



# AffectoGenimap

## Interim Report 1-9/2005

8 November 2005

CEO Antti Halila

# Forward-Looking Statements

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

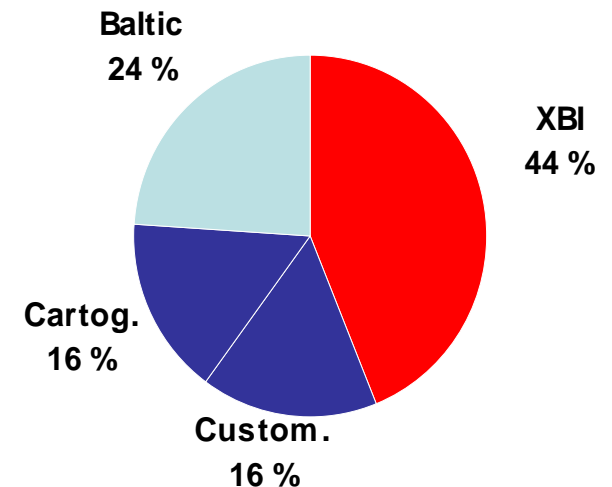
Words such as 'forecasts', 'estimates', 'expects', 'plans', and variations of these words and similar expressions are intended to identify forward-looking statements, which include, but are not limited to, AffectoGenimap's performance and profitability, market growth and industry developments.

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. AffectoGenimap undertakes to update such statements with respect to new information and future events only within the limits of its statutory obligation to disclose information.

# AffectoGenimap – focused IT services provider

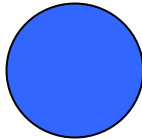
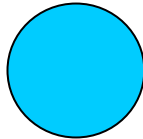
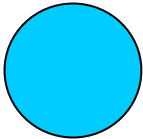

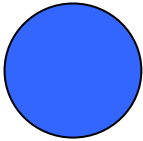
- Sales € 46.6 million in 2004 (pro forma), 527 employees (September '05)
- Highly customised IT solutions in Finland and Baltics
  - Long-term experience of demanding project work for large customers
- Leading focused extended business intelligence (XBI) provider in Finland
  - Business intelligence (BI)
  - Geographic information system (GIS)
  - Document management (DM)

**Sales 1-9/05, €34.2 million**



# Geographical Segments & Business Areas



|         | XBI  | Cartographic Solutions  | Customized Solutions   |
|---------|--|---|--|
| Finland |   |  |   |
| Baltics |  |   |  |

# AffectoGenimap strategy

## Focus on XBI

- Additional customer benefits from existing ERP systems
- Increasing global digitalisation
- Leading position in growth segment

## Leverage Baltic dimension

- Economic growth – EU accession
- Emerging XBI market
- First step in expansion to other CEE countries

## Serve large customers

- Competitive advantage through experienced resources and efficient project management skills
- Long customer relationships, low sales costs

## Retain, employ and develop workforce

- Continuous training on product & project management skills
- Competitive incentive system, key employee shareholding
- Baltic resources for maintaining cost competitiveness

# Overview to 1-9/2005

- Q3: Weak summer in Baltics, improving XBI in Finland
- 126% revenue growth
  - 1-9/2005 net sales 34.2 M€ (pro forma 32.8 M€ in 1-9/04)
  - Q3 usually weak due to workforce's summer holidays
  - Organic growth targets not achieved (4% organic growth, pf)
- 1-9/2005 EBIT 3.2 M€ (3.2 M€ in 1-9/04, 5.0 M€ PF)
  - low Q3 EBIT: 0.3 M€
  - IPO was a big strategic step for the company, but also increased fixed costs
- Improved outlook in Baltics

# Pro forma comparison

## Net Sales

| Segment                  | 1-9/2005      | pro forma<br>1-9/2004 | Growth       | pro forma<br>2004 |
|--------------------------|---------------|-----------------------|--------------|-------------------|
| <b>Finland</b>           | <b>26 080</b> | <b>24 902</b>         | <b>4,7 %</b> | <b>35 152</b>     |
| * XBI                    | 14 965        | 14 009                | 6,8 %        | 20 533            |
| * Customized Solutions   | 5 559         | 5 178                 | 7,4 %        | 7 518             |
| * Cartographic Solutions | 5 601         | 5 715                 | -2,0 %       | 7 101             |
| <b>Baltics</b>           | <b>8 126</b>  | <b>7 866</b>          | <b>3,3 %</b> | <b>11 474</b>     |
| <b>Eliminations</b>      | <b>-5</b>     |                       |              |                   |
| <b>Total</b>             | <b>34 201</b> | <b>32 768</b>         | <b>4,4 %</b> | <b>46 626</b>     |

## EBIT

| Segment              | 1-9/2005     | EBIT<br>Margin | pro forma<br>1-9/2004 | pro forma<br>2004 |
|----------------------|--------------|----------------|-----------------------|-------------------|
| <b>Finland</b>       | <b>2 540</b> | <b>9,7 %</b>   | <b>3 583</b>          | <b>4 895</b>      |
| <b>Baltics</b>       | <b>653</b>   | <b>8,0 %</b>   | <b>1 440</b>          | <b>1 790</b>      |
| <b>Non-allocated</b> | <b>6</b>     |                | <b>-2</b>             |                   |
| <b>Total</b>         | <b>3 199</b> | <b>9,4 %</b>   | <b>5 021</b>          | <b>6 685</b>      |

- XBI revenue improved in Q3, but other areas weakened
- Q3 EBIT lowered by
  - Summer vacations
  - Under-utilisation of some resources
  - GIS related R&D costs
  - Launch of Estonian sales

# Income statement

| (1000 EUR)  | pro forma    |              |                  |
|---|--------------|--------------|------------------|
|   | 1-9/2005     | 1.9.2004     | pro forma 2004** |
| Sales   | 34 201       | 32 768       | 46 626           |
| Other operating income                                      | 429          | 3            | 24               |
| Changes in inventories and work in progress                 | 30           | 3            | -247             |
| Materials and services                                      | -10 117      | -7 984       | -12 072          |
| Employee benefits expenses                                  | -15 159      | -13 167      | -18 478          |
| Depreciation, amortization and impairment charges           | -828         | -958         | -1 246           |
| Other operating expenses                                    | -5 357       | -5 644       | -7 922           |
| <b>Operating profit</b>                                     | <b>3 199</b> | <b>5 021</b> | <b>6 685</b>     |
| Finance cost (net)  | -285         | -578         | -798             |
| <b>Profit before income tax</b>                             | <b>2 914</b> | <b>4 443</b> | <b>5 887</b>     |
| Income tax expense  | -708         | -1 069       | -1 608           |
| Minority interest   | -2           | -5           | -5               |
| <b>Profit for the year to equity holders of the Company</b> | <b>2 204</b> | <b>3 370</b> | <b>4 274</b>     |

- Q3 R&D costs 0.2 M€ booked as costs (0.4 M€ in Q1-Q2)
- Financial costs significantly lower than last year
- Change in IFRS handling of minority items in 2-phased acquisition
  - no minority items
  - corresponding debt and goodwill added to balance sheet

# Balance sheet

| (1000 EUR)                          | 30.9.2005     | 31.12.2004    |
|-------------------------------------|---------------|---------------|
| Property, plant and equipment       | 1 934         | 1 936         |
| Goodwill                            | 29 570        | 29 570        |
| Other intangible assets             | 2 720         | 2 846         |
| Other long-term assets              | 486           | 324           |
| <b>Non-current assets</b>           | <b>34 710</b> | <b>34 676</b> |
| <b>Current assets</b>               |               |               |
| Inventories and receivables         | 12 953        | 13 146        |
| Restricted cash                     | 550           |               |
| Cash and cash equivalent            | 12 444        | 7 892         |
| <b>Total assets</b>                 | <b>60 657</b> | <b>55 714</b> |
| <b>Equity for shareholders</b>      | <b>32 075</b> | <b>21 905</b> |
| Minority interest                   | 18            | 15            |
| <b>Non-current liabilities</b>      | <b>12 906</b> | <b>16 077</b> |
| <b>Current liabilities</b>          | <b>15 657</b> | <b>17 717</b> |
| <b>Total equity and liabilities</b> | <b>60 657</b> | <b>55 714</b> |

- IPO impact:  
higher equity and cash
- Interest-bearing net debt  
5.4 M€ (11.4 M€ 12/04)
  - Change in IFRS  
bookings: now includes  
3.3 M€ debt related to  
minority shareholders in  
Baltics. Not planned to be  
actually paid in cash.  
Related minority items  
removed
- Investments to fixed  
assets 0.7 M€ in 1-9/05

# Business areas in Finland (in Q3)

1/2

- XBI (+7% growth in 1-9/05, pro forma)
  - Improved order book and prospect pipeline
    - Changed sales organisation since August
  - More normal mix of projects than in previous quarters.  
Examples:
    - Completely new customers like KTI and Sato
    - New solutions to be delivered to Vapo and City of Helsinki
  - We do some "R&D" in GIS field for maintaining our technology skills
    - mobile handset solution still caused additional costs in Q3, deliveries to our partner started in late Q3

# Business areas in Finland

## 2/2

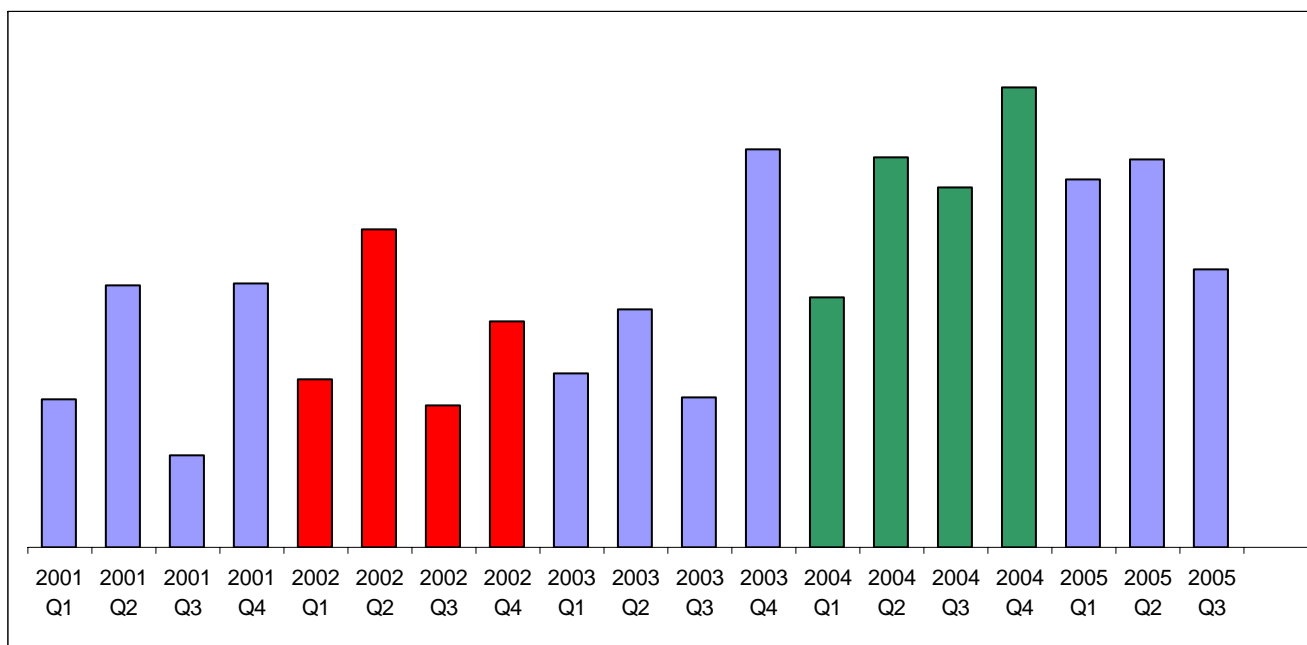
- Customized Solutions (+7% PF)
  - Revenue weakened in Q3 and order book decreased during quarter
  - Some disturbances in certain projects in Q3
- Cartographic Solutions (-2% PF)
  - Q3 was weaker than last year
    - No new consumer products launched during Q3
  - Consumer sales through internet developing well
  - Sales of customised cartographic solutions were also good
    - Continuing trend toward electronic content delivery, good in principle but also decreases revenue due to missing printing phase

# Business in the Baltic countries

- Weak revenue in Q3 due to delayed project starts
  - Time between winning a project and actually starting the work longer than earlier
    - losing competitors complaining about winners, etc.
  - Under-utilisation in Q2 and early part of Q3
- New major projects include the "e-health project", NPA support contract for and a second SODRA project
- Latvia weaker than Lithuania
  - Some good projects, but weaker than planned sales
- TIA (The Insurance Application) business doing well
  - New prospects in pipeline for next year
- Sales efforts started in Estonia
- Order backlog continued to increase in October
  - Good prospect pipeline, but long tender processes

# Historical fluctuation in Baltic revenue

- Fluctuation between quarters has been big and has no clear pattern, except that Q3 is usually clearly weakest



Illustrative only, 2001-2002 under Lithuanian GAAP, 2003- under IFRS

# Current view to recent quarters

- **Baltic: "time shift"**
  - postponed tenders and longer project start phases
    - approx. 1-1,5 months revenue missing from Q2/Q3
    - lower profitability
  - market seen as healthy, but tight competition
  - Q4 already a good quarter
    - no need for major changes, but additional sales channels sought (like Proginta for small customers in Lithuania)
- **Finland:**
  - slower market growth than expected earlier
  - weak sales performance in H1 → smaller growth than planned → lower profitability
    - sales management already reorganised in August
    - cost base under review

# Personnel

- 527 employees (505 in 9/2004 and 533 in 6/2005)
  - 319 in Finland
  - 208 in Baltic countries
- Cautious increase in personnel during the past year
  - Balancing between cost base and growth targets
  - Weaker than expected sales growth has already led to slight decrease in headcount in Q3/2005

# Ownership structure - 1 November 2005

| <u>Owner</u>                         | <u>%</u> |
|--------------------------------------|----------|
| Eqvitec                              | 17,6 %   |
| Fenno Rahasto Ky                     | 12,4 %   |
| FIM Fenno Fund                       | 2,7 %    |
| Varma                                | 2,5 %    |
| EQ Pikkujättiläiset Fund             | 2,1 %    |
| Antti Halila                         | 1,3 %    |
| Nordea Nordic Small Cap Fund         | 1,3 %    |
| Kestutis Uzpalis                     | 1,1 %    |
| Darius Lazauskas                     | 1,1 %    |
| Fondita Fund                         | 1,0 %    |
| <br>                                 |          |
| Nominee registered<br>foreign owners | 35,8 %   |
| <br>                                 |          |
| Other shareholders                   | 21,1 %   |
| <hr/>                                |          |
| Total                                | 100,0 %  |

- Free float ~60%
  - Eqviteq and Fenno ~30%
  - Personnel ~10%
- Foreign owners ~39%
  - Incl. ~3% personnel

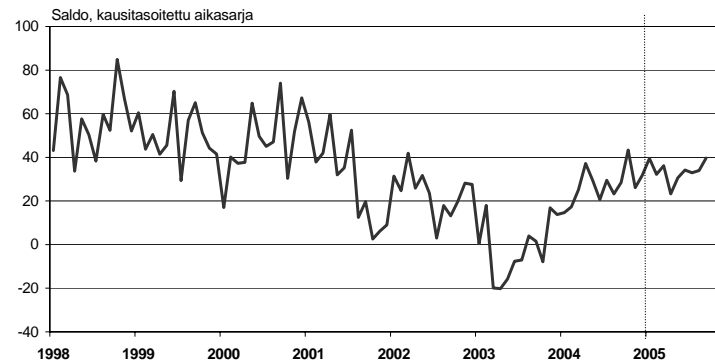
# Market environment - Finland

- General growth in Finnish IT services market is estimated to have been low in 2005
- IT services market environment in Finland is mixed
  - Especially the industrial customers are cautious, sales processes take a long time
  - General IT market sentiment has improved
- Activity on prospect pipeline, but need to convert prospects to orders

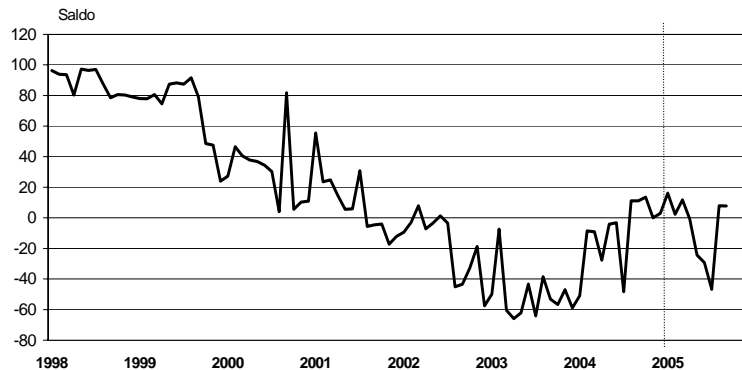
# Market Environment - Finland

- General IT Services market sentiment has improved  
(Survey of Federation of The Finnish Information Industries)

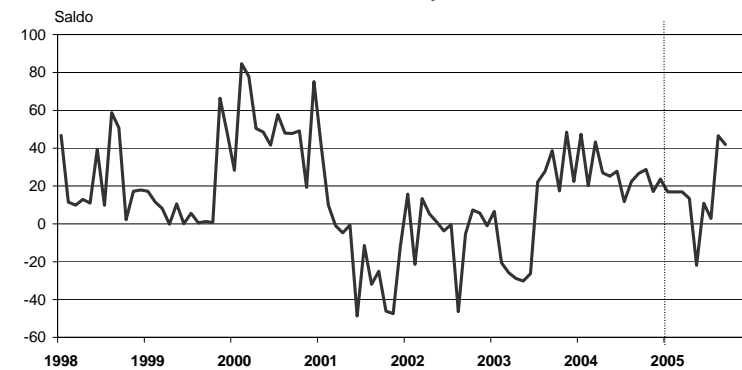
Confidence Indicator



Business Barometer



Business Expectations



# Market environment - Baltic countries

- Baltic market still developing well on overall basis
  - GDP still growing fast, but also some general wage inflation
- Delays in getting contracts signed after winning tenders
  - Competitor complaints delay public contracts
  - Longer negotiations
- Pickup of sales since summer, but no major impact on revenue yet
  - Order book has steadily grown since July
- Several major tenders to be decided in Q4

# Challenges in providing short-term guidance

- Order book approx. 3 months, but contains both shorter and longer projects
  - Work revenue recognition is based on percentage of completion of each project
    - early parts of project generate less revenue than later stages
    - assessed on monthly basis
    - typical deadlines at end of quarters, customer acceptance required in many projects
  - Licence sales tend to be confirmed at last few weeks of a quarter
- providing firm guidance is challenging and we aim not to do it

# Outlook

- Business environment continues as is:  
a balance between cautiousness and optimism
- Net sales expected to grow from last year, but EBIT will be below last year
  - growth target not to be achieved, growth in both geographical areas expected to be small
- Q4 usually strongest quarter (revenue last year ~13.8 M€ pf)
  - Major impact from license sales, usually in December
- M&A opportunities evaluated for non-organic growth