



# INTERIM REPORT

1 July-30 September 2016



# ENFO GROUP'S INTERIM REPORT 1 JULY-30 SEPTEMBER 2016

#### Key points of the interim report

- Turnover increased in accordance with the growth strategy by 10.1% in July-September and stood at EUR 34.5
   (31.3) million. In January-September, turnover increased by 14.0%, amounting to EUR 115.7 (101.5) million.
- Due to our strategic reform and growth-related investments, operating profit (EBIT) fell by 67.3% in July-September and stood at EUR 1.0 (3.1) million. Operating profit (EBIT) excluding non-recurring items fell by 54.9% in July-September and stood at EUR 1.4 (3.1) million. Operating profit (EBIT) for January-September totalled EUR 2.6 (6.4) million, a year-on-year decrease of 59.6%. Nine-month operating profit (EBIT) excluding non-recurring items totalled EUR 3.5 million.
- Profit before taxes in July-September amounted to EUR 0.7 (2.6) million. Profit for January-September decreased by 70.6% and stood at EUR 1.7 (5.7) million.
- Earnings per share in July-September were EUR 0.20 (3.08) and in January-September EUR -0.97 (6.19).
- In January-September, Enfo Group employed an average of 904 (805) people. At the end of September, the Group employed a total of 910 (801) people.
- Cash flow from operating activities totalled EUR -1.5

   (0.8) million in July-September and EUR -0.3 (9.1) million in January-September.
- During the period under review, Enfo Oyj increased its holding in Enfo Rongo Oy to 100%.

#### **Outlook for 2016**

The Group's turnover is expected to increase in 2016. The operating profit is expected to decrease from the year before due to investments in new business operations. In addition, non-recurring costs arising from measures to improve the efficiency of specific business units will reduce this year's operating profit.

#### **Risks and uncertainties**

Short-term risks and uncertainties are associated with maintaining competitive prices in all of the Group's business areas. Furthermore, the profitability of new business operations may develop more weakly than planned. Recruitment problems, particularly in the Stockholm area, are weakening the otherwise good growth prospects of the Business Solutions business area.

The largest long-term uncertainties are associated with a decrease in demand for traditional IT services and the schedule for implementing changes as part of Enfo's revised strategy.

#### **Arto Herranen, CEO:**

Through our new strategy, we will strongly shift the focus of our operations towards new IT services that support digitalisation.

In July-September 2016, this strategic reform had both a positive and negative impact on our performance. While our turnover increased by 10.1% year-on-year, our operating profit showed a clear decline of 67.3%. Thus, our investments are adversely affecting our profit performance in the short term, but will strengthen our profitability in the long term. This means that, in the near future, we will have to use both the accelerator and brake pedal at the same time. In order to improve our short-term profitability, we will launch a cost-cutting programme in the last quarter of 2016.

The IT service market is undergoing an interesting development phase in general. In 2016, we expect growth of 2 to 4 per cent in this sector in Finland and Sweden. Meanwhile, the decline in some areas of this sector is reflected in the major staff cuts announced by numerous, traditional IT companies. Simultaneously, other areas in the IT service market are reporting double digit growth and smaller IT companies in particular are recruiting more staff. The purpose of Enfo's revised strategy is to focus on these strong growth areas, and we will also fuel our expansion through acquisitions.

#### Timetable for financial reporting in 2016

The 2016 financial statements bulletin will be issued on 2 March 2017.

#### **Enfo'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.

#### **IT Services**

At IT Services, the year has proceeded as planned. In July-September, sales grew by 11.3% year-on-year to EUR 27.1 (24.4) million, and operating profit decreased by 70.0% to EUR 0.8 (2.6) million. In January-September, sales grew by 17.1% to EUR 91.5 (78.2) million. Nine-month operating profit totalled EUR 2.7 (4.5) million, a year-on-year decrease of 38.7%.

Demand for digitalisation-related solutions has grown strongly in both Finland and Sweden. To respond to this demand, we are continuing to actively build a new service range and introduce industry-specific solutions to the market. For example, during the period under review, Enfo launched "Digital Manufacturing by Enfo", a new concept targeting the industrial sector. This concept provides an even better view of the customer's production and costs, helping them to improve their cost efficiency. Feedback on this concept has been highly positive.

IT outsourcing services will continue to play a key role in Enfo's service offering. However, the markets are undergoing change. To respond to these developments, Enfo has introduced the AEM (Applications Ecosystem Management) service concept, in which Enfo assumes more extensive responsibility for the customer's IT, including its application suppliers, thereby helping the customer to develop its business in a digitalised world.

Another new service concept, Worklife, is designed for updating employees' daily working environment so as to meet future needs, with a special focus on the user experience. These new service packages have attracted great interest among customers and will support them in developing their operations to keep pace with digitalisation.

New agreements have been signed with existing and new customers, such as Nordic Choice Hotels, Lassila & Tikanoja, IKEA and Norkring.

#### **Financial Process Services**

Demand for Financial Process Services picked up slightly during the third quarter. Turnover for July-September totalled EUR 8.1 (7.5) million, and that for January-September totalled EUR 25.2 (24.8) million. Compared to the corresponding periods the previous year, these represented

a growth of 7.6% and 1.7%, respectively. Operating profit for July-September decreased by 21.3% to EUR 0.4 (0.5) million, and that for January-September decreased by 99.7% to EUR 0.0 (1.9) million. Major investments in service development and new customers, and price competition in invoice operator services continued to erode operating profit. The Financial Process Services unit continued to focus on the construction of a digital platform for the financial management of medium-sized companies, as well as the upgrading of its information logistics services platform. Both of these projects will further strengthen the offering of the Financial Process Services unit.

During the third quarter, Enfo focused on transferring two major clients to a new platform. New contracts were signed, including the implementation of Enfo's finance platform as a SaaS service for Porvoon Energia Oy. During the last quarter of 2016, Enfo expects to secure both major new contracts and service expansions for existing customers.

#### **Turnover and result**

In July-September, Enfo Group's turnover grew by 10.1% to EUR 34.5 (31.3) million. In January-September, turnover grew by 14.0% to EUR 115.7 (101.5) million. The Group's profitability declined in July-September, with operating profit totalling EUR 1.0 (3.1) million, comprising 2.9% (9.9) of turnover. Operating profit for January-September totalled EUR 2.6 (6.4) million, comprising 2.2% (6.3) of turnover. Enfo Group's operating profit for January-September decreased by 59.6% year-on-year.

The Group's profit before taxes in July–September stood at EUR 0.7 (2.6) million, comprising 2.0% (8.3) of turnover. Profit before taxes for January–September totalled EUR 1.7 (5.7) million, or 1.4% (5.6) of turnover. The Group's net financing costs amounted to EUR -0.3 (-0.6) million in July–September and to EUR -0.9 (-0.7) million in January–September. The result in July–September was EUR 0.6 (2.0) million, comprising 1.6% (6.4) of turnover. The result for January–September totalled EUR 1.3 (4.5) million, representing 1.2% (4.4) of turnover. Earnings per share in July–September were EUR -0.20 (3.08) and in January–September EUR -0.97 (6.19).

#### **Development by reporting segment**

In July-September, the turnover of IT Services increased by 11.3% to EUR 27.1 (24.4) million. Operating profit declined by 70.0% to EUR 0.8 (2.6) million. In July-September, the turnover of Financial Process Services increased by 7.6% to EUR 8.1 (7.5) million. Operating profit declined to EUR 0.4 (0.5) million.

In January–September, sales of IT Services grew by 17.1% to EUR 91.5 (78.2) million. Nine-month operating profit totalled EUR 2.7 (4.5) million, a year-on-year decrease of 38.7%. In January–September, the turnover of Financial Process Services increased by 1.7% to EUR 25.2 (24.8) million. Operating profit declined to EUR 0.0 (1.9) million.

#### Financing, investments and acquisitions

Enfo's net investments in January-September totalled EUR 3.0 (2.5) million. These mainly consisted of data centre hardware acquired through financial leasing agreements. The company's equity ratio was 42.8% (46.3) at the end of the review period. Interest-bearing net liabilities at the end of September amounted to EUR 40.1 (26.7) million and net gearing was 80.3% (51.5).

During the period under review, Enfo Oyj increased its holding in Enfo Rongo Oy to 100%.

#### **Personnel**

In January–September, Enfo Group employed an average of 904 (805) people. At the end of September, the Group employed a total of 910 (801) people.

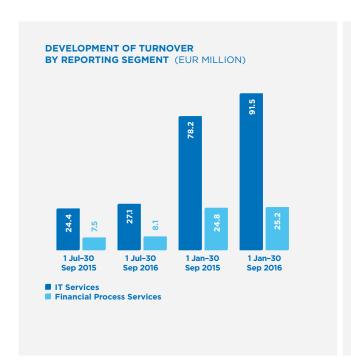
Enfo's IT Services unit employed an average of 749 (715) people in January-September, while Financial Process Services employed an average of 96 (90) people. Of Enfo's personnel, 413 (345) were employed in Finland and 491 (460) in Sweden during the review period.

#### **Shares**

On 30 September 2016, Enfo Oyj had a total of 600,833 shares and 113 shareholders. The company has one series of shares. At the end of September, Enfo owned 1,552 treasury shares. On 30 September 2016, the ten largest shareholders in the company were: Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Enfo Oyj's Personnel Fund HR, Rongo Cap Oy, Einari Vidgrén Oy, Keskisuomalainen Oyj, Pohjois-Savon Osuuspankki, Hannu Isotalo Oy, Kallax Oy and Arto Herranen. Osuuskunta KPY holds 85.40% of Enfo's shares.

#### **Accounting principles**

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 2015 financial statements. The figures in the tables have been rounded to the nearest million euros and may not add up to precise totals. The figures presented in the tables are unaudited.





# **Consolidated income statement**

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Turnover	34.5	31.3	115.7	101.5	140.6
Other operating income	0.0	0.0	0.1	0.8	1.0
Materials and services	-12.2	-10.1	-39.3	-32.8	-46.1
Employee benefit expenses	-15.3	-13.0	-54.2	-47.1	-65.1
Depreciation and amortisation	-1.5	-1.3	-4.5	-3.8	-5.0
Other operating expenses	-4.5	-3.9	-15.2	-12.3	-17.8
Operating profit	1.0	3.1	2.6	6.4	7.5
Financial income	0.0	0.1	0.1	0.5	0.5
Financial expenses	-0.3	-0.7	-1.0	-1.2	-1.3
Profit before taxes	0.7	2.6	1.7	5.7	6.8
Income tax	-O.1	-0.5	-0.3	-1.1	-1.4
Profit for the period	0.6	2.0	1.3	4.5	5.4
Attributable to					
Equity holders of the parent company	0.1	1.9	-0.6	3.7	4.4
Non-controlling interests	0.4	0.2	1.9	0.9	1.0
Earnings per share, EUR	0.20	3.08	-0.97	6.19	7.39

# **Statement of comprehensive income**

EUR million	1-9/2016	1-9/2015	1-12/2015
Profit for the period	1.3	4.5	5.4
Exchange rate differences caused by net investments in foreign subsidiaries	-0.8	0.0	0.4
Other translation differences	-0.3	0.0	0.2
Net investment hedging	-0.2	0.0	0.1
Cash flow hedging	0.1	0.1	0.1
Other comprehensive income for the period	0.1	4.5	6.2
Attributable to			
Equity holders of the parent company	-1.8	3.7	5.2
Non-controlling interests	1.9	0.9	1.0

# **Consolidated statement of financial position**

EUR million	30 Sep 2016	30 Sep 2015	31 Dec 2015
Assets		'	
Non-current assets			
Tangible assets	4.8	4.2	4.4
Goodwill	68.4	62.2	71.5
Other intangible assets	7.1	6.7	9.2
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	1.2	0.2	1.4
Total non-current assets	81.7	73.6	86.7
Current assets			
Inventories	0.1	0.2	0.1
Trade receivables	26.8	21.2	26.4
Other receivables	3.3	2.8	3.3
Tax assets based on the period's taxable income	3.6	4.4	2.0
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	1.5	10.3	5.7
Total current assets	35.3	39.1	37.4
Total assets	117.0	112.7	124.1
Faulty and liabilities			
Equity and liabilities Equity			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	3.1	1.8	4.8
Retained earnings	31.6	35.7	35.1
Equity attributable to equity holders	48.4	<b>51.0</b>	53.5
of the parent company, total	40.4	31.0	33.3
Non-controlling interests	1.6	0.9	1.4
Total equity	50.0	51.9	54.9
Non-current liabilities			
Interest-bearing liabilities	27.5	22.4	23.2
Other liabilities	0.5	0.2	5.0
Deferred tax liabilities	0.8	0.7	1.1
Non-current liabilities, total	28.9	23.3	29.3
Current liabilities			
Interest-bearing liabilities	14.1	14.7	10.2
Trade payables	7.1	6.1	9.7
Other liabilities	17.0	16.7	20.0
Current liabilities, total	38.2	37.5	39.9
Total liabilities	67.1	60.8	69.2
Total equity and liabilities	117.0	112.7	124.1

# **Condensed statement of cash flows**

EUR million	1-9/2016	1-9/2015	1-12/2015
Cash flow from operating activities			
Profit for the period	1.3	4.5	5.4
Adjustments to the profit for the period	5.8	5.7	6.6
Change in working capital	-4.9	1.1	2.5
Interest paid and received	-0.6	-0.8	-1.1
Taxes paid	-2.0	-1.4	-1.3
Cash flow from operating activities	-0.3	9.1	12.1
Cash flow from investment activities			
Acquisition of subsidiaries less cash and cash equivalents on the acquisition date	-5.2		-3.8
Investments in tangible and intangible assets	-0.4	-1.3	-1.6
Sales gains from business transactions			1.0
Cash flow from investment activities	-5.6	-1.2	-4.4
Cash flow from financing			
Changes in loans	8.6	-3.6	-7.0
Changes in equity	-4.6	-4.9	-4.9
Repayment of financial leasing liabilities	-2.5	-2.5	-3.3
Cash flow from financing	1.6	-11.0	-15.2
Changes in cash and cash equivalents	-4.3	-3.0	-7.6
Impact of exchange rate changes on cash and cash equivalents	0.0	0.0	-0.1
Cash and cash equivalents at the beginning of the period	5.7	13.3	13.3
Cash and cash equivalents at the end of the period	1.4	10.3	5.7

# **Key figures**

	1-9/2016	1-9/2015	1-12/2015
Turnover (EUR million)	115.7	101.5	140.6
Operating profit (EUR million)	2.6	6.4	7.5
% of turnover	2.2	6.3	5.4
Profit before taxes (EUR million)	1.7	5.7	6.8
% of turnover	1.4	5.6	4.8
Profit for the period (EUR million)	1.3	4.5	5.4
% of turnover	1.2	4.4	3.8
Earnings per share, EUR	-0.97	6.19	7.39
Return on investment, %	3.9	10.0	8.8
Return on equity, %	3.4	11.6	10.1
Equity ratio, %	42.8	46.3	44.4
Net gearing, %	80.3	51.5	50.7
Interest-bearing net liabilities (EUR million)	40.1	26.7	27.8
Equity/share, EUR	80.6	86.4	89.0
Average number of employees	904	805	818
Number of shares	600,833	592,785	600,833

# **Changes in equity**

M€	Share capital	Share premium account	<b>Treasury</b> <b>shares</b>	<b>Transaltions</b> differences	Value change and other funds	Value change and other funds	Total	Non- contorlling interests	Total equity
Equity on 1 Jan 2015	0.3	13.3	-0.1	1.2	1.8	34.2	50.6	1.4	52.0
Profit/loss for the period						3.7	3.7	0.9	4.5
Comprehensive income									
Other comprehensive income items									
Exhange rate differences caused by net investment in foreign subsidiaries									
Net investment hedging									
Other translation differences									
Cash flow hedging					0.1		0.1		0.1
Other comprehensive income items for the period after taxes				-0.1	0.1	0.0	0.0	0.0	0.0
Comprehensive income for the period				-0.1	0.1	3.7	3.7	0.9	4.5
Business operations with owners									
Distributed dividends						-3.5	-3.5	-1.4	-4.9
Acquisition of treasury shares			-0.1				-0.1		-0.1
Sale of treasury shares			0.1				0.1		0.1
Management incentive scheme						0.2	0.2		0.2
Total			0.0			-3.3	-3.3	-1.4	-4.7
Equity on 30 Sep 2015	0.3	13.3	-0.1	1.1	1.9	34.6	51.0	0.9	51.9
M€	Share capital	Share premium account	<b>Treasury</b> <b>shares</b>	<b>Transaltions</b> differences	Value change and other funds	Value change and other funds	Total	Non- contorlling interests	Total equity
Equity on 1 Jan 2016	0.3	13.3	-0.1	2.1	2.9	35.1	53.5	1.4	54.9
Profit/loss for the period						-0.6	-0.6	1.9	1.3
Comprehensive income									
Other comprehensive income items									
Exhange rate differences caused by net investment in foreign subsidiaries				-0.8			-0.8		-0.8
Net investment hedging				-0.2			-0.2		-0.2
Other translation differences				-0.7		0.5	-0.3	-0.1	-0.3
Cash flow hedging					0.1		0.1		0.1
Other comprehensive income items for the period after taxes	0.0	0.0	0.0	-1.7	0.1	0.5	-1.2	-0.1	-1.3
Comprehensive income for the period				-1.7	0.1	-0.1	-1.8	1.9	0.1
Business operations with owners									
Distributed dividends						-3.5	-3.5	-1.1	-4.6
Acquisition of treasury shares			-0.1				-0.1		-0.1
Non-controlling interest related to the acquisition of a subsidiary						0.2	0.2	-0.6	-0.3
Total	0.0	0.0	-0.1	0.0	0.0	-3.3	-3.3	-1.6	-5.0
Differences caused by translation of financial statements							0.0		0.0
Equity on 30 Sep 2016	0.3	13.3	-0.1	0.3	3.0	31.6	48.4	1.6	50.0

# **Turnover by business segment**

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
IT Services	27.1	24.4	91.5	78.2	110.5
Financial Process Services	8.1	7.5	25.2	24.8	32.4
Eliminations and others	-0.7	-0.3	-1.0	-1.4	-2.2
Group total	34.5	31.3	115.7	101.5	140.6

# **Operating profit by business segment**

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
IT Services	0.8	2.6	2.7	4.5	6.4
Financial Process Services	0.4	0.5	0.0	1.9	1.2
Group items and others	-O.1	0.0	-0.1	0.0	0.0
Group total	1.0	3.1	2.6	6.4	7.5

# **Changes in tangible fixed assets**

EUR million	7-9/2016	7-9/2015	1-12/2015
Carrying amount at the beginning of the period	4.4	5.2	5.2
Increases	2.8	1.0	1.8
Decreases	-0.5	-O.1	-0.2
Depreciation and amortisation	-1.9	-1.8	-2.5
Carrying amount at the end of the period	4.8	4.2	4.4

# **Commitments and contingencies**

EUR million	30 Sep 2016	30 Sep 2015	31 Dec 2015
Debts and their securities			
Loans from financial institutions	21.8	21.8	18.5
Derivative contracts			
Interest swaps			
Fair value	-O.1	-0.2	-O.1
Rated value SEK (SEK 13,074,320)	0.0	2.8	1.4
Rated value EUR	5.4	6.3	5.9
Other liabilities			
Leasing liabilities	5.5	6.4	6.1
Other rental liabilities	8.5	5.7	7.3
Other contingent liabilities	0.0	0.1	0.0
Bank guarantees	0.3	0.3	0.2
Total other liabilities	14.3	12.5	13.7



# Simpler, smoother, smarter business in the Digital Dimension

Enfo creates innovative digital solutions that develop, innovate and improve operations for our customers. With business awareness, technical expertise and proven work methods, we refine information flows and develop IT solutions so that our clients take the initiative in a digitalized world and are able to deliver results and experiences to their clients.

Enfo consists of 1,000 niched experts in Finland and Sweden. Turnover MEUR 140 (2015).

For more information, visit enfogroup.com

#### **Enfo Oyj**

Business ID: 2081212-9

Visiting address: Viestikatu 7, FI-70600 Kuopio

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

Switchboard: +358 20 54321

Email:

first name. last name@enfo.fi

#### **Additional information**

CEO Arto Herranen +358 44 7193 000

CFO Christian Homén +358 40 750 6902

www.enfo.fi www.enfo.se