

# Interim Report 1-3/2007

3 May 2007

CEO Pekka Eloholma

**Affecto**

# Forward-Looking Statements

Certain sections of this presentation contain forward-looking statements based on the Company's current expectations, estimates, projections and assumptions.

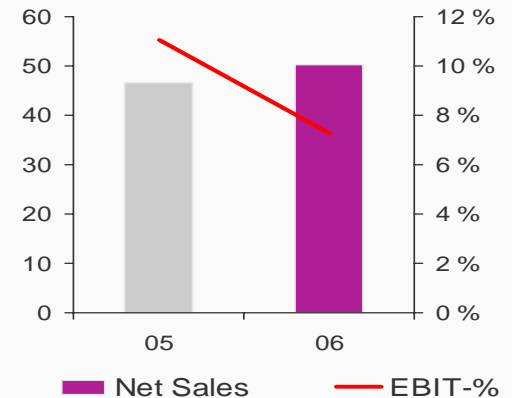
Words such as 'forecasts', 'estimates', 'expects', 'plans', and variations of these words and similar expressions are intended to identify forward-looking statements, which include, but are not limited to, Affecto's performance and profitability, market growth and industry developments.

These statements involve certain risks and uncertainties, which are difficult to predict, and therefore actual future results and trends may differ materially from what is forecast in forward-looking statements. Affecto undertakes to update such statements with respect to new information and future events only within the limits of its statutory obligation to disclose information.

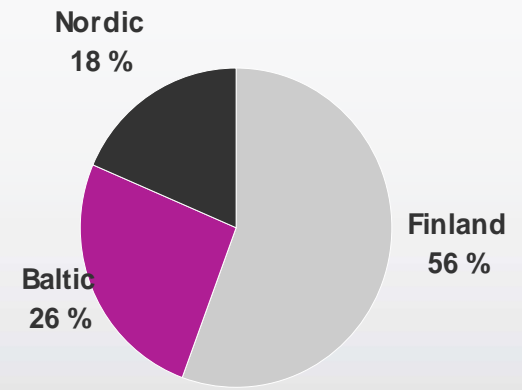
# Affecto in brief: a focused IT services provider

- Sales € 50.2 million in 2006
  - Target to reach 70 M€ in 2007
  - 780 employees
- Operations in Finland, Sweden and Baltic countries
- Business intelligence (BI)
- Operational solutions for selected needs
  - Geographic information system (GIS)
  - Enterprise content management (ECM)
  - Development of demanding solutions for specific customer needs
  - In Baltics also services related to ERPs

Financial performance<sup>(1)</sup>



Sales 1-3/07, €17.6 million



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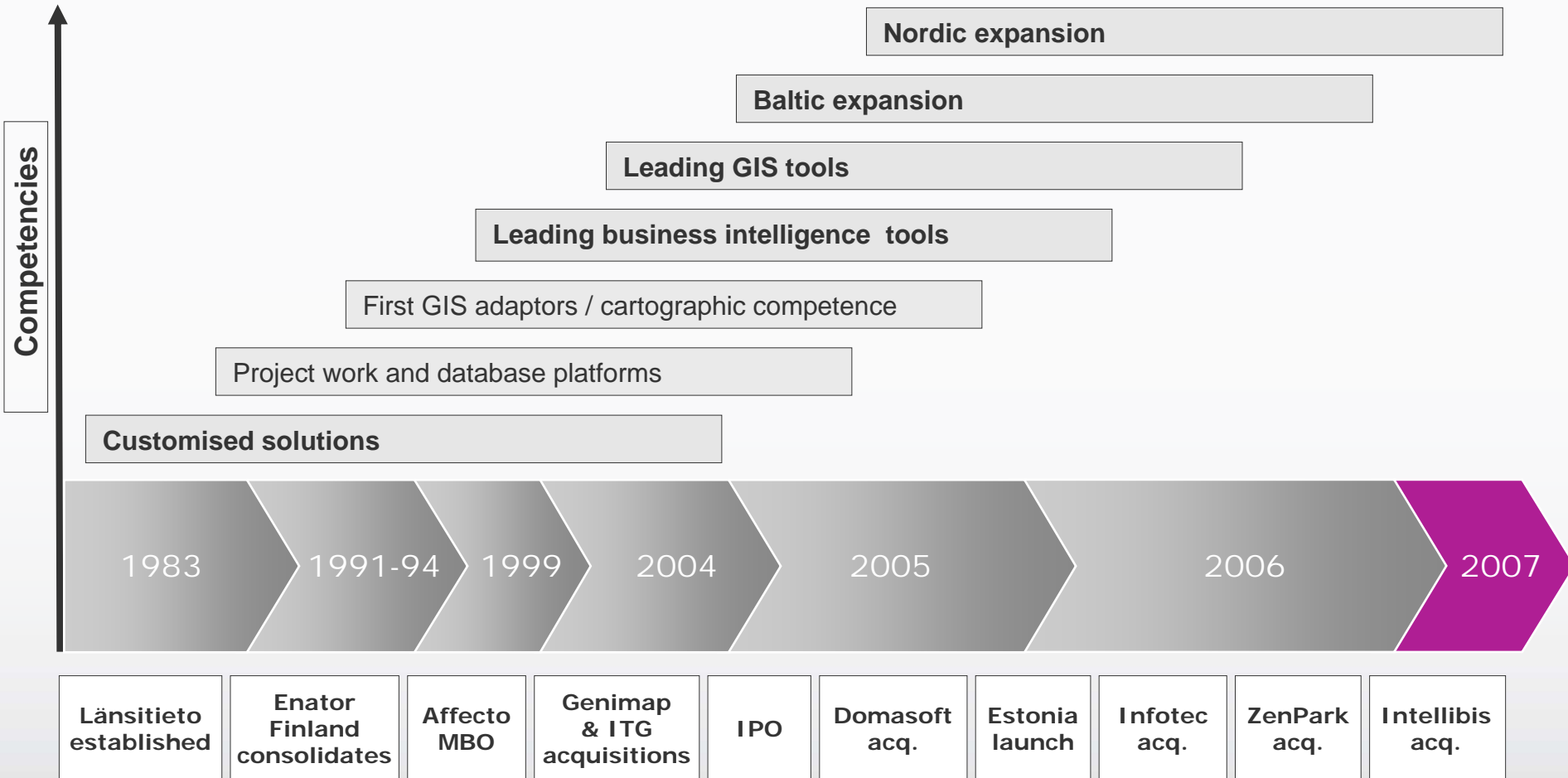
# Vision 2009

- Affecto is
  - the leading business intelligence (BI) solution provider in the Nordic, Baltic and CEE regions
  - the most competent and quality focused GIS, ECM & operational solutions provider in selected industries & regions
- Affecto is the best investment for its stakeholders
  - Employees: best added value for her/his competence and market value
  - Customers: first-class solutions and services, based on deep understanding of the customer needs
  - Investors: solid shareholder value creation

## Financial targets: Profitable growth

- Profitable and sustainable growth is the key element in our strategy
- Financial targets 2009
  - ❖ **Net Sales: exceeding 100 MEUR in 2009**
  - ❖ **Profitability: one of the highest in our segment**
- Dividend policy:
  - The board intends to propose to the general meeting dividends up to one-half of earnings per share on average over the longer term

# Systematic development of competencies



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# Affecto's strategy

## Business Intelligence

- Enhancing customer benefits from existing ERP systems
- Leading position in a fast growing business segment
- Deep business understanding and world-class technologies

## Operational solutions

- ECM, GIS & operational applications
- Experience in system development and application integration
- Worldwide competence on selected industries (insurance)

## Baltic

- Strong market growth in IT services
- Expanding to other CEE countries
- Nearshoring services for the Nordic region

## Employees

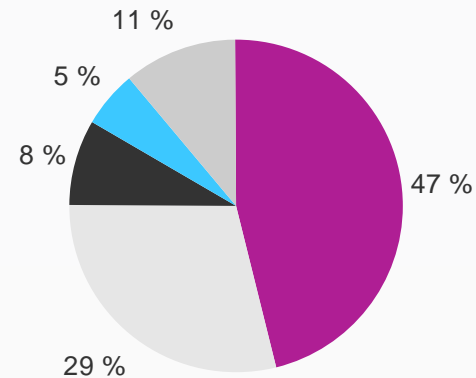
- Personal development
- Inspiring leadership
- Competitive incentive system

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# Affecto's resources



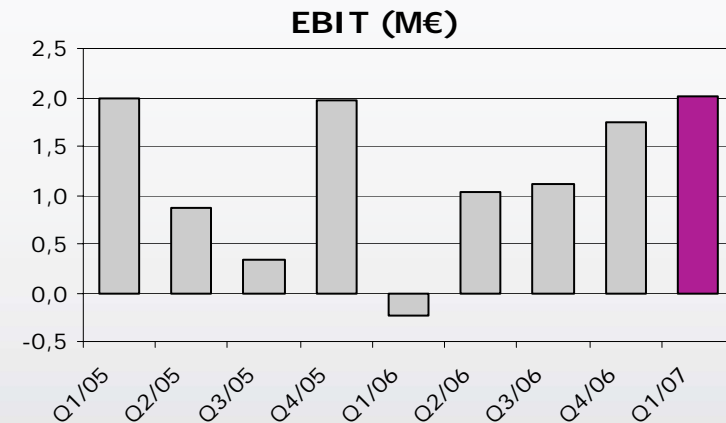
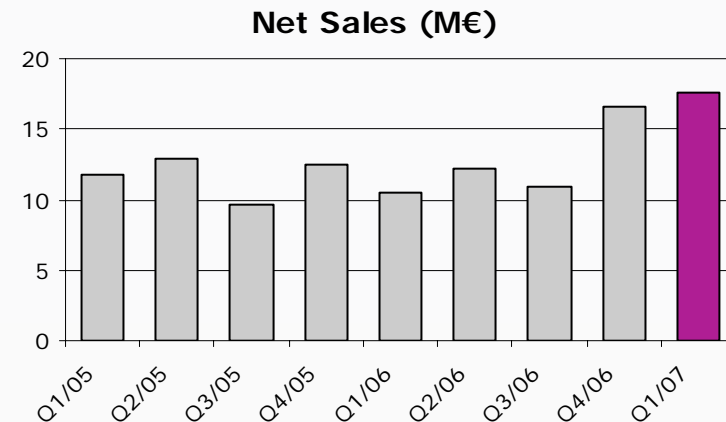
## Personnel by location



- Approx. 780 employees
  - 360 in Finland
  - 330 in Baltic countries
  - 90 in Sweden

# Overview to Q1/2007

- Net sales 17.6 M€ (10.4 M€)
  - Growth 68%
  - Organic growth approx. 24%
  - All-time-highest quarter
  
- EBIT 2.0 M€ (-0.2 M€)
  - Over 11% margin
  - Best quarter since 2005
  - Strong recovery in Baltic
  - Healthy business in Finland and in Sweden



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# Geographical Segments & Business Areas



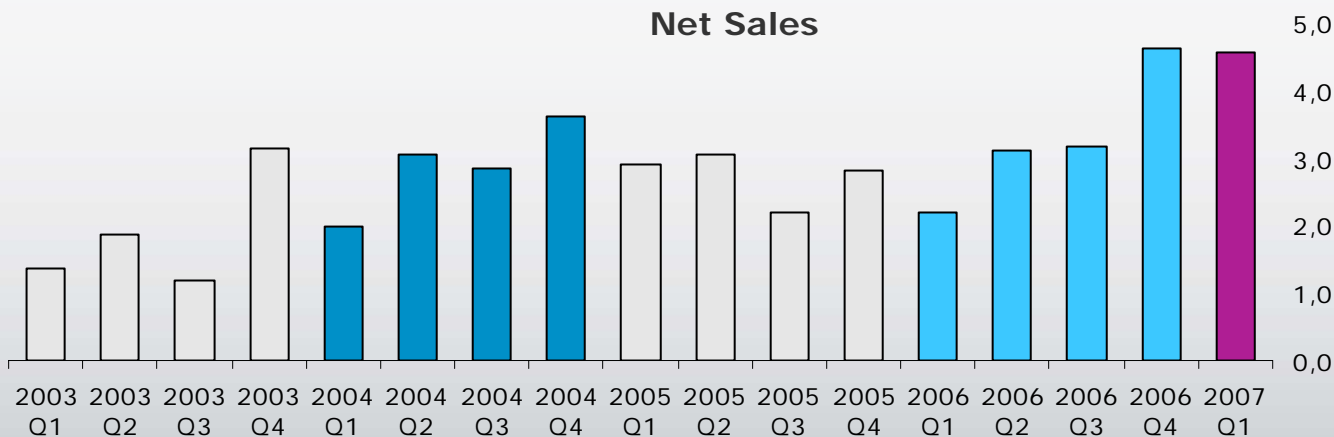
	BI	Operational Solutions	Cartographic Solutions
Finland	Large purple circle	Medium pink circle	Small pink circle
Baltic	Small pink circle	Large purple circle	
Nordic	Large purple circle		

## Business areas - Finland

- Net sales 9.8 M€ (8.3 M€), EBIT 0.9 M€ (0.6 M€)
  - Growth 18%, EBIT margin 10%
- Increasing demand for BI solutions
  - Consultant work is growing
    - Third-party license sales continued to decrease
- Good demand for application integration services
- Growth in sales of digital cartographic content
- Recruitments to boost delivery capacity

## Business areas - Baltic countries

- Very good quarter
- Net sales 4.6 M€ (2.2 M€), EBIT 1.0 M€ (-0.4 M€)
  - Growth 108% compared with Q1/06
  - Excellent EBIT margin: 23%
- Normal business conditions
  - Long-term projects providing basis for stable utilization
  - Active recruitment, challenge in finding skilled labour



## Business Areas - Nordic

- Good quarter
- Sales grew strongly to approx. 3.3 M€
  - Approx. 15% organic growth
- EBIT was 0.4 M€ (12%)
  - Operational EBIT was approx 0.65 M€ (before IFRS3 depreciation)
- Growth is expected to continue
  - Price development has been positive
  - Utilization rate has remained high
  - Aim to steadily increase delivery capacity

# Segment comparison Q1/2007

## Net Sales

Segment	Q1/07	Q1/06	Growth	2006
<b>Finland</b>	<b>9 754</b>	<b>8 257</b>	18 %	<b>36 267</b>
<b>Baltic</b>	<b>4 570</b>	<b>2 194</b>	108 %	<b>13 083</b>
<b>Nordic</b>	<b>3 250</b>	<b>0</b>		<b>881</b>
Eliminations	2	-8		-36
<b>Total</b>	<b>17 576</b>	<b>10 443</b>	68 %	<b>50 194</b>

Segment	Q1/07	Q1/06	Growth	2006
<b>BI</b>	<b>7 416</b>	<b>2 494</b>	197 %	<b>11 863</b>
<b>Operational Sol.</b>	<b>8 276</b>	<b>5 978</b>	38 %	<b>28 715</b>
<b>Cartographic Sol</b>	<b>1 882</b>	<b>1 979</b>	-5 %	<b>9 652</b>
Eliminations	2	-8		-36
<b>Total</b>	<b>17 576</b>	<b>10 443</b>	68 %	<b>50 194</b>

- Change in secondary segments
  - BI singled out as one of the segments
  - GIS and DM/ECM reported as part of Operational solutions
- High EBIT margin in Baltic
- Nordic margin was also good

## EBIT

Segment	Q1/07	Margin	Q1/06	Margin	2006
<b>Finland</b>	<b>933</b>	10 %	562	7 %	<b>4 641</b>
<b>Baltic</b>	<b>1046</b>	23 %	-416	-19 %	<b>497</b>
<b>Nordic</b>	<b>398</b>	12 %	0		<b>-22</b>
<b>Group manag.</b>	<b>-371</b>		-377		<b>-1 474</b>
<b>Total</b>	<b>2 006</b>	11 %	<b>-231</b>	-2 %	<b>3 642</b>

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# Income statement Q1/2007

(1 000 EUR)	Q1/07	Q1/06	2006
Net sales	17 576	10 443	50 194
Other operating income	0	85	138
Changes in inventories of finished goods and work in progress	173	141	287
Materials and services	-2 689	-2 944	-13 177
Personnel expenses	-9 518	-5 792	-23 996
IFRS3 Depreciation	-361	-50	-409
Other depreciation, amortization and impairment charges	-275	-219	-963
Other operating expenses	-2 900	-1 895	-8 432
<b>Operating result</b>	<b>2 006</b>	<b>-231</b>	<b>3 642</b>
Finance costs (net)	-147	-61	-184
<b>Result before income tax</b>	<b>1 860</b>	<b>-292</b>	<b>3 458</b>
Income tax	-422	11	-824
Minority interest	0	-1	0
<b>Result for the period for equity holders of the company</b>	<b>1 438</b>	<b>-280</b>	<b>2 633</b>
EPS (eur/share)	0,08	-0,02	0,16

- R&D costs 0.2 M€ booked as costs
- Normal depreciation 0.3 M€
  - Capex 0.4 M€
- Acquisition related IFRS depreciation 0.4 M€ (0.1 M€)
  - Estimated to be 1.2 M€ in 2007

# Balance sheet

(1 000 EUR)	3/2007	3/2006	2006
Property, plant and equipment	2 260	1 960	2 110
Goodwill	43 845	30 860	43 579
Other intangible assets	7 009	2 829	7 550
Other long-term assets	787	667	744
<b>Non-current assets</b>	<b>53 900</b>	<b>36 316</b>	<b>53 983</b>
Inventories and receivables	19 543	12 731	18 893
Restricted cash	395	5	381
Cash and cash equivalents	6 330	12 715	5 485
<b>Current assets</b>	<b>26 267</b>	<b>25 451</b>	<b>24 758</b>
<b>Total assets</b>	<b>80 167</b>	<b>61 767</b>	<b>78 741</b>
Equity for shareholders	38 402	33 273	39 092
Minority interest	0	19	0
Non-current liabilities	18 730	9 340	18 252
Current liabilities	23 036	19 135	21 397
<b>Total equity and liabilities</b>	<b>80 167</b>	<b>61 767</b>	<b>78 741</b>

- No major changes compared to year-end 2006
- Interest-bearing net debt 11.5 M€ (13.7 M€ 12/06)
  - Dividend 1.7 M€ in balance sheet as cash and non-interest-bearing debt
- Gearing 30% (35%)
- Equity ratio 50% (52%)

# Annual General Meeting 2007

- Date: 28 March 2007
- Name was changed to Affecto Plc
- Dividend 0.10 eur/share paid in April
  - Last year also 0.10 eur/share
- Board members
  - Old members: Aaro Cantell, Heikki Lehmusto, Pasi Mäenpää, Jukka Norokorpi and Esko Rytönen
  - New member: Pyry Lautsuo, M.Sc.(Eng.), 61, retired long-term managing director of IBM Finland

# Ownership structure - 30 April 2007

<u>Owner</u>	<u>%</u>
Eqvitec	15,9 %
Fenno Rahasto Ky	11,2 %
Mika Laine	5,0 %
Intellibis Grundare AB	4,2 %
Eläke-Fennia	3,5 %
EQ Pikkujättiläiset Fund	3,4 %
Varma	3,0 %
Darius Lazauskas	2,7 %
Arvo Finland Value Fund	2,1 %
ABN Amro Small Cap Finland	1,9 %
Nominee registered foreign owners	12,3 %
Other shareholders	34,5 %
Treasury shares	0,2 %
<hr/> Total	<hr/> 100,0 %

- Flagging: M.Laine exceeded 5% in April

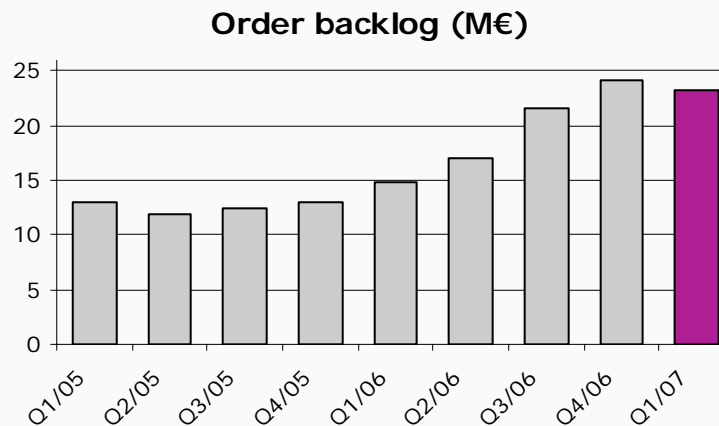
# Outlook

## Market environment

- Growing demand for BI solutions in Finland in Sweden
- Baltic market developing well on overall basis
  - GDP is growing fast, but also general wage inflation
  - EITO's IT services growth forecasts are over 13% for years 2007 and 2008 in Estonia, Latvia and Lithuania
- High demand for skilled workforce
  - Wage pressure especially in Baltic

# Outlook

- Order backlog 23 M€, no major change in Q1/2007



- Positive development is expected to continue during year 2007. Based on the recent acquisitions and good order backlog the company seeks to reach net sales of approx. 70 MEUR in 2007. The profitability is also expected to improve from year 2006. The second quarter is estimated to be clearly better than Q2/2006.
- M&A opportunities evaluated for non-organic growth