



2015

enfo

INTERIM REPORT

January–March
30.4.2015

Q1

Key points of the interim report

- Turnover fell by 7.3% to EUR 34.4 (37.1) million. The decrease in turnover was based on the intensified market situation in IT outsourcing services, and the shift in hardware and software sales towards a more commission-based business model.
- Operating profit (EBIT) fell by 57.0% to EUR 1.4 (3.3) million. The decrease in operating profit was affected by fierce price competition in all of the Group's businesses.
- Profit before taxes stood at EUR 1.3 (3.0) million.
- Earnings per share were EUR 1.25 (3.24).
- In January–March, cash flow from operating activities totalled EUR 4.9 (3.2) million.
- The twelve-month return on investment was 7.0% (16.0%).
- The average number of personnel was 815 (754). At the end of March, the Group had a total of 818 employees (752).
- The company estimates that consolidated turnover in 2015 will remain at the previous year's level. Operating profit is expected to grow from the year before.

ARTO HERRANEN, CEO:

The first quarter has been challenging for the entire industry. Price competition remained fierce in all of our business areas, both in Finland and in Sweden.

We will invest heavily in development projects aimed at building a stronger foundation for the future. These development projects are associated with the current market trend related to purchasing and outsourcing: companies are interested in outsourcing, not only their IT services and applications, but also their business processes, and they want to acquire all of these services from a single service provider as larger packages. Enfo's excellent service range covers all of these outsourcing service areas that show the most potential for growth. For example, we are offering a solution which combines financial and IT service processes to Enfo's medium-sized customer segment. The solution provides customers with a single partner that assumes full responsibility for ensuring that all IT and financial administration systems work seamlessly together. Correspondingly, in Sweden, Enfo's industrial Internet and analytics services form a single service package that allows our customers to invest in the development of predictive maintenance.

We will further strengthen our service range, both organically and through business acquisitions. Our objective is to grow faster in the near future than the business field grows on average. The foundation required for this growth has already been laid, but we will already be making organisational changes this year to accelerate our growth rate.

Business development

IT Services

According to its strategy, the Enfo Group has expanded its IT outsourcing services to Nordic markets. Through the expansion, IT outsourcing services will shift to a new organisational model that is currently under planning.

Competition was fierce during the first quarter. Fewer new agreements were signed than before, while an unusually small number of significant bidding processes were in progress.

In Finland, the most significant new agreement involved the expanded cooperation between Otava Group and Enfo. Enfo has provided Otava Group with service desk and workstation services since 2009. Through the new agreement, Otava Group will also start using Enfo's Private Cloud services. The agreement is significant on the Finnish scale.

In Sweden, the largest new agreement in IT outsourcing services was signed at the beginning of the year when FOREX Bank selected Enfo as one of its IT service providers. The five-year agreement covers workstation, network, service desk, on-site support and server services. The commissioning project included in the agreement in four Nordic countries is one of the largest in Enfo's history.

The market situation remained fairly good in Swedish consulting operations. The development of the business model towards continuous services continued, and new agreements were signed with Volkswagen Finans, Coop and Ambea. Additionally, the construction of an integration platform for a large hotel chain was started.

The *ISO 27001 information security certificate* was granted to Enfo's information security management system and Enfo's Data Center services in Kuopio and Karlskrona. The certificate proves that Enfo is thoroughly prepared for risks associated with information security and is constantly developing its information security against changing threats.

As an indication of Enfo's innovative operations, IBM gave Enfo the *2015 Cloud Innovation using IBM Cloud & Smarter Infrastructure Solutions* award. It is given to a company that has been able to utilise the technology offered by the IBM solution in a way which shows an exemplary commitment and will to develop operations.

Financial Process Services

During the first quarter of the year, Enfo focused, according to its strategy, on the development of new services that utilise digitalisation and productised financial processes. Following the strategy, Enfo signed an outsourcing agreement with Strålfors Oy in February, through which the functions and personnel (ten Enfo employees and seven leased employees) of Enfo's printing service production were transferred to Strålfors.

According to its strategic outlines, Enfo also sold the business operations of its unit specialised in remote reading and meter management services to Voimatel Oy, a service producer of power and data networks, in April. As a result of the transaction, nine permanent Enfo employees and two leased employees were transferred to Voimatel.

Through convergence in financial and IT processes, customers have shown much more interest towards Enfo's comprehensive outsourcing solution.

The competition between invoice operators seems to remain tough. Investments in electronic services, together with debt collection services implemented as partnership projects, have strengthened Enfo's competitiveness.

Turnover

Enfo Group's turnover decreased by 7.3% in January–March and stood at EUR 34.4 (37.1) million.

Development of turnover by reporting segment

EUR million	1-3/2015	1-3/2014	1-12/2014
IT Services	25,5	27,9	109,3
Financial Process Services	9,3	9,6	37,6

The turnover of IT Services decreased by 8.6% in January–March and stood at EUR 25.5 (27.9) million. The decrease in turnover was based on the intensified market situation in IT outsourcing services, and the shift in hardware and software sales towards a more commission-based business model.

The turnover of Financial Process Services decreased by 2.9% in January–March and stood at EUR 9.3 (9.6) million. The decrease in turnover is explained by the fierce competition in the invoicing operator business. Compared to the first quarter of 2014, the turnover of outsourcing operations in Financial Process Services increased.

Profitability

Enfo Group's profitability fell in January–March with operating profit being EUR 1.4 (3.3) million, comprising 4.1% (8.9%) of turnover.

The Group's profit before taxes in January–March stood at EUR 1.3 (3.0) million, representing 3.9% (8.0%) of turnover. In January–March, the Group's net financing costs totalled EUR -0.1 (-0.3) million. The result for January–March was EUR 1.1 (2.4) million, or 3.1% (6.4%) of turnover. Earnings per share in January–March were EUR 1.25 (3.24).

Development of operating profit by reporting segment

EUR million	1-3/2015	1-3/2014	1-12/2014
IT Services	0,4	2,1	5,6
Financial Process Services	1,0	1,2	4,1

The decrease in the operating profit of IT Services was affected by increasingly fierce price competition in all of the company's businesses.

The operating profit of Financial Process Services fell slightly from the previous year's level because of the decrease in turnover and non-recurring reorganisation costs.

Financing and investments

In January–March, Enfo's net investments totalled EUR 0.6 (1.4) million. Investments mainly consisted of data centre hardware acquired through a financial leasing agreement and development costs associated with Financial Process Services.

At the end of the review period, the company's equity ratio was 41.5% (45.4%). Interest-bearing net liabilities stood at EUR 24.4 (26.6) million, and net gearing was 48.8% (52.5%) at the end of March.

Personnel

In January–March, Enfo Group employed an average of 815 people (754). At the end of March, the Group had a total of 818 employees (752).

Enfo's IT Services employed an average of 687 people (634) in January–March, while Financial Process Services employed an average of 102 people (95). Of Enfo's personnel, 359 (359) were stationed in Finland and 456 (395) in Sweden during the review period.

Annual General Meeting and administration

The Annual General Meeting of Enfo Oyj held on 25 March 2015 decided, according to the proposal of the Board of Directors, to distribute a dividend of EUR 5.90 per issued share, i.e. a total of EUR 3,478,162.10, over the previous financial period on the basis of the confirmed balance sheet. 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, 27 March 2015. The dividend will be paid on 29 May 2015.

Tapio Hakakari, Mammu Kaario, Lauri Kerman, Timo Kärkkäinen and Soili Mäkinen were re-elected as members of the Board of Directors. Hannu Isotalo, who stepped down from the Board of Directors at his own request, was not replaced by a new member.

At the organisation meeting held after the AGM, the Board of Directors appointed Tapio Hakakari chairperson and Mammu Kaario deputy chairperson.

The AGM authorised the Board of Directors of Enfo Oyj to decide on the issuance of new shares through a rights issue. The authorisation covers the issuance of a maximum of 175,000 shares. The shares can be used in corporate or business transactions to obtain the assets required by the company. The Board of Directors will decide on the subscription price and other terms and conditions of the rights issue.

Furthermore, the AGM authorised the Board of Directors to decide on the issuance of new shares or shares held by the company through a special rights issue. The authorisation covers the transfer and/or handover of a maximum of 10,000 shares. The shares can be transferred and/or handed over in order to finance or carry out any business acquisitions, as part of the company's payroll and incentive scheme, and to the company's employees and personnel fund. The Board of Directors will decide on the subscription price and other terms and conditions of the issue.

The AGM authorised the Board of Directors of Enfo Oyj to decide on the acquisition of the company's treasury shares using the company's unrestricted equity. The authorisation covers the acquisition of a maximum of 10,000 shares at a minimum price of EUR 1 and at a maximum price of EUR 120 per share. The shares can be acquired to help the company acquire assets for its business operations, for any business acquisitions, as part of the company's payroll and incentive scheme, to fulfil share purchase commitments made by the company, and for annulment. The Board of Directors may decide on the purchase price and other terms and conditions of the acquisition. The authorisations remain valid until the end of the next Annual General Meeting.

Shares

On 31 March 2015, Enfo Oyj had a total of 590,833 shares. At the end of the financial period, Enfo had a total of 112 shareholders. The company has one series of shares. Enfo held 1,314 treasury shares at the end of March 2015.

At the end of March 2015, 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 Oy, Pohjois-Savo Cooperative Bank, Hannu Isotalo Oy, Kallax Oy, Arto Herranen and the Saastamoinen Foundation. Osuuskunta KPY's share of ownership is 86.35%.

Forecast for likely future development

The company estimates that the turnover of the IT Services segment will increase in 2015 compared with the previous year. Operating profit is expected to grow from the year before.

The turnover of the Financial Process Services segment is estimated to fall clearly from the previous year due to divested business operations. Operating profit is expected to be significantly lower than last year due to investments in new businesses and divested operations.

The company estimates that consolidated turnover in 2015 will remain at the previous year's level. Operating profit is expected to grow from the year before.

Risks and uncertainties

Short-term risks and uncertainties are associated with maintaining competitive prices in all of the Group's business areas. Over the long term, new delivery methods, such as global cloud services, may significantly change the business environment for IT outsourcing services.

Timetable for financial reporting in 2015

The 2015 Q2 interim report will be published on 20 August 2015, and the Q3 interim report on 28 October 2015.

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 2014 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	1-3/2015	1-3/2014	1-12/2014
Turnover	34,4	37,1	145,3
Other operating income	0,8	0,0	0,1
Materials and services	-11,5	-12,0	-48,5
Employee benefit expenses	-16,9	-16,1	-62,6
Depreciation and amortisation	-1,3	-1,0	-4,6
Other operating expenses	-4,1	-4,6	-19,9
Operating profit	1,4	3,3	9,7
Financial income	0,2	0,0	0,4
Financial expenses	-0,3	-0,4	-2,0
Profit before taxes	1,3	3,0	8,1
Income tax	-0,3	-0,6	-1,6
Profit for the period	1,1	2,4	6,4
Attributable to			
Equity holders of the parent company	0,7	1,9	5,0
Non-controlling interests	0,3	0,5	1,4
Earnings per share, EUR			
	1,25	3,24	8,50

Statement of comprehensive income

EUR million	1-3/2015	1-3/2014	1-12/2014
Profit for the period	1,1	2,4	6,4
Exchange rate differences caused by net investments in foreign subsidiaries	0,2	-0,2	-1,0
Other translation differences	0,1	-0,1	-0,6
Cash flow hedging	0,0	0,0	0,0
Taxes associated with other comprehensive income items	-0,0	0,0	-0,0
Other comprehensive income for the period	1,4	2,1	4,7
Attributable to			
Equity holders of the parent company	1,1	1,6	3,3
Non-controlling interests	0,3	0,5	1,4

Consolidated statement of financial position

EUR million	31.3.2015	31.3.2014	31.12.2014
Assets			
Non-current assets			
Tangible assets	5,1	5,4	5,2
Goodwill	62,8	63,1	62,3
Other intangible assets	6,6	4,3	7,1
Available-for-sale investments	0,1	0,1	0,1
Receivables	0,1	0,1	0,2
Deferred tax assets	0,2	0,3	1,2
Total non-current assets	74,9	73,4	76,0
Current assets			
Inventories	0,3	0,3	0,3
Trade receivables	22,1	26,0	25,8
Other receivables	3,0	3,1	3,0
Tax assets based on the period's taxable income	3,8	3,6	3,4
Available-for-sale investments	0,0	0,0	0,0
Cash and cash equivalents	16,8	5,8	13,3
Total current assets	46,0	38,8	45,9
Total assets	120,9	112,2	121,9
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	1,8	1,8
Retained earnings	32,9	33,5	35,3
Equity attributable to equity holders of the parent company, total	48,2	48,9	50,6
Non-controlling interests	1,7	1,7	1,4
Total equity	50,0	50,6	52,0
Non-current liabilities			
Interest-bearing liabilities	26,0	18,4	26,8
Other liabilities	0,5	0,5	0,3
Deferred tax liabilities	0,7	0,4	0,7
Non-current liabilities, total	27,2	19,3	27,8
Current liabilities			
Interest-bearing liabilities	15,1	13,9	15,2
Trade payables	6,4	6,9	9,4
Other liabilities	22,2	21,5	17,4
Current liabilities, total	43,7	42,3	42,0
Total liabilities	70,9	61,6	69,9
Total equity and liabilities	120,9	112,2	121,9

Condensed statement of cash flows

EUR million	1-3/2015	1-3/2014	1-12/2014
Cash flow from operating activities			
Profit for the period	1,1	2,4	6,4
Adjustments to the profit for the period	1,5	2,0	7,8
Change in working capital	2,2	0,1	2,8
Interest paid and received	-0,2	-0,2	-1,0
Taxes paid	0,3	-1,1	-4,5
Cash flow from operating activities	4,9	3,2	11,5
Cash flow from investment activities			
Acquisition of subsidiaries less cash and cash equivalents on the acquisition date	0,0	0,0	-3,0
Investments in tangible and intangible assets	-0,4	-0,4	-1,0
Cash flow from investment activities	-0,4	-0,4	-4,0
Cash flow from financing			
Changes in loans	-0,4	-0,4	9,1
Changes in equity	0,0	0,0	-4,5
Repayment of financial leasing liabilities	-0,8	-0,7	-3,1
Cash flow from financing	-1,3	-1,1	1,5
Changes in cash and cash equivalents	3,5	1,6	9,0
Impact of exchange rate changes on cash and cash equivalents	0,0	-0,1	-0,1
Cash and cash equivalents at the beginning of the period	13,3	4,2	4,2
Cash and cash equivalents at the end of the period	16,8	5,8	13,3

Key figures

	1-3/2015	1-3/2014	1-12/2014
Turnover (EUR million)	34,4	37,1	145,3
Operating profit (EUR million)	1,4	3,3	9,7
% of turnover	4,1	8,9	6,7
Profit before taxes (EUR million)	1,3	3,0	8,1
% of turnover	3,9	8,0	5,5
Profit for the period (EUR million)	1,1	2,4	6,4
% of turnover	3,1	6,4	4,4
Earnings per share, EUR	1,25	3,24	8,50
Return on investment, %	7,0	16,0	11,3
Return on equity, %	8,5	18,5	12,4
Equity ratio, %	41,5	45,4	42,9
Net gearing, %	48,8	52,5	55,1
Interest-bearing net liabilities (EUR million)	24,4	26,6	28,7
Equity/share, EUR	82,3	82,9	85,8
Average number of employees	815	754	775
Number of shares	590 833	590 833	590 833

	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	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						5,0	5,0	1,4	6,4
Comprehensive income									
Other comprehensive income items									
Translation differences from net investments in a foreign subsidiary				-1,0			-1,0		-1,0
Net investment hedging				-0,1			-0,1		-0,1
Other translation differences				-0,5			-0,5	-0,1	-0,6
Other comprehensive income items for the period after taxes	0,0	0,0	0,0	-1,6	0,0	0,0	-1,6	-0,1	-1,7
Other comprehensive income for the period				-1,6	0,0	5,0	3,4	1,3	4,7
Business operations with owners									
Distributed dividends						-3,2	-3,2	-1,2	-4,4
Total	0,0	0,0	0,0	0,0	0,0	-3,2	-3,2	-1,2	-4,4
Equity on 31 Dec. 2014	0,3	13,3	-0,1	1,2	1,8	34,2	50,6	1,4	52,0

	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 31 Dec. 2014	0,3	13,3	-0,1	1,2	1,8	34,2	50,6	1,4	52,0
Profit/loss for the period						0,7	0,7	0,3	1,1
Comprehensive income									
Other comprehensive income items									
Translation differences from net investments in a foreign subsidiary				0,2			0,2		0,2
Other translation differences				0,1			0,1	0,0	0,1
Other comprehensive income items for the period after taxes	0,0	0,0	0,0	0,3	0,0	0,0	0,3	0,0	0,4
Other comprehensive income for the period				0,3	0,0	0,7	1,1	0,4	1,4
Business operations with owners									
Distributed dividends						-3,5	-3,5	0,0	-3,5
Total	0,0	0,0	0,0	0,0	0,0	-3,5	-3,5	0,0	-3,5
Equity on 31 Mar. 2015	0,3	13,3	-0,1	1,5	1,8	31,4	48,2	1,7	49,9

Turnover by business segment

EUR million	1-3/2015	1-3/2014	1-12/2014
IT Services	25,5	27,9	109,3
Financial Process Services	9,3	9,6	37,6
Eliminations and others	-0,4	-0,4	-1,5
Group total	34,4	37,1	145,3

Operating profit by business segment

EUR million	1-3/2015	1-3/2014	1-12/2014
IT Services	0,4	2,1	5,6
Financial Process Services	1,0	1,2	4,1
Group items and others	0,0	0,0	0,0
Group total	1,4	3,3	9,7

Changes in tangible fixed assets

EUR million	1-3/2015	1-3/2014	1-12/2014
Carrying amount at the beginning of the period	5,2	5,3	5,3
Increases	0,6	0,8	3,2
Decreases	-0,1	0,0	-0,8
Depreciation and amortisation	-0,6	-0,6	-2,6
Exchange rate differences	0,0	0,0	0,0
Carrying amount at the end of the period	5,1	5,4	5,2

Commitments and contingencies

EUR million	31.3.2015	31.3.2014	31.12.2014
Debts with business mortgage or pledge as security			
Loans from financial institutions	25,1	26,5	25,4
Business mortgage	11,4	11,4	11,4
Subsidiary shares	16,4	16,4	16,4
Derivative contracts			
Interest swaps			
Fair value	-0,2	-0,3	-0,2
Rated value SEK (SEK 39,222,960)	4,2	7,3	4,2
Rated value EUR	6,8	7,7	6,8
Other liabilities			
Leasing liabilities	6,6	6,5	7,0
Other rental liabilities	6,1	9,2	6,7
Other contingent liabilities	0,0	0,0	0,1
Bank guarantees	0,3	0,3	0,3
Total other liabilities	13,0	16,0	14,1

For additional information, please contact: CEO Arto Herranen +358 44 7193 000 and CFO Christian Homén +358 40 750 6902 (email format: firstname.lastname@enfo.fi).

Enfo is a Nordic IT service company that offers IT outsourcing, business process outsourcing and IT consulting services for our customers in Finland, Sweden, Norway and Denmark so that our customers can focus on their core business 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 145 million (2014). For more information about Enfo, please visit www.enfo.fi ja www.enfo.se.

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