

Enfo Oyj's interim report 3/2014 (1 January – 30 September 2014)

Key points of the interim report

- Turnover fell by 4.8% in July–September to EUR 32.4 million (34.0). In January–September, turnover decreased by 6.1% and stood at EUR 105.3 million (112.1). The decrease in turnover was caused by the adaptation activities carried out in infrastructure consulting in Sweden, and the end of automatic meter management (AMM) projects in Financial Process Services.
- Operating profit (EBIT) before non-recurring costs grew by 3.8 % in July-September and stood at EUR 4.3 million (4.1). In January-September, operating profit before non-recurring costs increased by 7.3 % and amounted to EUR 10.0 million (9.3).
- Operating profit (EBIT) fell by 45.2% in July–September to EUR 1.8 million (3.4). In January–September, operating profit decreased by 11.6% and stood at EUR 7.6 million (8.6). The operating profit includes non-recurring costs from a loss-producing customer project in Consultancy Services in Sweden, and restructuring costs in Outsourcing Services in Finland, totalling EUR 2.4 million.
- Profit before taxes in July–September stood at EUR 1.8 million (3.2). In January–September, profit before taxes was EUR 6.6 million (7.7).
- Earnings per share in July–September were EUR 1.87 (4.50). In January–September, earnings per share were EUR 6.73 (8.72).
- The twelve-month return on investment was 11.8% (14.4).
- In January–September, Enfo Group employed an average of 765 people (789). At the end of September, the Group had a total of 807 employees (781).
- In January–September, cash flow from operating activities totalled EUR 8.1 million (6.5).
- The company estimates that consolidated turnover will decrease in 2014. Operating profit before non-recurring costs, the company estimates to reach the previous year's level.

Market

The financial situation in Enfo's key market areas continued in different directions: The Finnish economy is weakened by the extended recession, while the Swedish macro-economy has remained strong. Companies are cautious in their purchases and the competition over prices will be even more fierce than before due to cost saving and reduction activities related to customers' business operations, particularly in Finland.

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

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

In Outsourcing Services, Finnish customers signed extended agreements with Enfo. Are Oy, a Finnish professional in building engineering, expanded the acquisition of its IT services from Enfo through a share transaction signed with Lemminkäinen concerning building systems. Enfo's workstation management and Service Desk project covers the transition of some 1,700 transferring employees to the service of Are as users of its systems. Furthermore, property investment company Technopolis selected Enfo as the producer of its IT services for the next three years. The IT service agreement signed between Technopolis and Enfo covers Service Desk and workstation life cycle services, and monitoring and management services for servers. At the end of the review period, efficiency procedures and reorganisations were carried out within Finnish Outsourcing Services with the aim of strengthening IT services of a higher competence level in order to improve price competitiveness. Enfo Outsourcing Services in Sweden were employed by large service transitions in different customer projects.

In Sweden, Enfo expanded its business consulting service operations in August 2014 by acquiring Framsteg AB, a company specialising in Business Intelligence (BI) and Service and Asset Management solutions. Through the transaction, nearly 50 new information management specialists and consultants were transferred to Enfo. Enfo's strategic objective is to become the largest BI expert in Sweden. Through the Framsteg transaction, Enfo strengthened its BI services and during the current reporting period, Enfo signed project agreements for example with network service producer Cybercom. In infrastructure consulting, non-recurring costs related to a customer project significantly reduced profitability, regardless of previous efficiency procedures. SAP and integration consulting services have proceeded as planned.

Financial Process Services

In Financial Process Services, there has been growing demand for electronic invoicing services and, in consulting services, customers have expanded their service acquisitions. For example, PKS Sähkösiirto Oy signed over one year consulting service agreement with Enfo. Closing agreements have been extended, and for example, Keravan Energia continued its partnership with Enfo as the producer of its financial process services. The agreement covers a printing service for paper sales invoices, and electronic sales and purchase invoice services for more than 300,000 invoices every year. Additionally, Enfo provides Keravan Energia with data transmissions within the electricity trade and the transmission of banking material. In financial outsourcing services demand for process consulting has been steady, with a number of analysis and scanning projects being in progress.

Turnover

Enfo Group's turnover fell by 4.8% in July–September to EUR 32.4 million (34.0). In January–September, consolidated turnover fell by 6.1% and stood at EUR 105.3 million (112.1). The decrease in consolidated turnover was caused by the adaptation activities carried out in infrastructure consulting in Sweden, and the end of automatic meter reading (AMM) projects in Financial Process Services. The decrease was decelerated by the good progress of SAP consulting in Sweden.

Development of turnover by reporting segment

EUR million	7–9/2014	7–9/2013	1–9/2014	1–9/2013	1–12/2013
IT Services	24.1	24.5	79.1	83.5	113.0
Financial Process Services	9.0	9.6	27.7	29.1	38.9

The turnover of Enfo's IT Services fell by 1.6% in July–September to EUR 24.1 million (24.5). In January–September, the turnover of IT Services decreased by 5.4% and stood at EUR 79.1 million (83.5). The decrease in turnover was affected by the reduction in infrastructure consulting in Sweden. The decline was evened out by the Framsteg business transaction in Sweden, and the good progress of Outsourcing Services in Finland.

The turnover of Financial Process Services fell by 5.9% in July–September to EUR 9.0 million (9.6). In January–September, turnover decreased by 5.0% and stood at EUR 27.7 million (29.1). The decrease in turnover was caused by the end of the automatic meter management (AMM) projects. Growth in invoicing service volumes decelerated the decline.

Profitability

Enfo Group's operating profit before non-recurring costs increased by 3.8 % in July–September and amounted to EUR 4.3 million, representing 13.2 % of turnover (4.1 and 12.1%). In January–September, the Group's operating profit before non-recurring costs increased by 7.3 % and stood at EUR 10.0 million, representing 9.5% of turnover (9.3 and 8.3%). Enfo Group's operating profit decreased by 45.2% in July–September and stood at EUR 1.8 million, representing 5.7% of turnover (3.4 and 9.9%). In January–September, the Group's operating profit decreased by 11.6% to EUR 7.6 million, representing 7.2% of turnover (8.6 and 7.7%). The decrease in the Group's operating profit was influenced by non-recurring costs arising from a loss-producing customer project in Swedish Consulting Services, and restructuring costs in Finnish Outsourcing Services.

The Group's profit before taxes in July–September stood at EUR 1.8 million, representing 5.5% of turnover (3.2 and 9.4%). In January–September, profit before taxes amounted to EUR 6.6 million (7.7), or 6.3% of turnover (6.9%). The Group's net financial expenses stood at EUR 0.1 million (0.2) in July–September and EUR 1.0 million (0.8) in January–September. The result for July–September was EUR 1.5 million, or 4.5% of turnover (2.8 and 8.2%). In January–September, the result was EUR 5.3 million, representing 5.0% of turnover (6.2 and 5.6%). Earnings per share in July–September were EUR 1.87 (4.50). In January–September, earnings per share were EUR 6.73 (8.72).

Development of operating profit by reporting segment

EUR million	7–9/2014	7–9/2013	1–9/2014	1–9/2013	1–12/2013
IT Services	0.5	1.8	4.2	5.1	7.0
Financial Process Services	1.4	1.5	3.4	3.5	4.3

The decrease in the operating profit of IT Services was caused by adaptation measures in infrastructure consulting in Sweden, and restructuring costs in Finnish Outsourcing Services. In addition, the decline was increased by reductions in hardware sales in Swedish Outsourcing Services and the decreasing profitability of integration consulting.

In Financial Process Services, operating profit fell due to the end of automatic meter management (AMM) services. The decline in operating profit was decelerated by an increase in invoicing service volumes.

Financing and investments

Enfo's net investments stood at EUR 3.8 million (2.2) in July–September and EUR 7.7 million (3.9) in January–September. Investments were mainly allocated to the acquisition of Framsteg AB.

At the end of September, the company's equity ratio was 43.1% (45.6%). Interest-bearing net liabilities stood at EUR 31.6 million (30.1) and net gearing was 61.3% (58.1%) at the end of September.

Personnel

In January–September, Enfo Group employed an average of 765 people (789). At the end of September, the Group had a total of 807 employees (781).

Enfo's IT Services employed an average of 638 people (684) in January–September, while Financial Process Services employed an average of 103 people (82). Of Enfo's personnel, 367 (350) were stationed in Finland and 397 (440) 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 Osmo Wilska (Outsourcing Services), Senior Vice President Nina Annila (Outsourcing Services), Senior Vice President Matti Seppänen (Outsourcing Services), Managing Director Tero Saksman (Enfo Zender), Executive Vice President Lars Aabol (Consulting Services), Managing Director Fredrik Bergman (Enfo Systems), Managing Director Erik Brügge (Enfo Zipper), Managing Director Åsa Landén Ericsson (Enfo Pointer), and Marketing Director Adam Ritzén.

Shares

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

At the end of September 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 Group's IT Services segment will decrease in 2014 compared with the previous year. Operating profit before non-recurring costs, is estimated to grow from previous year's level.

The turnover of the Group's Financial Process Services reporting segment is estimated to fall from the previous year due to the end of automatic meter management (AMM) projects. However, its operating profit will remain close to the previous year.

The company estimates that consolidated turnover will decrease in 2014. Operating profit before non-recurring costs, the company estimates to reach the previous year's level.

Risks and uncertainties

Short-term risks and uncertainties are associated with maintaining competitive prices in the highly competitive IT service market.

Timetable for financial reporting in 2014

Enfo Oyj will publish its financial statements bulletin for 1 January - 31 December 2014 on 26 February 2015. The timetable for financial reporting in 2015 will be published in full in connection with the financial statements bulletin.

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	7–9/14	7–9/13	1–9/14	1–9/13	1–12/13
Turnover	32.4	34.0	105.3	112.1	150.9
Other operating income	0.2	0.0	0.3	0.0	0.0
Materials and services	-10.3	-11.9	-33.7	-38.8	-52.7
Employee benefit expenses	-13.5	-14.0	-45.7	-49.0	-65.0
Depreciation and amortisation	-1.2	-1.0	-3.3	-3.0	-4.1
Other operating expenses	-5.8	-3.7	-15.2	-12.7	-18.0
Operating profit	1.8	3.4	7.6	8.6	11.2
Financial income	0.2	0.1	0.3	0.6	0.7
Financial expenses	-0.2	-0.3	-1.3	-1.4	-2.0
Profit before taxes	1.8	3.2	6.6	7.7	10.0
Income tax	-0.3	-0.4	-1.3	-1.5	-2.4
Profit for the period	1.5	2.8	5.3	6.2	7.6
Attributable to					
Equity holders of the parent company	1.1	2.6	4.0	5.1	6.2
Non-controlling interests	0.4	0.2	1.3	1.1	1.3
Earnings per share	1.87	4.50	6.73	8.72	10.69

Statement of comprehensive income			
EUR million	1–9/14	1–9/13	1–12/13
Profit for the period	5.3	6.2	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	-0.2	-0.6
Hedging for net investments in foreign subsidiaries	0.0	0.0	0.0
Other translation differences	-0.3	-0.1	-0.4
Cash flow hedging	0.0	0.2	-0.2
Other comprehensive income items			0.0
Taxes associated with other comprehensive income items	0.0	0.1	-0.1
Other comprehensive income for the period	4.3	6.2	6.8
Attributable to			
Equity holders of the parent company	3.0	5.0	5.5
Non-controlling interests	1.3	1.1	1.3

Consolidated statement of financial position			
EUR million	30 Sep. 2014	30 Sep. 2013	31 Dec. 2013
Assets			
Non-current assets			
Tangible assets	5.2	5.2	5.3
Goodwill	65.2	64.7	63.6
Other intangible assets	5.4	4.2	4.1
Available-for-sale investments	0.1	0.2	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.3	0.6	0.6
Total non-current assets	76.5	75.1	73.8

Current assets			
Inventories	0.3	0.1	0.3
Trade receivables	24.4	26.8	28.1
Other receivables	3.0	3.1	2.6
Tax assets based on the period's taxable income	5.4	4.2	2.7
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	10.8	5.1	4.2
Total current assets	44.0	39.4	37.9
Total assets	120.5	114.5	111.7
Equity and liabilities			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	1.7	1.6	1.8
Retained earnings	35.0	35.5	35.1
Equity attributable to equity holders of the parent company, total	50.3	50.7	50.5
Non-controlling interests	1.3	1.1	1.3
Total equity	51.6	51.9	51.7
Non-current liabilities			
Interest-bearing liabilities	30.0	21.3	18.8
Other liabilities	0.4	1.4	0.5
Deferred tax liabilities	0.4	0.5	0.4
Non-current liabilities, total	30.9	23.2	19.7
Current liabilities			
Interest-bearing liabilities	12.4	13.9	13.8
Trade payables	6.5	6.5	7.9
Other liabilities	19.1	19.0	18.5
Current liabilities, total	38.0	39.4	40.3
Total liabilities	68.9	62.6	60.0
Total equity and liabilities	120.5	114.5	111.7

Condensed statement of cash flows	1-9/14	1-9/13	1-12/13
EUR million			
Cash flow from operating activities			
Profit for the period	5.3	6.2	7.6
Adjustments to the profit for the period	5.6	5.2	7.4
Change in working capital	1.9	0.3	2.0
Interest paid and received	-0.9	-0.7	-1.1
Taxes paid	-3.9	-4.5	-5.0
Cash flow from operating activities	8.1	6.5	10.9

Cash flow from investment activities			
Acquisition of subsidiaries less financial assets on the acquisition date	-2.9	0.0	0.0
Investments in tangible and intangible assets	-0.7	-1.0	-1.4
Cash flow from investment activities	-3.7	-1.0	-1.4
Cash flow from financing			
Changes in loans	8.9	0.2	-2.5
Changes in equity	-4.5	-2.4	-3.9
Repayment of financial leasing liabilities	-2.3	-1.7	-2.4
Cash flow from financing	2.2	-3.9	-8.8
Changes in cash and cash equivalents	6.6	1.6	0.7
Impact of exchange rate changes on cash and cash equivalents	0.0	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	10.8	5.1	4.2

Key figures	1-9/14	1-9/13	1-12/13
Turnover (EUR million)	105.3	112.6	150.9
Operating profit (EUR million)	7.6	8.6	11.2
% of turnover	7.2	7.7	7.5
Profit before taxes (EUR million)	6.6	7.7	10.0
% of turnover	6.3	6.9	6.6
Profit for the period (EUR million)	5.3	6.2	7.6
% of turnover	5.0	5.6	5.0
Earnings per share, EUR	6.73	8.72	10.69
Return on investment, %	11.8	14.4	14.3
Return on equity, %	13.6	16.6	15.2
Equity ratio, %	43.1	45.6	46.6
Net gearing, %	61.3	58.1	54.8
Interest-bearing net liabilities (EUR million)	31.6	30.1	28.4
Equity/share, EUR	85.2	86.1	86.5
Average number of employees	765	789	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						5.1	5.1	1.1	6.2
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investments in foreign subsidiaries				-0.2			-0.2		-0.2
Net investment hedging				0.0			0.0		0.0
Other translation differences				-0.1			-0.1		-0.1
Cash flow hedging					0.2		0.2		0.2
Taxes associated with other comprehensive income items					-0.1		-0.1		-0.1
Other comprehensive income items for the period after taxes				-0.2	0.2		-0.1		-0.1
Other comprehensive income for the period				-0.2	0.2	5.1	5.0	1.1	6.2
Business operations with owners									
Distributed dividends						-1.0	-1.0	-1.4	-2.4
Acquisition of treasury shares			0.0				0.0		0.0
Total	0.0	0.0	0.0	0.0	0.0	-1.0	-1.0	-1.4	-2.4
Equity on 30 Sep. 2013	0.3	13.3	-0.4	3.4	1.6	32.5	50.7	1.1	51.9

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. 2014	0.3	13.3	-0.1	2.8	1.8	32.3	50.5	1.3	51.7
Profit/loss for the period						4.0	4.0	1.3	5.3
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investments in foreign subsidiaries				-0.6			-0.6		-0.6
Other translation differences				-0.3			-0.3	-0.1	-0.3
Cash flow hedging									
Taxes included in other comprehensive income items									
Other comprehensive income items for the period after taxes				-0.9			-0.9	-0.1	-1.0
Other comprehensive income for the period				-0.9		4.0	3.1	1.2	4.3
Business operations with owners									
Distributed dividends						-3.2	-3.2	-1.3	-4.5
Total						-3.2	-3.2	-1.3	-4.5
Equity on 30 Sep. 2014	0.3	13.3	-0.1	1.9	1.8	33.1	50.3	1.3	51.6

Turnover by business segment	7–9/14	7–9/13	1–9/14	1–9/13	1–12/13
EUR million					
IT Services	24.1	24.5	79.1	83.5	113.0
Financial Process Services	9.0	9.6	27.7	29.1	38.9
Eliminations and others	-0.7	-0.0	-1.5	-0.7	-1.0
Group total	32.4	34.0	105.3	112.1	150.9

Operating profit by business segment	7–9/14	7–9/13	1–9/14	1–9/13	1–12/13
EUR million					
IT Services	0.5	1.8	4.2	5.1	7.0
Financial Process Services	1.4	1.5	3.4	3.5	4.3
Eliminations and others	0.0	0.0	0.0	0.0	0.0
Group total	1.8	3.4	7.6	8.6	11.2

Changes in tangible fixed assets	1–9/14	1–9/13	1–12/13
EUR million			
Carrying amount at the beginning of the period	5.3	4.9	4.9
Increases	2.4	2.7	3.5
Decreases	-1.7	-0.6	-0.5
Depreciation and amortisation	-0.7	-1.8	-2.5
Exchange rate differences	0.0	0.0	-0.1
Carrying amount at the end of the period	5.2	5.2	5.3

Commitments and contingencies	30 Sep. 2014	30 Sep. 2013	31 Dec. 2013
EUR million			
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	25.5	29.7	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	7.3	7.7	7.2
Other rental liabilities	8.3	6.3	10.2
Other contingent liabilities	0.3	0.3	0.1
Total other liabilities	15.9	14.3	17.5



1964 - 2014 > TO BE CONTINUED

For additional information, please contact: CEO Arto Herranen +358 44 7193 000 or CFO Tero Kosunen +358 50 4441 200 (firstname.lastname@enfo.fi).

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 more than 800 top IT consultants, we make business processes simpler, smoother and smarter. Enfo's annual turnover is nearly EUR 160 million. For more information about Enfo, please visit www.enfo.fi and www.enfo.se.

Distribution: main media and www.enfo.fi

Enfo Oyj

Business ID: 2081212-9

Visiting address: Viestikatu 7, Kuopio

Postal address: P.O. Box 1582, FI-70461 Kuopio, Finland

Billing address: P.O. Box 5005, FI-70701 Kuopio, Finland

Switchboard: +358 20 54321

E-mail: firstname.lastname@enfo.fi