year. The merger of Enfo Sweden AB into the Group as of 8 February 2008 and the improved profitability of the IT System and Application Services in Finland had a large impact on the increase in profitability. Enfo's Swedish business operations are reported as part of the IT System and Application Services unit.

The profitability of the IT Infrastructure Services in April–June and the first half-year was lower than predicted. The poor profitability resulted from tight competition and expenses related to the launch of Russian operations, which are allocated to the IT Infrastructure Services unit.

The profitability of the Information Logistics Services developed very positively and even better than expected in April–June and the first half-year.

Financing and investments

Enfo's net investments were EUR 1.6 million (0.6) in April–June and EUR 46.1 million (1.7) in the first half-year. The investments were mainly allocated to the acquisition of Enfo Sweden AB's shares.

Enfo's financing position changed significantly through the acquisition of Enfo Sweden AB. A total of EUR 49.2 million has been entered as Enfo Sweden AB's acquisition cost. The company's equity ratio decreased to 30.6% (69.8). Interest-bearing net liabilities at the end of June amounted to EUR 35.4 million (-10.6) and net gearing was 100.0% (-33.0).

Personnel

In January–June, the Group employed an average of 697 people (459). At the end of June, the Group employed a total of 716 people (456).

Enfo's IT System and Application Services unit employed an average of 512 people in January–June (315), the IT Infrastructure Services unit employed 78 people (64) and the Information Logistics Services unit employed an average of 93 people (67). Of Enfo's personnel, 433 (459) were employed in Finland and 264 (0) in Sweden.

Enfo outsourced some of its on-site support and maintenance services provided in client premises to Relacom Finland Oy. The outsourcing agreement was signed on 30 January 2008 and, as a result, 39 of Enfo's on-site support employees were transferred to Relacom as transferring employees, as of 1 February 2008.

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, Helena Piispa, Managing Director of Oy Scantarp Ab, Ossi Saksman, Managing Director of Carlson Oy and Jorma Tammenaho, Portfolio Manager of Ilmarinen Mutual Pension Insurance Company.

The members of the Group's management team are Managing Director Arto Herranen, Finance Director Kati Kokkonen, Director Timo Lipiäinen (Director of the IT Infrastructure Services unit), Deputy Managing Director Juha Nurmi (Russian operations), Development Director Pertti Silén, Director Ari Voutilainen (Director of the Information Logistics Services business area), and Director Osmo Wilska (Director of the IT Services business area). Systems Expert Riija-Liisa Korpikallio acts as the personnel representative on the Management Team. Johan de Verdier, Managing Director of Enfo Sweden AB, is responsible for the Swedish operations.

Shares

The company had a total of 561,256 shares on 31 December 2007. The company has one series of shares. On 30 June 2008, Enfo Oyj did not own any of its own shares.

Annual General Meeting 2008

Enfo Oyj's Annual General Meeting, which was held on 27 March 2008, decided, in accordance with the Board of Directors' proposal, that a dividend of EUR 3.57 per each issued share be paid on the basis of the confirmed balance sheet for the financial period ending on 31 December 2007, i.e. a total of EUR 2,003,683.92. The dividend was paid on 8 April 2008.

According to the proposal of the Nomination Committee, the current members of the Board of Directors, Tapio Hakakari, Hannu Isotalo, Helena Piispa, Ossi Saksman and Jorma Tammenaho, were elected as members 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.

Forecast of likely future development

In 2008, the Group's turnover will increase and profitability will clearly improve on Enfo Sweden AB's incorporation into the Group. The main emphasis in domestic operations will be placed on actions aimed at improving profitability. As a result of the corporate acquisition, the company's equity ratio will clearly decrease from the level in 2007, while nevertheless remaining at a sufficient level.

Risks and uncertainties

The most significant uncertainties and business risks in 2008 are associated with the general economic development, pricing pressures created through the internationalisation of the IT services market, and the availability of personnel resources with special expertise.

The acquisition of Enfo Sweden AB has fundamentally changed Enfo's financing position. The share of interest-bearing debt has increased, which has consequently increased the risks associated with the development of interest rates. Likewise, as Enfo Group's international operations have grown, so have the currency risks. Enfo Sweden AB was merged into the Enfo Group on 8 February 2008.

Timetable for financial reporting in 2008

The interim report for the 3rd quarter 2008 will be released on 29 October 2008.

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 2007. The figures for the earlier financial periods (4-6/07, 1-6/07 ja 1-12/007) presented as comparative information have been amended to correspond to the structure of the present Enfo Group created as a result of the demerger on 1 July 2007. The figures in the tables have been rounded off to the nearest million euros and may not sum to totals. The figures presented in the tables are unaudited.

Consolidated income statement					
EUR million	4-6/08	4-6/07	1-6/08	1-6/07	1-12/07
Turnover	40,9	28,0	75,0	54,7	104,4
Other operating income	0,2	1,0	0,2	1,3	1,4
Production for own use	0,2	0,0	0,2	0,1	0,3
Materials and services	-20,0	-17,5	-37,0	-33,2	-63,2
Employee benefit expenses	-13,1	-6,9	-23,6	-13,6	-25,7
Depreciation, amortisation and impairment	-1,7	-0,5	-2,3	-1,2	-2,3
Other operating expenses	-4,0	-3,1	-7,7	-6,1	-11,5
Operating profit	2,5	1,0	4,8	2,2	3,4
Financial income	0,2	2,0	0,3	2,3	2,6
Finance costs	-0,9	-0,1	-1,3	-0,3	-0,3
Profit before taxes	1,8	2,8	3,8	4,1	5,8
Income tax	-0,4	-0,7	-1,0	-1,1	-1,6
Profit for the period	1,3	2,1	2,8	3,0	4,2
Distribution to					
Equity-holders of the parent company	1,3	2,0	2,8	3,0	4,2
Minority interests	0,0	0,1	0,0	0,0	0,0
Earnings per share, basic and diluted, EUR	2,40	3,56	4,91	5,37	7,48

Consolidated balance sheet			
EUR million	30 Jun. 08	30 Jun. 07	31 Dec. 07
Assets			
Non-current assets			
Tangible assets	4.3	3.6	3.7
Goodwill	52.6	12.3	12.3
Other intangible assets	10.1	1.9	2.1
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.5	0.5	0.4
Non-current assets, total	67.6	18.5	18.7

Current assets			
Inventories	0.5	0.5	0.5
Trade receivables	27.5	11.9	12.9
Other receivables	9.1	4.2	2.7
Available-for-sale investments	0.3	0.3	0.3
Cash and cash equivalents	12.8	10.5	11.8
Total current assets	50.1	27.4	28.2
Total assets	117.7	46.0	46.9
Equity and liabilities			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Retained earnings	20.3	18.5	19.6
Equity attributable to equity-holders of the parent company, total	33.9	32.1	33.2
Minority interest	1.5	0.0	0.0
Total equity	35.4	32.1	33.2
Non-current liabilities			
Interest-bearing debt	0.2	0.2	0.2
Other payables	2.5	0.3	0.4
Non-current liabilities, total	2.7	0.5	0.6
Current liabilities			
Interest-bearing debt	48.3	0.1	0.2
Trade payable	10.0	6.6	6.6
Other payables	21.4	6.7	6.4
Current liabilities, total	79.6	13.4	13.1
Total liabilities	82.3	13.9	13.7
Total equity and liabilities	117.7	46.0	46.9

Abridged cashflow statement	1-6/08	1-6/07	1-12/07
EUR million			
Cash flow from operations			
Profit for the period	2.8	3.0	4.2
Adjustments to the profit for the period	4.3	-0.1	1.1
Change in working capital	-4.9	-1.9	-1.7
Interest paid and received	-0.8	2.0	2.3
Taxes paid	-0.1	-0.3	-0.7
Cash flow from operations	1.2	2.7	5.2

Cash flow from investments			
Investments in tangible and intangible assets	-1.6	-1.7	-3.1
Subsidiary investments deducted by liquid assets	-44.4		
Changes in other investments	0.0	0.1	0.2
Cash flow from investments	-46.1	-1.6	-2.9
Cash flow from financing			
Changes in loans	48.0	-2.3	-2.1
Changes in equity	-2.2	1.7	1.7
Cash flow from financing	45.8	-0.6	-0.4
Changes in cash and cash equivalents	1.0	0.6	2.0
Cash and cash equivalents at the beginning of the period	11.8	9.9	9.9
Cash and cash equivalents at the end of the period	12.8	10.5	11.8

Key ratios	1-6/08	1-6/07	1-12/07
Turnover (EUR million)	75.0	54.7	104.4
Operating profit (EUR million)	4.8	2.2	3.4
% of turnover	6.4%	3.9%	3.3%
Profit before taxes (EUR million)	3.8	4.1	5.8
% of turnover	5.1%	7.6%	5.5%
Profit for the period (EUR million)	2.8	3.0	4.2
% of turnover	3.7%	5.5%	4.0%
Earnings per share, EUR	4.91	5.37	7.48
Return on investment, 12 months, %	17.5	28.0	18.9
Return on equity, 12 months, %	16.1	20.3	13.8
Equity ratio, %	30.6	69.8	71.4
Net gearing, %	100.0	-33.0	-34.3
Interest-bearing net debt (EUR million)	35.4	-10.6	-11.8
Equity/share, EUR	60.4	57.1	59.2
Employees on average	697	433	476
Number of shares	561,256	561,256	561,256

Consolidated statement of changes in equity	Share capital	Share premium account	Retained earnings	Total	Minority interest	Total equity
Equity on 1 Jan. 07	0.3	13.3	14.2	27.8	0.2	28.0
Profit for the period 1–6/2007			3.0	3.0	0.0	3.0
Acquisition of minority interests			-0.5	-0.5	-0.2	-0.7
Carve-out balancing			1.1	1.1	0.0	1.1
Equity on 30 Jun. 07	0.3	13.3	18.5	32.1	0.0	32.1
Equity on 1 Jan. 08	0.3	13.3	19.6	33.2	0.0	33.2
Profit for the period 1–6/2008			2.8	2.8		2.8
Translation difference			-0.2	-0.2		-0.2
Sale of minority interest			0.1	0.1	1.5	1.6
Distributed dividends			-2.0	-2.0		-2.0
Equity on 31 Jun. 08	0.3	13.3	20.3	33.9	1.5	35.4

Turnover by business segments	4-6/08	4-6/07	1-6/08	1-6/07	1-12/07
EUR million					
IT System and Application Services	20,8	8,5	36.0	16.6	34.5
IT Infrastructure Services	13,3	12,5	25.3	24.0	46.6
Information Logistics Services	7,6	6,1	15.2	12.7	25.9
Eliminations	-0,8	-0,5	-1.5	-1.2	-5.2
Sold companies	0,0	1,4	0.0	2.6	2.6
Group total	40,9	28,0	75.0	54.7	104.4

Operating profit by business segments	4-6/08	4-6/07	1-6/08	1-6/07	1-12/07
EUR million					
IT System and Application Services	1,4	0,4	3.1	1.2	2.9
IT Infrastructure Services	0,5	0,0	0.2	0.4	0.7
Information Logistics Services	0,7	0,2	1.6	0.8	1.3
Consolidated items	-0,1	-0,2	-0.1	-0.1	-1.3
Sold companies	0,0	0,6	0.0	-0.2	-0.2
Group total	2,5	1,0	4.8	2.2	3.4

Changes in tangible fixed assets	1–6/08	1–6/07	1–12/07
EUR million			
Book value at the beginning of the period	3.7	2.9	2.9
Increases	1.2	1.6	2.6
Increases from the corporate acquisition	0.1	0.0	0.0
Decreases	0.0	0.0	-0.1
Depreciation and amortisation	-0.8	-0.8	-1.6
Book value at the end of the period	4.3	3.6	3.7

Commitments and contingencies	30 Jun. 08	30 Jun. 07	31 Dec. 07
EUR million			
Debt with a business mortgage as collateral			
Loans from financial institutions	48.0	0.0	0.0
Leasing liabilities	2.4	1.4	1.1
Other rental liabilities	12.7	14.8	13.3
Other commitments	0.1	0.1	0.1
Total commitments and contingencies	63.2	16.3	14.5

Business combinations		
Acquired company: Semcon Innovation AB, 100%		
Acquisition date: 8 February 2008		
Acquisition registered preliminarily following the IFRS 3 one year time limit		
EUR million		
<i>Acquisition cost</i>		
Acquisition cost (paid in cash)	48.6	
Direct expenses	0.7	
Total acquisition cost	49.2	
Acquired company's assets and liabilities in current value	8.4	
Goodwill*	40.8	
Acquired company's assets and liabilities	Current value	Book value
Assets		
Intangible assets		
Customer relationships	8.6	0.0
Trademarks	0.4	0.0
Tangible assets	0.1	0.1
Sales and other receivables	7.2	7.2
Cash and cash equivalents	5.2	5.2
Total assets	21.5	12.5



Non-current liabilities	1.5	1.5
Deferred tax liabilities	2.5	0.0
Trade payables and other current liabilities	9.1	9.1
Total liabilities	13.1	10.6
Acquired company's assets – liabilities	8.4	1.9

* Goodwill components include the acquired company's personnel, geographical market position, cross-sales potential with other Enfo country organisations and future business expectations.

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Enfo provides companies and communities with easy-to-use IT services in Finland, Sweden and Russia. In its services, Enfo utilises its more than 40 years of experience in the development of IT services and uses the best hardware and software available. Approximately 700 IT experts ensure that Enfo's customers get the best out of their IT. Enfo's annual turnover is approximately EUR 140 million. For further information about Enfo, please visit www.enfo.fi, www.enfo.se and www.enfo.ru.

Distribution: Major media and www.enfo.fi

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