Affecto

ANNUAL REPORT 2013

SUPERIOR

use of information

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10 **THE AMOUNT OF DATA IS CONSTANTLY GROWING.** Mere information management is no longer enough – it is imperative to know how the accumulated wealth of information can be used. Varma's Pension Services Director **Tommi Heinonen** explains how Varma has promoted information management.

Affecto in brief

Affecto is the forerunner in the field of Enterprise Information Management in the Northern Europe.

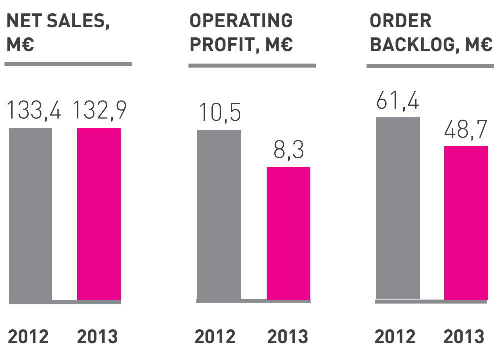
Our solutions for information management and business analytics help organisations to improve productivity and competitiveness with superior use of information in decision making and execution.

We also deliver operational solutions for improving and simplifying processes at customer organizations and offer geographic information services.

Affecto's head office is in Finland and we have subsidiaries in Finland, Sweden, Norway, Denmark, Estonia, Lithuania, Latvia, Poland and South Africa.

YEAR 2013 IN BRIEF

- **Affecto's net sales were at the previous year's level.**
- **Profitability declined slightly.**
- **The region's general economy continued to be rather weak.**
- **Demand for Affecto's services varied by countries.**



KEY FIGURES	2012	**2013**
Net sales, M€	133.4	**132.9**
Operating profit, M€	10.5	**8.3**
Order backlog, M€	61.4	**48.7**
Personnel at the year-end	1 096	**1 088**
Balance sheet total, M€	147.9	**139.5**
Earnings/share, €	0.37	**0.26**
Dividend/share, € *	0.16	**0.16**
Equity ratio	50.6	**53.0**

* Board's proposal

Taking action
TO BOOST GROWTH

Year 2013 was twofold for Affecto. During the first part of the year, our sales increased and profitability improved. After summer, the general business environment weakened on several of our markets. As a result of this, our financial development did not fully meet the expectations we had at the start of the year. In our strategy work, we are putting increased emphasis on accelerating growth.

The strong demand development of the latter part of 2012 continued for the first half of 2013, and our net sales stayed on an upward trend. During autumn, the market sentiment weakened in Finland, Norway and Lithuania.

In Finland this was due mainly to the financial uncertainty still continuing in the Eurozone. As a late cyclical company, we were now suffering from the cautiousness of our customers to invest. Under the pressure from weakening competitiveness, Norwegian companies were looking for savings in their ICT operations by increasing the use of offshore/nearshore resources, for example. In other Nordic countries, this adjustment process took place much earlier. In Lithuania, the largest of our Baltic markets, demand was overall sluggish. In Sweden and Denmark, on the other hand, the general economic sentiment was picking up towards the end of the year.

Under mixed market conditions, our net sales were 133 million euros (2012: 133 million euros) and operating profit 8.3 million euros (10.5 million euros). Although we did not meet the guidance published in the beginning of the year, we can be fairly satisfied with our results. In challenging market conditions, we succeeded well within our peer group. We also continued to receive very good feedback from our customers, which tells about their trust in us built over the years and about our ability to create value for them in rapidly changing circumstances.

SIGNIFICANT IMPROVEMENT IN SWEDEN

One of our most important achievements in 2013 was the clearly improved performance in Sweden where we have had fundamental efficiency and profitability problems for several years.

In March, Hellen Wohlin Lidgard, who has a long experience in building successful BI businesses, was appointed as the managing director of our Swedish subsidiary. She has taken firm actions to get the operation on the right track; the cost base has been reduced, utilization improved and sales activities reorganized. The results of this work can already be seen in significantly improved figures, but a lot remains to be done. There are no shortcuts to sustained growth and profitability but we are definitively moving on the right direction.

DEFINING FUTURE FOCUS AREAS

During the financial crises of the past few years, our strategic priority has been on improving profitability. Our strategy process is now putting emphasis also on accelerating growth.

The annual growth of the total BI market is expected to be 4-8 per cent over time, but for 2013 we estimate it to have been lower. There are, however, many segments within the broad BI field that are growing significantly more rapidly than the market average. We are now identifying these segments and ways to work that will enable us to grow faster than the market. Examples of fast developing and growing segments are Master Data Management, collaborative solutions, Next Generation Data Warehousing, Big Data and Analytics. All of these areas are closely linked to the competitiveness and efficiency of our customers and are targeted for helping them to succeed. Strong expertise in them therefore requires from us deep understanding of our customers' businesses as well a profound knowledge of available technologies, methods and tools.

Historically our work has consisted mainly of one-time projects. All later modifications, that we frequently have done, have been sold separately. We are now aiming at increasing the amount of recurring revenue by offering our customers more continuous services. An example of this is a monthly fee for the maintenance and continuous development of customers' applications. From our point of view, the recurring revenue streams create stability and for customers they mean stable budgetable costs. The service model also improves efficiency since it gives us the possibility to use the same team more flexibly for several customers. To strengthen our 24/7 resources in this area, we opened a new service centre in Poland during the fall 2013.

As another effort to increase the amount of repeatable business, we are going more and more from projects to asset based consulting. This is done by defining frameworks for the generic parts of our solutions so that they can be reused several times in similar instances. The increase of repeatable business will contribute towards our growth target by enabling higher revenues accrued per consultant.

GETTING PREPARED FOR CONTINUOUS CHANGE

We must stay alert to the new needs of our customers, and accept that constant change is required in our business. For this reason, we are moving towards an on-going strategy process instead of our previous 3-year strategy periods.

The most profound change process going on in our operating environment is the shift from using historical data to using real time data in business management, decision making and planning. Huge, diverse masses of data generated in the day-to-day business as well as information available from mobile devices, the internet and social media expand the information available for companies exponentially. New technologies and solutions are being created to enable the management and utilisation of these data masses, and the development has just begun.

The tools used in our solutions have improved a lot in recent years. They are now automatically offering much of the functionalities, such as analytics capabilities, previously built by consultants, and the need for customization is continuously decreasing.

For us these changes mean a need to speed up our development from a traditional BI reporting consultancy towards new growth areas, where expert services and deep knowledge are needed. We are well on the way, and are now looking more aggressively into how we can help our customers improve their competitiveness by efficient use of information within the selected growth areas.

WE ARE NOW AIMING at increasing the amount of recurring revenue by offering our customers more continuous services.

After Pekka Eloholma left the CEO post in 2013, I was appointed to act as the interim CEO for the recruitment period of the new CEO. After Pekka's 7-year term, Affecto is in good shape and ready for the next steps. I want to warmly thank him for his excellent work in building the leading Nordic EIM company. In addition to handling the daily operations and maintaining the good performance of Affecto, I will also try to accelerate the strategy process aimed at bringing added value for us and our customers in the years to come.

Looking forward to participating in this value creation in 2014, I thank our employees, customers, partners and shareholders for their important contribution to our development in the past year.

Lars Wahlström
CEO

STRATEGY

CLEAR DIRECTION
for our business

Affecto's operations are based on strong specialisation and a balance between local presence and group-wide activities. Operations are managed according to a modern country unit model and a clear line organisation where each employee has one manager and decisions concerning employees and customers are made close to them. Platforms and processes that are shared group-wide ensure quality and increase operational efficiency.

CUSTOMER PROMISE

We improve our customers' productivity and competitiveness by superior use of information.

VISION

Affecto is the leading North European Enterprise Information Management company in size of revenue, margin, customer and employee satisfaction.

MISSION

We fight for the right that every person should have the information that makes his/her work effective and inspiring.

CORNERSTONES OF OPERATIONS

1 SPECIALISATION ON Enterprise Information Management

Differentiating factor for
- Customers
- Partners
- Employees

2 STRONG LOCAL PRESENCE

Enterprise Information Management work, both sales and delivery, done with close interaction with customers

3 COMMON PROCESSES

Common processes ensure quality
- Sales
- Delivery
- Management

4 COMMON PLATFORMS

Common platforms bring efficiency
- Brand
- Competence development
- IT systems

BETTER DECISIONS

through superior use of information

Affecto's special field of expertise is information management and analytics. Affecto helps its customers improve their productivity and competitiveness through more efficient utilisation of information in support of decision making and execution. With superior information on their financial matters, customers, markets and processes, Affecto's customers can make better decisions.

The vast majority of all information is unstructured. For companies and organisations to make better and faster decisions, this huge amount of information needs to be made available to the users with new technology. Superior use of internal and external information will help customers gain a competitive advantage.

The purpose of business intelligence solutions is to use information to develop the business to become more agile and profitable. A better overview of customer relationships helps target sales and marketing efforts in a way that makes it possible to utilise the sales potential to the full. On the one hand, more accurate knowledge of what customers think of the offered services gives important pointers as to how to develop them. On the other, an analysis of costs and the use of resources and optimisation offer significant savings potential. Generally speaking, measuring the key success drivers provides a sound basis for continual improvement and maintaining competitiveness. By improving the flow of information throughout the supply chains, it is possible to win substantial financial benefits through improved process efficiency.

Better decisions can be made regarding customer targeting, the services provided, pricing, financial optimization and vendor handling. Affecto makes information readily available for making these decisions.

Companies and organisations need to continuously monitor their processes and make them leaner and more efficient. Affecto implements documents handling processes, collaborative portals and social business platforms that facilitate collaboration and decision making, and make them easier to anchor in the organisation.

AFFECTO'S AREA OF OPERATION

Affecto has a presence in Finland, Sweden, Norway, Denmark, Estonia, Lithuania, Latvia and Poland where it has established offices. Affecto offers EIM solutions in all the markets in the Nordic and Baltic countries, and is the largest provider of these solutions in the Nordic region. In business process optimisation & customised software solutions, the company has a significant presence in Finland and is well established in the Baltic region.

BROAD AND DIVERSE CUSTOMER BASE

Affecto's customer base consists of large and medium-sized companies representing various branches of industry and public sector organisations. In 2013, the largest customer accounted for approximately three per cent and the ten largest customers for approximately 17 per cent of Affecto's total net sales. Most of Affecto's clientele consists of long-term customers.

PARTNER TO LEADING TECHNOLOGY PROVIDERS

The IT markets comprise hardware and software vendors as well as IT service providers, such as Affecto, who provide system integration services. Affecto also provides technology-independent consultancy services. The solutions are based on technologies selected in consultation with the customer. As customers use several technologies side-by-side, Affecto needs to possess a diverse range of skills and competences. To this end, Affecto has systematically developed and expanded its technological capabilities. As a result, it now possesses advanced competence in all the leading technologies. Affecto's technology partners include ESRI, IBM, Informatica, MapInfo, Microsoft, OpenText, Oracle, QlikTech, SAP, Tableau, TIA and Guidewire.

SOLUTIONS FOR BETTER DECISIONS

Affecto's range of solutions comprises four areas: information management and services; analytics and performance management; collaborative decision making; and business process optimisation.

Information management & services

In order for an organisation to fully utilise information as an asset, information in disparate systems must be consolidated, its quality monitored and improved, and data refined so that it supports the business objectives.

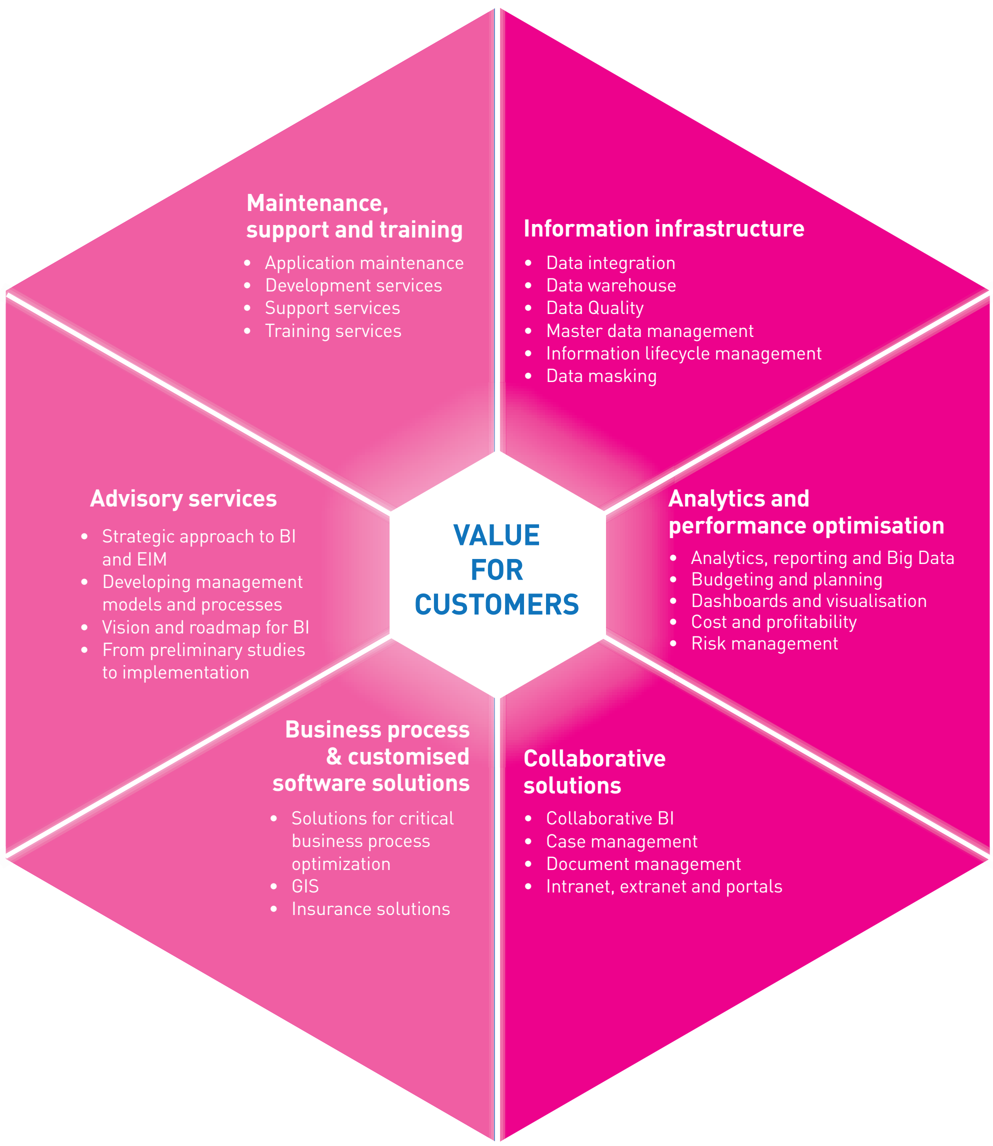
Utilising technologies from its globally operating partners, Affecto offers solutions for handling data integration; traditional and next generation data warehousing; data quality; master data management; and information lifecycle management. It tailors the content of these solutions to each customer's needs.

Analytics and Performance optimisation

Conventional reporting is backward-looking and focuses on how the past affects the present. With advanced analytics, the same information can be used to foster a perception of future developments and achieve an understanding of the business development potential. Reporting and analytics are mutually complementary: they help create a clear picture of the situation and at the same time offer tools for analysing how the operations could be improved.

Analytics helps identify the elements most critical to performance. They may be related to resource allocation, product or service portfolio priorities or changes in customer behaviour patterns. Once the critical areas have been identified, a plan is made to de-

AFFECTO'S OFFERING



termine how analytics can be used for optimising operations, improving performance and making tangible cost savings.

Analytics drives effective performance optimisation. Performance management solutions help organisations to succeed by enabling them to discover new ways to strategise, plan and optimise business operations, and create new market opportunities.

Sound information and performance management enhances the efficiency and performance of companies by making information available across the organisation for operative planning purposes. At the same time, it enables fact-based decision making and makes it possible to prepare more accurate forecasts.

Collaborative solutions

Aside from the intranet, extranet and portal solutions designed to support collaboration, Affecto also offers collaborative features in its BI, document and case management solutions.

People working together possess varying amounts of information or, at worst, different or even conflicting information, which is then used as a basis for decision making. When people act on different information, services and processes, decision making is bound to be inefficient, inconsistent, slow and prone to errors.

Standardised sources of information, processes and tools improve efficiency and accuracy in decision making. As a result, each employee has access to extensive and coherent information vital to his or her job which, in turn, improves work performance.

Through collaboration, the company's information assets can be used more extensively instead of being available to just a few experts. When the distribution of information from the systems is standardised, the retrieval and identification of relevant information is much easier compared to an architecture consisting of separate systems.

Collaborative features are available for Affecto's business intelligence solutions as well. By combining business intelligence with other sources of information, the collaborative approach can significantly improve the quality of decision making. Aside from the in-house staff, companies can involve members of external stakeholder groups, such as customers or partners, to gain valuable information and address issues relevant to such stakeholders. Collaborative technologies can also be used in the follow-up of the decisions made.

MOST OF AFFECTO'S clientele consists of longterm customers.

Business process and customised software solutions

Affecto's applications for business process optimisation include Enterprise Resource Planning solutions, management solutions for the production and supply chains as well as a wide range of software services. Public administration is the single most important customer sector for these services. Affecto possesses extensive experience of system design, project execution and advanced product development for the public sector. It also offers implementation services for the Danish TIA (The Insurance Application) across the world.

Affecto's Geographic Information Services and Solutions (GIS) are provided centrally by the Karttakeskus unit in Finland. It produces enterprise IT and location intelligence solutions based on all leading GIS technologies. Its geographic data and content-related services are widely used as components in the GIS and location analytic services of private and public organisations. Consumer products are offered for the motoring, travel and outdoor recreation segments. Karttakeskus also offers GIS outsourcing services for private and public sector entities.

TERMINOLOGY

BI
Business Intelligence

CDM
Collaborative decision making

CPM
Corporate Performance Management

CRM
Customer Relationship Management

DQ
Data Quality

DW
Data Warehouse

ECM
Enterprise Content Management

EIM
Enterprise Information Management

ERP
Enterprise Resource Planning

GIS
Geographic Information Systems

ILM
Information Lifecycle Management

MDM
Master Data Management

MASTER DATA MANAGEMENT

Master data management (MDM) enhances the quality of information and overall business performance.

Growth is based on seizing new business opportunities. More often than not, increased sales to existing customers is the fastest and most cost-efficient way of expanding operations. In such a situation, the most important thing is to be familiar with the customer's history and aware of their current and future needs.

Problems arise when the individual departments of the same company sell the same products or services to a customer and enter a new customer entry in their own registers each time a new transaction takes place. At worst, the same goods are delivered to the customer's different sites under different trading titles, terms and supply contracts. The fragmentation of customer information and conflicting entries in the individual registers create mistrust towards the entire information system and data management capabilities.

HARMONISED DATA MANAGEMENT PROCESSES

MDM solutions help to create a reliable and coherent body of master data that are always up to date. The solution rests on four pillars: the data management model, organisation, people and agreed-upon procedures. In fact, technology only accounts for one-fifth of the whole. In concrete terms, MDM adoption calls for a harmonisation of procedures and ways of working. It also calls for a shared view of how information is to be managed on a daily basis: what are the processes, indicators and organisation and roles necessary for the efficient management of business intelligence? The first step in this process is to identify the needs and develop a common vision: what information is of the greatest importance to the organisation and how to manage it.

BETTER INFORMATION CREATES NEW BUSINESS OPPORTUNITIES

With an MDM solution, decision making is supported by sound, up-to-date information at all levels. When conflicts are resolved, confidence in the accuracy of the data is restored. Accurate customer information improves the quality of planning in all areas of operation.

Once the master data have been standardised to a high degree of reliability in the MDM system, data mining can be utilised to identify new business opportunities. Uniform customer information translates into better customer relationship management and customer service in other systems with the aid of CRM, business analytics and logistics tools.

An efficient MDM solution updated in accordance with jointly approved procedures is a real resource that offers major potential at all levels of the organisation.

KEY BENEFITS PROVIDED BY AN MDM SOLUTION

- Actions based on inaccurate or obsolete information are prevented.
- With centralised information management, it is possible to replace multiple entries by a single entry.
- A single, updatable register facilitates operational activities and planning.
- The reliability of processes and the information handled in the processes improves.
- The decision-making processes and operational activities are based on standardised, reliable and up-to-date information.
- Owners responsible for maintenance and accuracy are assigned to the various types of information.

PROLONGED RECESSION

slowed down investments by customers

With the continued uncertainty in the euro zone, 2013 was still a period of sluggish economic growth even though the world economy picked up during the second half of the year.

In Finland, GDP shrank by about one per cent while Denmark had to content with zero growth. According to preliminary estimates, Sweden and Norway achieved a growth rate of 1-2 per cent. The Baltic countries and Poland remained the fastest growing economies within the EU with GDP growth rates varying from 1 to 4 per cent. Similarly, economic development in the euro zone is expected to gradually recover during 2014.

In the Nordic EIM market, demand remained relatively strong during the first half of 2013, but weakened in Finland and Norway towards the end of the year as the overall economic uncertainty had an adverse effect on investments by Affecto's customers. In contrast, general activity among customers in Sweden and Denmark increased during the course of the year. In the Baltics, the Lithuanian market abated toward the end of 2013 but is expected to pick up during 2014 due to, for example, the country's foreseen accession to the euro zone. The recovery of the global economy is expected to gain strength in 2014, which may trigger new investments in IT systems and boost demand for related services.

The price of services, competition and pay levels in the Nordic and Baltic IT services markets remained relatively stable during 2013. If economic growth recovers in 2014 as expected, wage inflation may also accelerate. Changes in pay levels have a major impact on the production costs of IT service companies because salaries are by far their single biggest cost item.

Affecto's competitors in the IT market include diversified companies such as Accenture, Tieto and CGI that provide partly the same services as Affecto. Additionally, there are a number of small, local players with services similar to those offered by Affecto. While competition on price is intense, customers generally make their selections by applying other criteria such as the suitability and quality of the solution and the supplier's experience.

IMPROVED PRODUCTIVITY AND COMPETITIVENESS THROUGH INFORMATION MANAGEMENT AND BUSINESS ANALYTICS

Both private companies and the public sector have a constant need to improve efficiency and competitiveness, for which IT solutions offer a wide range of opportunities. Although nearly all Nordic companies already have some BI solution in place, only a small percentage of them make use of information management and business analytics as a coherent system and have prepared a strategy for this type of management. However, companies have recognised the need to make the technology solutions, procedures and information flows serve the greater whole in an optimum fashion, and have launched projects to create more comprehensive systems. This generates significant growth potential for companies providing solutions and business advisory services in this area.

Previously, EIM solutions were primarily used by experts and top management; however, they are now being utilised more extensively throughout the organisation to ensure that all employees have access to the information they need in order to be able to perform their duties efficiently. Added interest in EIM solutions has also been generated by the advancement of the technologies used.

CONTINUED GROWTH PREDICTED

Demand for Business Intelligence (BI) and Enterprise Content Management (ECM) is expected to increase at a faster rate than the demand for IT services in general. According to analysts, the average annual growth in the license markets for this type of software will be 4 to 8 per cent over the next few years; however, Affecto's own estimate of recent growth in the company's operational area has been lower than this.

EIM solution offerings are continuously evolving and the role of new areas of application such as Master Data Management (MDM), data quality and collaborative decision making will also grow. Visualisation of information and cloud services are gaining in importance as part of the overall solution. Solutions are increasingly expected to be able to combine information in the local data storage with the data available from cloud services. At the same time, some of the traditional BI application areas are growing slowly and their relative importance is declining.

Affecto's goal is to consolidate its current position as the leading supplier of EIM solutions in Scandinavia. In particular, the company will seek to expand its operations and gain a significant market position in Sweden, where its relative market share is not yet what it should be. In the area of business process optimisation solutions, the objective is to reinforce the already strong market position in Finland and the Baltics. In geographic information systems, Affecto continues to be the market leader in Finland. Achieving these objectives requires cost-efficient procedures, continuous competence development and the delivery of high-quality solutions and services. Aside from competence development, efforts will be intensified to make full use of resources across borders to be able to better respond to customer requirements.

BUSINESS ANALYTICS AND INFORMATION MANAGEMENT for better business

Tommi Heinonen is responsible for pension services, planning, and ICT at Varma. In the text Heinonen explains how Varma takes advantage of information management in their operations.

THE CONSTANTLY GROWING AND CHANGING FLOOD of information poses increasingly daunting challenges. Mere information management is no longer enough – it is imperative to know how to make use of the accumulated wealth of information. Businesses need to be able to analyse and filter out key information and act accordingly. This is business analytics and information management in a nutshell.

The operating environment of pension insurance companies is in transition. Industrial restructuring, mass retirement of the babyboomers and violent fluctuations in the economy have a profound impact on the operations of pension insurance companies. The major pension reform - scheduled to take place in 2017 - and a more rigorous financial regulatory framework impose new reporting requirements. All these developments serve to highlight the importance of business analytics and information management as tools for improving the overall efficiency of operations.

Coping with these changes calls for enhanced business performance based on the continual improvement of customer service and the introduction of new services. Our efforts are supported by the upgraded pension processing system and data warehouse as well as by increasingly advanced analytics tools. More important, however, is that people across the entire organisation understand that the seeds of business development and growth lie in the data stores.

A couple of years ago when we set out to upgrade our pension processing system, we defined clear-cut objectives based on business needs: shorten processing times, increase the level of automation and improve the quality of information. All these elements help enhance efficiency and the standard of customer service. Yet this is not enough – we need to keep looking ahead.

In the long term, business analytics and information management will mean greater efficiency in reporting and analysis. With advanced analytics tools, we will able to drill down into the existing data masses more effectively in a number of ways. We are also looking for new approaches with which to analyse the links and connections between various sets of data while developing new service concepts.

For example, we study the behaviour of the individual customer segments and bore into the risks and opportunities available in the individual sectors. This helps us offer new customer services based on first-hand observations to provide tools for improving performance in occupational health promotion.

At the same time, the approach based on business analytics and information management offers new analytic insights into our own operations: how our pension handling processes actually work and what we can do to improve them.

A stable data warehouse and its efficient utilisation in business analytics and information management creates a solid foundation for improving internal efficiency and developing customer services for tomorrow.

Greater understanding of the data warehouse and its potential throughout the organisation plays a central role in the efforts to make progress in business analytics and information management. Today, business analytics and information managements are an integral part of our business model, which is increasingly reflected in the operations.

CLOSING THE GAP IN BUSINESS INTELLIGENCE

A GLOBALLY RECOGNISED manufacturer of valves, radiator thermostats, pumps, drives and a range of other products, Danfoss of Denmark knows how to make use of BI systems for monitoring and developing its business. However, as a result of the adoption of the new corporate strategy as of the beginning of 2010, the company found it necessary to upgrade and standardise its fragmented and outdated information systems. Until then, each of the four business areas had its own BI system, its own BI team and its own ways of harvesting business intelligence. As a result, the data from one segment were not immediately comparable with data from another. The objective established for the project was to create a unified BI solution covering the entire organisation based on the latest version of the SAP Business Warehouse platform.

Expertise from Affecto

A number of clear challenges were identified when the project was launched. The staff resources available for the project on Danfoss' part were insufficient and there was also a lack of in-depth BI expertise. The response to both these challenges was to hire a team of experts from Affecto to address the issues. "It became clear quite early that we would benefit from Affecto's expertise. They know the technology, what possibilities the new version of SAP BW offers and how to efficiently execute BI projects," says Niels Arne Jørgensen, Senior Director, Financial Reporting Systems at Danfoss.

One single truth

The project, launched in 2011, is now nearing completion. During it, Danfoss has been able to successfully harmonise its BI architecture. "Now we have a unified solution built on a modern platform that gives us a degree of transparency across the entire business – something we didn't have before. You could say that today we have one single truth instead of different versions of sales figures and costs, for example. And we've gained knowledge in new areas by working with Affecto. Our next step is to explore what we can achieve with building dashboards."

Established in Denmark in 1933, Danfoss is a global leader offering solutions that save energy and costs and reduce carbon emissions. The company's products are sold worldwide in more than 100 countries. With 56 production facilities in 18 countries, Danfoss' annual sales amount to DKK 34 billion. Currently, Danfoss employs around 23,000 people.

MUTUAL & FEDERAL ADOPTS THE INSURANCE APPLICATION

THE SOUTH AFRICA-BASED MUTUAL & FEDERAL Insurance Company Ltd. aims at vigorous growth by expanding the business. To achieve this ambitious goal, the company needed to put in place an efficient, adaptable and flexible information system. As the legacy system no longer met the present-day requirements, a decision was made to replace it with The Insurance Application (TIA) specifically designed for the insurance industry. As its main implementation partner, Mutual & Federal selected Affecto, one of the leading companies in deploying insurance systems.

Affecto was given responsibility for the entire implementation project, the first stages of which were completed already in 2013 while the rest will be brought to a conclusion during 2014. A special feature of the project was the composition of the project staff: the 70-strong team represented a variety of nationalities and cultural backgrounds, with some of the members working on site and others remotely. Affecto's partners on the project included Zenzar of India and Paracon and Red Bridge of South Africa.

FORTUM'S REVAMPED DATA WAREHOUSE FOR BUSINESS DEVELOPMENT PURPOSES

OVER THE PAST THREE YEARS, Fortum, a leading Finnish energy company, has delivered close to 610,000 remote-readable electricity meters called the Fortum Smartbox. They generate a huge amount of data for Fortum, currently some 15,000,000 records per day instead of the previous 350,000. Processing, analysing, harnessing and combining these data with other information play a central part in Fortum's business development efforts.

Efficient real-time processing and harnessing the metering data made it necessary to create a new data warehouse. Fortum selected Affecto as the partner with which to create the data store and develop the related analytics tools and methodology.

"Affecto understands our line of business. The description of the solution they prepared was precise and clear-cut. A further benefit was the adoption of the Data Vault modelling method," says Ville Viitanen, a system manager at Fortum.

Fortum's new data warehouse, the largest in Finland in the energy sector, is based on an Oracle database. The system uses Cognos applications for reporting and DataStage from IBM as the ETL tool. The method used in building up the data store and managing the data is Data Vault. It is ideal for exactly the type of time series data consisting of billions of records that Fortum needs to process.

Compared with the previous metering database, the biggest difference is that the hourly measuring data provided by the meters can now be combined with all the customer information stored in the same data warehouse. "Now we are able to generate a completely new type of data for business needs that we were previously unable produce", says Viitanen.

As the new data warehouse provides virtually real-time information on customers' electricity consumption, sales accounting is now far more up-to-date than before.

Also, clearance of the trading balance is now far more accurate. Previously, accounts could be settled up to two years after the actual transaction, but now final balances between the various parties can be cleared much faster.

At the same time, transmission losses across the grid can be calculated more accurately. From now on, the losses are determined on the basis of real-time data instead of theoretical computations.

As a result of positive experiences, the partnership with Affecto has extended to other projects as well.

THE NEW DATA WAREHOUSE provides virtually real-time information on customers' electricity consumption

Viitanen sums up the cooperation: "Affecto has a strong pool of experts who know what they're talking about. They've always been able to suggest new and fresh ways of tackling problems."

TEKES UPGRADES ITS CASE MANAGEMENT CAPABILITIES

TEKES – the Finnish Funding Agency for Innovation – is the first organisation to adopt the VIRTA Solution for Case Management and Lifecycle Management developed by Affecto. Deployed in 2012, the system has improved the quality of case management and shortened processing times.

For several years, Tekes had had a definite need to enhance its case management and archiving performance using the latest technology. Consequently, it was only natural to opt for Affecto's VIRTA solution. "We launched the project to renew the system because we wanted to upgrade case management and archiving to meet the SÄHKE2 standard requirements. It made sense to accomplish this at the same time as the document management version was upgraded," says Records Manager Maija-Liisa Pylkkänen. Tekes has held an electronic records management system licence based on the SÄHKE1 standard as of the beginning of 2010.

The primary objectives of the case management upgrade project were to raise the level of automation and reduce throughput times. Another top priority was to improve integration with other systems within Tekes. Pylkkänen values the user-friendliness and technical reliability of the service: "The end-user perspective is being highlighted more and more. The goal was to put in place a system that meets the requirements imposed on the authorities while at the same time being user friendly."

Additional challenges are presented by distance working. Tekes' employees spend a lot of time at customer premises. The system must work irrespective of the quality of internet access available.

The solution made for Tekes is powered by the SÄHKE2 compliant VIRTA Solution for Case Management and Lifecycle Management. Document management is provided by the OpenText document management application complemented by SÄHKÖ2 functionalities. What the users see is a Windows-based user interface.

Documents are stored in a single case management system and network file share is hardly used at all. Office software is also integrated into the same system. The case management system communicates directly with Tekes' other IT systems such as the project information system. "The SÄHKE compliant system has greatly facilitated document management. Although there is a lot of meta data, the system generates most of the compulsory metadata automatically from the lifecycle management plan", says Pylkkänen. The eAMS tool developed by Affecto is completely new.

ADDED EFFICIENCY IN THE INVESTIGATION OF CUSTOMS OFFENCES

ONE OF THE MAIN TASKS of the Customs Criminal Service (CCS) of the Customs Department of the Republic of Lithuania is to investigate and prevent customs offences. CCS engages in extensive cooperation with law enforcement agencies across borders, while at the same time accumulating vast amounts of information from various sources. To process and analyse such large volumes of data, CCS needed a new information system. The contract to design and implement the system was awarded to Affecto.

Affecto's job was to deliver powerful hardware and software enabling the detection of any irregular patterns, violations of law and fraud. The solution was built on an IBM platform with algorithms and analysis tools specifically designed for fraud and anomaly detection incorporated into the software. Also, the delivery included maintenance and operator training. The project implemented and overseen by Affecto was brought to a successful completion in 2013.

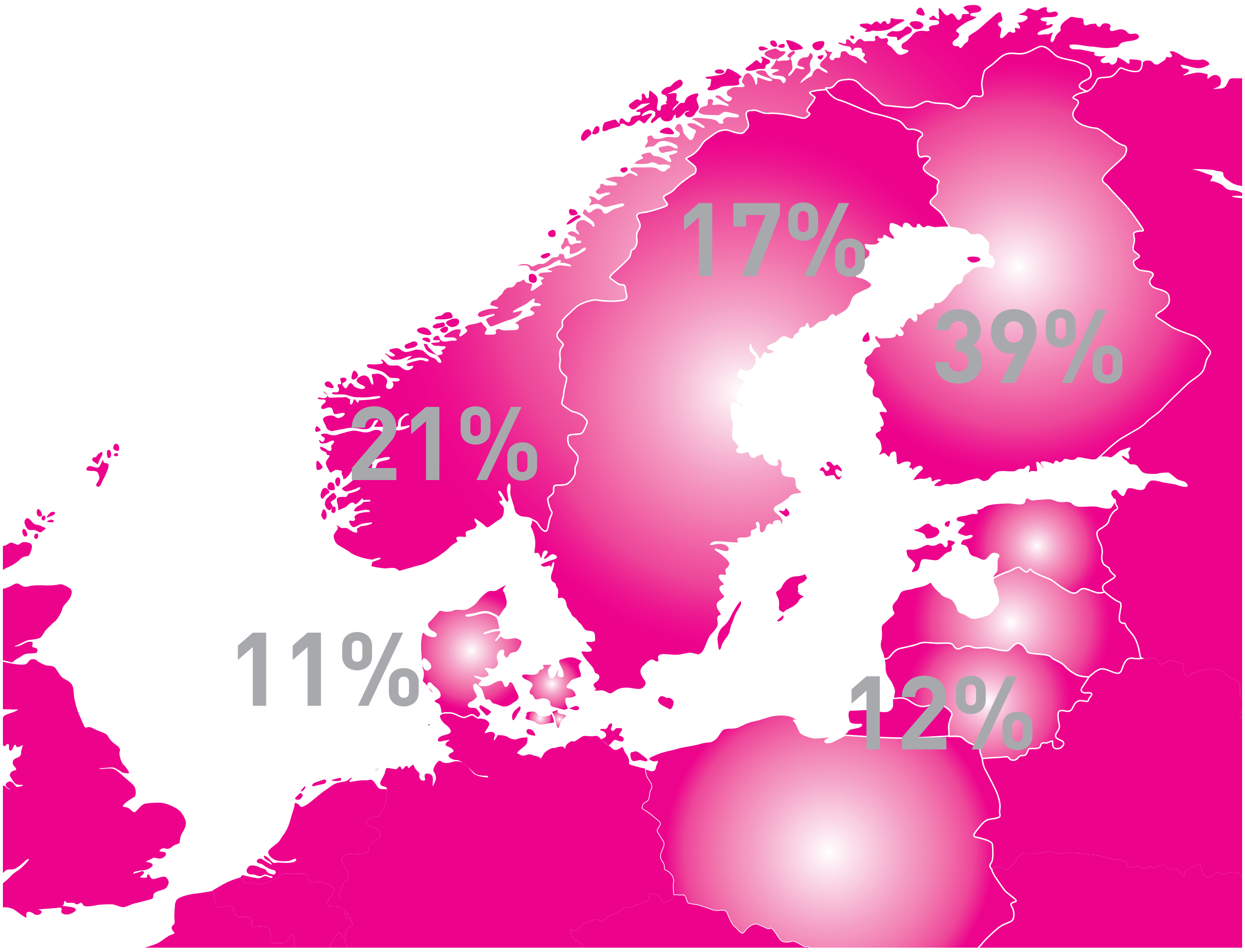
With the new software, data processing and analysis were made much easier at CCS. Information can now be retrieved in a matter of seconds and returning the results takes only a few minutes, not hours as in the past. Additionally, data processing models can now be created simply by dragging and dropping, and all the data can also be displayed visually.

COUNTRY UNITS

CHALLENGING MARKETS

– investments by customers slowed down

The economy continued to develop sluggishly in Affecto's operating area. While the demand for information management and business analytics solutions remained sound during the early part of the year, general economic uncertainty slowed down decision making among customers during the year. At the same time, the projects shrank in size. Thanks to strong performance early in the year, net sales increased in Norway and Finland but decreased in Sweden, Denmark and the Baltics. Profitability was good in Finland, Norway and Denmark but the Baltics failed to achieve the targets. Financial performance improved in Sweden towards the end of the year but the all-year result was negative.



CHALLENGES ON THE FINNISH MARKET

AFTER ITS EXCELLENT PERFORMANCE in 2012, Affecto embarked upon 2013 with high expectations. While the solid order stock gave work during the first part of the year, the prolonged downswing in the Finnish economy was also reflected in the IT service market towards year-end. Decision making by the customers slowed down and the average project size declined. Despite the bleakness of the latter half of the year, full-year net sales grew by 1 per cent to EUR 53.2 million (EUR 52.6 million). Profit was EUR 6.9 million (EUR 7.7 million). The order backlog decreased year-on-year. The Karttakeskus GIS service business, reported as part of Finland, grew by 3 per cent to EUR 12.2 million.

For many Finnish companies, the year 2013 was challenging and special measures to uphold competitiveness were called for, particularly in the export sector. Price competition clearly intensified in IT services, accompanied by increasing cost pressures and the outsourcing of IT functions by customers. Many outsourcing contracts sought to achieve savings by relocating part of the service provision to countries with lower general cost levels.

Despite the challenging market conditions, Affecto retained its strong market position both as an EIM/BI solution provider and in operational solutions, while consolidating its position in geographic information services. Major orders were secured from Helsinki City, the Finnish Transport Agency and the Agency for Rural Affairs.

Satisfaction levels among Affecto's customers and job satisfaction remained high in Finland. According to a survey carried out during the year, Affecto was expected to deliver excellent quality and these expectations were also met with success. Similarly, the feedback from the annual 'Great Place to Work' survey has improved every year, and now Affecto is rated as one of Finland's best workplaces.

The Finnish economy is expected to slowly turn for the better during the current year. Similarly, IT services are believed to offer new growth opportunities, while the analysts watching the IT industry see the biggest potential in EIM/BI solutions.

PROFITABILITY remained good in Finland

AFFECTO FINLAND

SHARE OF NET SALES **39%**

SHARE OF PERSONNEL **41%**

	2012		2013
NET SALES, M€	52.6	↗	53.2
FINANCIAL RESULT, M€	7.7	↘	6.9

AFFECTO AS MARKET LEADER IN NORWAY

AFFECTO GOT OFF TO AN EXCELLENT START in 2013 when demand for its services continued to grow strongly. However, the markets clearly dwindled during the course of the year as economic uncertainty increased and international competition intensified.

Despite a slow-down in business towards the end of the year, 2013 signified strong growth for Affecto. Net sales increased by 9 per cent to EUR 29.6 million. In the local currency, the growth was even greater reaching over 13 per cent. Even though Affecto Norway's profit fell, it remained at a satisfactory level. Profit was EUR 2.7 million. The weaker profitability was due to declining demand for certain expert services towards the end of the year. However, quick steps were taken to respond to the situation and the organisation was adapted to match the demand. At the end of the reporting year, Affecto Norway employed a total of 124 people.

Thanks to its strong growth, Affecto consolidated its position as the largest business information management company in Norway. While demand for some traditional expert services shrank, growth was generated by conquests made in new areas such as master data management (MDM) and the utilisation of new technologies in developing BI solutions. Demand clearly reflected the customers' need to find new, better technologies and methodologies for information and business analytics in order to be able to cut costs, reduce roll-out times and increase added value for their customers.

The largest contracts were signed with Sparebank1, DNV GL – a company offering expert services for the maritime, oil and gas, and energy industries – Elkjøp, and the Norwegian State Railways NSB. The year-long customer relationship with Sparebank1 will continue with an MDM application, which will help the bank to formulate an overall picture of the status of all their customers. Similarly, DNC GL's order concerned an MDM solution, which also includes advanced technology designed to provide increased information processing capacity. These orders confirmed Affecto's perception of the need for new technologies in the efforts to enhance its customers' businesses and profits. Also, the marketing campaign promoting new tools and technologies was well received by the customers and aroused wide-spread interest.

The Norwegian market continues to be challenging. Affecto has prepared for this by adapting its organisation to the market conditions. As part of this adaptation, Affecto Norway will increasingly draw upon the human resources of other country units to gain top expertise in new areas and to be able to offer competitive prices. The demand for BI solutions is assumed to cnotinue growing because companies have spotted an opportunity for improving efficiency and reducing costs by revamping their existing IT solutions.

NET SALES increased in Norway

AFFECTO NORWAY

SHARE OF NET SALES **21%**

SHARE OF PERSONNEL **11%**

	2012		2013
NET SALES, M€	27.2	↗	29.6
FINANCIAL RESULT, M€	3.3	↘	2.7

TURN FOR THE BETTER IN SWEDEN

SWEDEN HAS FARED REASONABLY WELL in the face of the international recession and its economy has continued to grow from year to year. In 2013, Sweden's GDP grew by 1 per cent but the current prospects suggest a higher rate in 2014.

Affecto Sweden's net sales reached EUR 23.2 million (EUR 24.0 million in 2012). The slight dip was mainly due to a decline in licence sales. Affecto Sweden has been struggling for years, necessitating a range of efficiency-enhancing measures and reorganisation. While it has taken a long time to reverse the trend, the situation was finally stabilised towards the end of the year when the company was able to turn a profit. However, the all-year financial result showed a small loss of EUR -0.2 million (EUR -0.9 million in 2012). The employee turnover rate decreased year-on-year. At the end of the reporting period, Affecto Sweden employed a total of 146 people. The company's managing director changed at the end of April when Hellen Wohlin Lidgard took over and Rene Lykkeskov returned to his previous position as Affecto's Strategy Director.

In 2013, the developments in the IT services market were mixed. On the one hand, customers were more active and the demand increased, particularly in the financial sector as a result of the regulatory requirements imposed by the new law. On the other hand, price competition intensified because several competitors made increasing use of foreign and more affordable resources. Yet in certain areas of expertise, the markets and price levels still remained attractive.

Affecto consolidated its position as Sweden's leading consultancy firm in the EIM sector. Sales increased particularly in business analytics, performance management, collaboration and data management. A number of major new contracts were signed. Länsförskringar Bank placed an order for a full-scale delivery of data warehouse and BI services. Affecto also played a leading role when the Swedish Armed Forces ordered the largest Microsoft Sharepoint collaboration project ever implemented in Sweden. Consequently, cooperation with technology partners such as Microsoft was intensified making mastery of the various technologies an increasingly important priority in the future.

Customers gave exceptionally high marks for Affecto Sweden's operations and expertise in a Group-wide customer satisfaction survey carried out last autumn. According to the findings, the company was able to exceed customer expectations even though the initial criteria established by the customers were extremely stringent. Positive feedback was received for compliance with timetables and cost estimates; the ability to identify solutions responding to customer needs; the ability to understand the customer's business; and technological expertise. Nearly 93 per cent of the customers would choose Affecto again and the same percentage would recommend – or had already recommended – the company to others.

Affecto Sweden's expectations for 2014 are positive. The markets are expected to pick up and the measures taken have improved the potential for making a profit. Additionally, the organisation is efficient and staff members highly motivated. As it is, there is every reason to expect that the company will get back on track for profitable growth. To achieve this goal, investments will be made in sales and marketing. Competitiveness will be strengthened by making full use of Affecto's potential and range of expertise, for example by drawing upon the Baltic resources in the projects more extensively than in the past.

EXCELLENT customer satisfaction in Sweden

AFFECTO SWEDEN

SHARE OF NET SALES	SHARE OF PERSONNEL
17%	13%

	2012		2013
NET SALES, M€	24.0	↘	23.2
FINANCIAL RESULT, M€	-0.9	↗	-0.2

TOUGH YEAR IN THE BALTICS

THE BALTIC COUNTRIES AND POLAND remained the fastest-growing economies within the EU with the GDP growth rates varying from 1 to 4 per cent. Despite the overall economy, Affecto had a difficult year with the revenues falling by 4 per cent to EUR 16.0 million. At the same time, profits were eroded with the profit falling to EUR 0.2 million. The weak financial performance was due to the slower-than-foreseen completion of certain projects and the slack Lithuanian market.

As well as Lithuania, Latvia and Estonia, Affecto's Baltic business includes Poland and South Africa. Its offerings range from operational and EIM solutions and insurance applications to consultation services for the TIA and Guidewire software.

In Estonia, the demand for IT services remained relatively brisk, whereas only few new projects were launched in Lithuania. As a result, Affecto failed to achieve its target in terms of new orders. The reason for the low demand in Lithuania was the lack of EU funding, which continues to play a major role in the financing of IT projects.

Affecto is one of the leading providers of information technology services in the Baltic region, although competition for projects as well as skilled staff continued to be intense. The number of Affecto's personnel declined to 303. In the Baltics, IT professionals tend to change jobs more frequently than in Scandinavia.

As a result of more efficient pooling and sharing of intra-Group skills and resources, cooperation between the Baltic and Nordic units became closer during the year. In particular, consultants from Poland took part in Affecto's projects in the Nordic countries.

The Baltic markets continue to offer major potential. The public sector in particular is expected to increase purchasing during the second half of 2014. The new EU fund for improving the infrastructure in Europe is expected to provide funding for the projects. Affecto's strong market position and its reputation as an attractive employer make it possible to respond to even tough competition.

DEMAND declined clearly in the Baltics

AFFECTO BALTIC COUNTRIES

SHARE OF NET SALES	SHARE OF PERSONNEL
12%	28%

	2012		2013
NET SALES, M€	16.7	↘	16.0
FINANCIAL RESULT, M€	2.0	↘	0.2

GOOD RESULT IN DENMARK

THE DOWNSWING IN DENMARK continued and economic growth came to a complete standstill. Affecto Denmark's revenue fell by 4 per cent to EUR 15.4 million (EUR 16 million); however, its operational segment result improved to approx. EUR 1.9 million (EUR 1.8 million). This is the best result in the company's history. The slight decline in revenue was partly due to the refocusing of sales efforts implemented during 2013. The number of employees remained unchanged.

Although overall economic development was slack, demand for BI solutions grew slightly. Affecto strengthened its market position and increased its visibility. Most of the revenues consisted of consultancy services and EIM solution deliveries. Customer projects were completed successfully and new orders were secured from both existing and new customers. In September, a three-year maintenance agreement was signed with a long-term public sector customer.

Skills and competences were developed, particularly in the utilisation of SAP platforms.

The current mood in the market suggests a shift towards growth in the economy already in 2014. Similarly, the prospects for information technology look positive and growth potential is seen, particularly in information management and business analytics.

PROFITABILITY continued to improve in Denmark

AFFECTO DENMARK

SHARE OF NET SALES	SHARE OF PERSONNEL
11%	7%

	2012		2013
NET SALES, M€	16.0	↘	15.4
FINANCIAL RESULT, M€	1.8	↗	1.9

GROWTH from innovation

Affecto is a forerunner in Enterprise Information Management (EIM) in Northern Europe and employs 1,100 highly-qualified professionals. Its goal is to grow at a faster pace than the market on average. To achieve this, Affecto seeks to actively develop the solutions and services offered to its customers, while at the same time improving its in-house procedures. During 2013, Affecto focused on supporting innovation and sharing knowledge and skills.

INNOVATING TOGETHER

Innovation Lab is an in-house platform for sharing knowledge and skills, and developing the business. The objective is to encourage each Affecto employee to engage in developing the offerings and procedures by sharing the skills acquired and the ideas generated during the course of their work. Each development scheme is set up as a project that proceeds in three stages. The model adopted last autumn has been received with enthusiasm and has enhanced the level of in-house cooperation. In particular, extensive use of this approach has been made in the efforts to develop solutions based on evolving technologies and the potential for combining them.

PUTTING SKILLS TO MORE EFFICIENT USE

Affecto's uniform corporate culture has advanced cooperation between the subsidiaries based in the various countries. Aside from the promotion of innovation, efforts were made to increase skills sharing via the Chatter online forum. At the same time, skills and compe-

Affecto Innovation Lab serves in many important areas that are essential to a successful company. First, it is a tool for competence development where Affecto consultants together can investigate and try out new technologies, methods and best practices – and share the gained knowledge. Secondly, it thrives innovation and business development. Third, Innovation Lab ensures that we continuously build up a library of assets that can be re-used across all customers enabling us to deliver even more value to our customers.

René Lykkeskov
CSO
Affecto Group

tencies were transferred across national borders by making more extensive use of experts from other countries in the projects. Cooperation helps develop skills and increase the added value offered to customers. Flexible and efficient operations also contribute to profitability across the Group and enhance competitiveness in the marketplace.

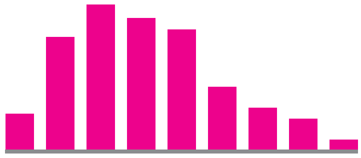
ONE OF THE BEST WORKPLACES IN EUROPE

Affecto's ambition is to be the best workplace for its employees. It offers diverse duties which entail a high level of responsibility in performing them. While the wide range of projects offer excellent opportunities for skills development, efforts are also made to maintain a sound work-life balance.

Competition for talent remains intense. Thanks to its solid market position and good reputation, Affecto has succeeded in achieving a high level of staff commitment and recruiting new experts. Moreover, it has won recognition as a preferred employer in the 'Great Workplace' survey carried out by the Great Place to Work Institute in several of the countries in which Affecto has a presence. For the second time, Affecto was rated last summer as one of the best workplaces in Europe in the division for multinational enterprises. A clear-cut approach to management, ambitious value-driven corporate culture and an atmosphere of individual caring have raised job satisfaction to a high level at Affecto.

NUMBER of personnel unchanged

PERSONNEL BY AGE

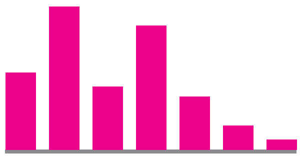


PERSONNEL BY GENDER

FEMALE 29%

MALE 71%

LENGTH OF EMPLOYMENT



Being creative demands the ability to think out of the box and the courage to make mistakes once in a while. If you think and rethink everything, you will probably convince yourself that the idea is not very good. Perhaps among crazy ideas a real gem is hidden. This will never be discovered if you don't dig in the first place. Stop thinking that you are not creative and believe that your ideas matter.

Tina Kragelund
Consulting Manager
Affecto Denmark

It is essential for an international company like Affecto to encourage people from different countries to share their ideas and provide good environment and tools for this. Sometimes it happens that a big new innovation in one country was already done in another country long time ago. Thus it is important on single country level to find ways how to motivate people to use these tools and share ideas and innovations.

Riho Jaska
Team Leader
Affecto Estonia

INFORMATION for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Affecto Plc will be held on Thursday 10 April 2014 at 10.00 a.m. at Finlandia Hall, Mannerheimintie 13, 00100 Helsinki, Finland.

DIVIDEND

The Board of Directors proposes that a dividend of EUR 0.16 per share is distributed from the year 2013 and that dividend is paid on 25 April 2014.

DIVIDEND POLICY

Affecto's dividend policy is to pay 30-50 percent of the profit as dividend. The company may deviate from this policy due to the needs of business development and growth.

INFORMATION ABOUT SHARE TRADING

Trading with the company's shares in the NasdaqOMX Helsinki commenced on May 2005. The company is classified to the Computer services subsector of the Technology industry and to the Small Cap segment of the Nordic list. Affecto's trading code (ticker symbol) is AFE1V.

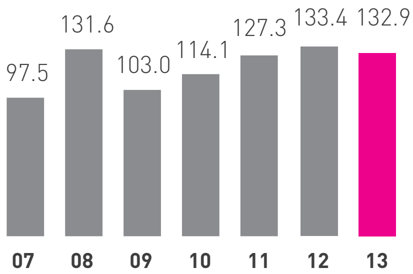
FINANCIAL INFORMATION 2014

Interim reports will be published
January – March on 29 April 2014
January – June on 4 August 2014 and
January – September on 30 October 2014

INVESTOR RELATIONS

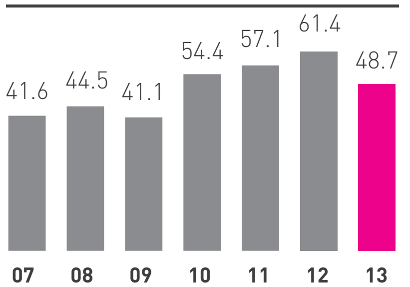
Hannu Nyman
Senior Vice President, M&A, IR
tel. +358 205 777 761

NET SALES, M€

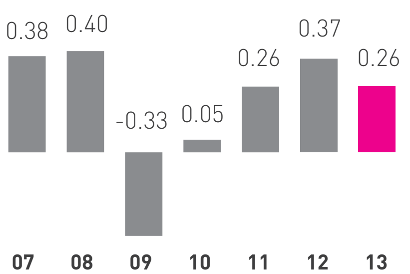


OPERATING PROFIT, M€

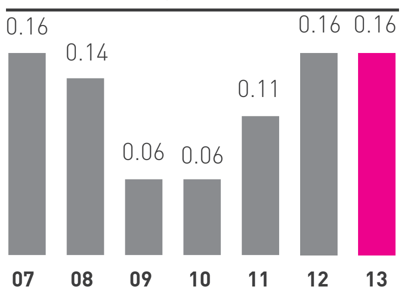
ORDER BACKLOG, M€



EARNINGS/SHARE, €



DIVIDEND/SHARE, €



AFFECTO PLC
Atomitie 2
FI-00370 Helsinki, Finland
Tel. +358 205 777 11
info.fi@affecto.com

AFFECTO FINLAND LTD
KARTTAKESKUS OY
Atomitie 2
FI-00370 Helsinki, Finland
Tel. +358 205 777 11
info.fi@affecto.com
Offices also in Turku, Rauma,
Tampere, Jyväskylä and Joensuu

AFFECTO SWEDEN AB
Holländargatan 17
SE-111 60 Stockholm, Sweden
Tel. +46 8 444 98 00
info.se@affecto.com
Offices also in Gothenburg,
Karlstad and Malmö

AFFECTO NORWAY AS
Stortorvet 10
P.O. Box 324, Sentrum
N-0103 Oslo, Norway
Tel. +47 22 40 20 00
info.no@affecto.com
Office also in Bergen

AFFECTO DENMARK A/S
Lyngbyvej 28
DK-2100 Copenhagen Ø, Denmark
Tel. +45 39 25 00 00
info.dk@affecto.com
Office also in Aarhus

AFFECTO LIETUVA UAB
Perkūnkiemio g. 4 A
LT -12128 Vilnius, Lithuania
Tel. +370 5 212 37 12
info.lt@affecto.com

AFFECTO LATVIA SIA
Zigfrīda Annas Meierovica bulvāris 16
LV-1050 Riga, Latvia
Tel. +371 6 720 1780

AFFECTO ESTONIA OÜ
Toompuiestee 35
EE-10133 Tallinn, Estonia
Tel. +372 650 5050
info.ee@affecto.com
Office also in Tartu

AFFECTO POLAND SP. Z O.O.
Metropolitan
Piłsudskiego 1
PL-00-078 Warsaw, Poland
Tel +48 22 465 14 40
info.pl@affecto.com

AFFECTO PLC
Atomitie 2
FI-00370 Helsinki,
Finland
Tel. +358 205 777 11
Fax +358 205 777 199
www.affecto.com

FINANCIAL STATEMENTS 2013

SUPERIOR

use of information

CONTENTS

REPORT OF THE BOARD OF DIRECTORS

BUSINESS

Affecto is the forerunner in the field of Enterprise Information Management in the Northern Europe. Our solutions for information management and business analytics help organisations to improve productivity and competitiveness with superior use of information in decision making and execution. We also deliver operational solutions for improving and simplifying processes at customer organisations and offer geographic information services.

Affecto's head office is in Finland. The company has subsidiaries in Finland, Sweden, Norway, Denmark, Estonia, Lithuania, Latvia, Poland and South Africa.

NET SALES

Affecto's net sales in 2013 were 132.9 MEUR (2012: 133.4 MEUR). Net sales in Finland were 53.2 MEUR (52.6 MEUR), in Norway 29.6 MEUR (27.2 MEUR), in Sweden 23.2 MEUR (24.0 MEUR), in Denmark 15.4 MEUR (16.0 MEUR) and 16.0 MEUR (16.7 MEUR) in Baltic.

Year 2013 started moderately well, but the effects of the continuing weak general economy became more visible during the year affecting the net sales negatively. Due to a weak second year-half, the net sales ended at previous year's level of 133 MEUR. Thanks to a strong first half of the year Norway grew by 9 percent. Net sales in Finland grew by 1 percent, while net sales in Sweden, Denmark and Baltic decreased by 3-4 percent.

There were no major changes in the sales mix. The sales of own consultant work decreased slightly, sales of subcontractor work grew slightly and third-party license sales were at previous year's level.

Net sales of Information Management Solutions business were 123.6 MEUR (122.9 MEUR) and net sales of Karttakeskus GIS business were 12.2 MEUR (11.9 MEUR).

Customers' interest was toward shorter and smaller projects than earlier and the investment decisions take a long time. The general market sentiment was cautious and has been week especially in Finland, but weakened during the year also in Norway and Baltic. On the other hand the market in Sweden and Denmark have picked up somewhat. The order backlog is at previous year's level in Sweden and Denmark, but has decreased in all other areas. The order backlog decreased to 48.7 MEUR (61.4 MEUR).

PROFIT

Affecto's operating profit in 2013 was 8.3 MEUR (10.5 MEUR) and the operational segment result was 10.3 MEUR (12.5 MEUR). Operational segment result was in Finland 6.9 MEUR (7.7 MEUR), in Norway 2.7 MEUR (3.3 MEUR), in Sweden -0.2 MEUR (-0.9 MEUR), in Denmark 1.9 MEUR (1.8 MEUR) and in Baltic 0.2 MEUR (2.0 MEUR).

Operating profit decreased to 8.3 MEUR (10.5 MEUR) and profitability decreased to 6 percent (8 percent). Although there were no major changes in the sales mix, the cost increases could not be fully compensated with volume growth, net sales included a bit more subcontractors' work and license sales had a bit lower margin. Profitability was at a good 13 percent level in Finland, but somewhat below the previous year. Norway had 9 percent profitability, but profitability weakened toward the year-end. Sweden made profit on the last two quarters, but profit for the whole year was still 1 percent negative. Denmark increased profitability to 12 percent. Profitability in Baltic, especially in Lithuania, weakened during the year, and profitability in Baltic was 1 percent.

According to the IFRS3 requirements, operating profit includes 2.0 MEUR (2.1 MEUR) of amortization on intangible assets related to acquisitions. The other intangible assets impacting in the IFRS3 amortization totaled 1.8 MEUR at the end of the reporting period and the amortization will end mainly during year 2014.

R&D costs totaled 0.0 MEUR (0.1 MEUR), i.e. 0.0 percent of net sales (0.1 percent). These costs have been recognized as an expense in the income statement.

Taxes corresponding to the profit of the period have been entered as tax expense. Net profit for the period was 5.6 MEUR, while it was 7.6 MEUR last year.

FINANCE AND INVESTMENTS

At the end of the reporting period Affecto's balance sheet totaled 139.5 MEUR (12/2012: 147.9 MEUR). Equity ratio was 53.0 percent (50.6 percent) and net gearing was 7.4 percent (15.8 percent).

The financial loans were 26.5 MEUR (30.5 MEUR) at the end of reporting period. The company's cash and liquid assets were 21.5 MEUR (19.8 MEUR). The interest-bearing net debt was 5.0 MEUR (10.6 MEUR).

Cash flow from operating activities for the reported period was 10.9 MEUR (9.1 MEUR) and cash flow from investing activities was -1.6 MEUR (-1.0 MEUR). Investments in tangible and intangible assets were 1.6 MEUR (1.0 MEUR).

The Annual General Meeting held in April decided to distribute a dividend of 3.4 MEUR (2.4 MEUR).

EMPLOYEES

The number of employees was 1 088 persons at the end of the reporting period (1 096). 444 employees were based in Finland (416), 124 in Norway (131), 146 in Sweden (140), 71 in Denmark (69) and 303 in the Baltic countries (340). The average number of employees during the period was 1 081 (1 089). Wages and salaries were 59.1 MEUR (60.2 MEUR in 2012, 57.4 MEUR in 2011).

Hellen Wohlin Lidgard started as the country manager in Sweden in April. Rene Lykkeskov returned to his role as Affecto's chief strategy officer.

Pekka Eloholma served as the CEO of Affecto Plc until 31 December 2013. Board member Lars Wahlström has been the interim CEO since 1 January 2014 and serves in that position during the CEO recruitment process.

REVIEW OF MARKET DEVELOPMENTS

Uncertainty about the general economic development continued to affect Affecto's business negatively. Customers' decision-making pace was slow and they are ordering shorter projects than earlier, which has decreased the size of the order backlog in most countries. In our operating area the general customer activity has been growing in Sweden and Denmark, has decreased in Finland and Norway, and has remained low in Baltic.

Customers' focus seems to be more on efficiency-improvement solution areas than on growth-oriented sales solutions.

The demand for Business Intelligence (BI) and Enterprise Content Management (ECM) solutions is estimated to continue growing more rapidly than the general IT services. The analyst forecasts for the average annual growth of these software license markets are approx. 4-8 percent in the next few years, but according to our own estimates the realized growth in our operating area has been below that.

BUSINESS REVIEW BY AREAS

The group's business is managed through five country units. Finland, Norway, Sweden, Denmark and Baltic are also the reportable segments.

The net sales in Finland grew by 1 percent to 53.2 MEUR (52.6 MEUR). Operational segment result was 6.9 MEUR (7.7 MEUR) and profitability was 13 percent. The year was characterized by weak economic environment, customers being cautious and slow with their investment decisions. Largest deal in the period was made with the City of Helsinki regarding the maintenance of its data warehouse and reporting systems.

The net sales of Karttakeskus GIS business, reported as part of Finland, increased by 3 percent to 12.2 MEUR (11.9 MEUR) and its profitability was excellent. Unit's order backlog developed positively, to which the deals made with the Finnish Agency for Rural Affairs and the Finnish Transport Authority had a clear impact.

The net sales in Norway were 29.6 MEUR (27.2 MEUR) and operational segment result was 2.7 MEUR (3.3 MEUR). Net sales grew by 9 percent thanks to the good first half of the year, and growth measured in local currency was even stronger. Profitability decreased to 9 percent due to a weak fourth quarter. Customers prefer shorter and smaller projects than earlier, which has also clearly decreased the order backlog. Largest deals in the review period were made with Sparebank1 and Elkjop Nordic.

Resource utilisation in Norway decreased toward the year-end contributing to the low profitability. We assess that demand mix of BI services has changed somewhat and additionally the share of solutions including low-cost work components has grown. Actions to improve profitability will be executed in Norway during early 2014 and will cause approx. 0.7 MEUR costs during the first quarter.

The net sales in Sweden were 23.2 MEUR (24.0 MEUR) and operational segment result -0.2 MEUR (-0.9 MEUR). The net sales decreased by 3 percent. Hellen Wohlin Lidgard started as the country manager in April. Profitability turned positive after summer, but the whole year profit was still slightly negative. Development actions continue and the goal is to achieve normal profitability, but structural and operational changes for the business will take some time. Largest deal in the period was made with the Länsförsäkringar Bank.

The net sales in Denmark were 15.4 MEUR (16.0 MEUR) and operational segment result was 1.9 MEUR (1.8 MEUR). Net sales decreased by 4 percent, but profit grew and profitability increased to 12 percent. Market situation in Denmark is rather normal and order backlog is at the last year's level. Largest deals in the period were a three-year maintenance contract with a public sector customer and a contract with BEC.

The net sales in Baltic (Lithuania, Latvia, Estonia, Poland, South Africa) were 16.0 MEUR (16.7 MEUR). Operational segment result was 0.2 MEUR (2.0 MEUR). Net sales decreased by 4 percent and profitability decreased to 1 percent. Especially in Lithuania, the largest market for us, the IT market has slowed down and public sector customers' are launching only a few new projects. The Estonian market situation is more normal. The situation in Lithuania is not expected to improve during early 2014, but the new funding decisions by the European Union and the possible entrance of Lithuania into Euro may increase IT investments in the latter half of 2014.

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting of Affecto Plc, held on 9 April 2013, adopted the financial statements for 1.1.–31.12. 2012 and discharged the members of the Board of Directors and the CEO from liability. Approximately 35 percent of Affecto's shares and votes were represented at the Meeting. The Annual General Meeting decided on a dividend distribution of EUR 0.16 per share for the year 2012.

Aaro Cantell, Magdalena Persson, Jukka Ruuska, Olof Sand, Tuija Soanjärvi and Lars Wahlström were elected as members of the Board of Directors. The organization meeting of the Board of Directors re-elected Aaro Cantell as Chairman and Jukka Ruuska as Vice-Chairman. KPMG Oy Ab was elected as the auditor of the company.

The Meeting approved the Board's proposal for appointing a Nomination Committee to prepare proposals concerning members of the Board of Directors and their remunerations for the following Annual General Meeting. The Nomination Committee will consist of the representatives of the three largest shareholders and the Chairman of the Board of Directors, acting as an expert member, if he/she is not appointed representative of a shareholder. The members representing the shareholders will be appointed by the three shareholders whose share of ownership of the shares of the company is largest on 31 October preceding the Annual General Meeting.

The Meeting approved the Board's proposal for issuing stock options 2013. The maximum total number of stock options issued will be 400 000 and they will be issued gratuitously or for consideration determined by the Board of Directors.

According to the Articles of Association, the General Meeting of Shareholders annually elects the Board of Directors by a majority decision. The term of office of the board members expires at the end of the next Annual General Meeting of Shareholders following their election. The Board appoints the CEO. The Articles of Association do not contain any special rules for changing the Articles of Association or for issuing new shares.

The Company will issue a Corporate Governance Statement for year 2013 that has been composed in accordance with Recommendation 54 of the Corporate Governance code and Chapter 7, Section 7 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the report of the board of directors and it will be available on the company's website.

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The complete contents of the new authorizations given by the Annual General Meeting held on 9 April 2013 have been published in the stock exchange release regarding the Meetings' decisions. Key facts about the authorizations:

The Annual General Meeting decided to authorize the Board of Directors to decide to acquire the company's own shares with distributable funds. A maximum of 2 100 000 shares may be acquired. The authorization shall be in force until the next Annual General Meeting.

The Annual General Meeting decided to authorize the Board of Directors to decide to issue new shares and to convey the company's own shares held by the company in one or more tranches. The share issue may be carried out as a share issue against consideration or without consideration on terms to be determined by the Board of Directors and in relation to a share issue against consideration at a price to be determined by the Board of Directors. A maximum of 4 200 000 new shares may be issued. A maximum of 2 100 000 own shares held by the company may be conveyed. In addition, the authorization includes the right to decide on a share issue without consideration to the company itself so that the amount of own shares held by the company after the share issue is a maximum of one-tenth (1/10) of all shares in the company. The authorization shall be in force until the next Annual General Meeting. Based on this authorization, a total of 391 460 new shares have been issued in connection with the termination of the Affecto Management holding company arrangement. Based on the authorization a total of 13 875 shares have been conveyed to the Board members as a partial payment of their fees, in accordance to the decision made by the Annual General Meeting.

SHARES AND TRADING

During the review period a total of 384 076 new shares have been subscribed with the 2008B and 2008C options.

The company has one share series and all shares have similar rights. At the end of the review period Affecto Plc's share capital consisted of 22 318 604 shares. The company owned directly 64 552 shares and a fully owned subsidiary Affecto Management Oy owned 823 000 shares. Thus there are 887 552 treasury shares in total, approx. 4 percent of the total amount of the shares.

In 1-12/2013 the highest share price was 4.80 euro, the lowest price 2.98 euro, the average price 4.01 euro and the closing price 4.57 euro. The trading volume was 6.2 million shares, corresponding to 28 percent of the number of shares at the end of the period. The market value of shares was 97.9 MEUR at the end of the period excluding the treasury shares.

2008C options have been listed on Nasdaq OMX Helsinki since 2 April 2013. 2008B options expired in May. A total of 259 000 of 2013 stock options have been conveyed to key employees for the 0.20 eur/option issue price that was decided by the Board.

SHAREHOLDERS

The company had a total of 2 866 owners on 31 December 2013 and the foreign ownership was 9 percent. The list of the largest owners can be found in the company's web site. Information about the ownership structure and option programs is included as a separate section in the financial statements. The ownership of the board members, CEO and their controlled corporations totaled approx. 10.4 percent.

According to the flagging announcement made on 26 September 2013, the ownership of Arendals Fossekompani ASA has decreased below 5 percent. According to the flagging announcements made on 25 October 2013 and 28 October 2013 the total ownership of funds managed by Sp-Rahastoyhtiö Oy and Säästöpankki Kotimaa fund have exceeded 5 percent.

ASSESSMENT OF RISKS AND UNCERTAINTIES

Affecto's order backlog has traditionally been only for a few months, which decreases the reliability of longer-term forecasts. The changes in the general economic conditions and the operating environment of customers have direct impact in Affecto's markets. The uncertain economy may affect Affecto's customers negatively, and their slower investment decision making, postponing or cancellation of IT investments may have negative impact on Affecto. Slower decision making by customers may decrease the predictability of the business and may decrease the utilisation rate of resources.

Affecto sells third party software licenses as part of its solutions. Typically the license sales have most impact on the last month of each quarter and especially in the fourth quarter. This increases the fluctuation in net sales between quarters and increases the difficulty of accurately forecasting the quarters. Affecto had license sales of approx. 10 MEUR in 2013.

Affecto's balance sheet includes a material amount of goodwill. Goodwill has been allocated to cash generating units. Cash generating units, to which goodwill has been allocated, are tested for impairment both annually and whenever there is an indication that the unit may be impaired. Potential impairment losses may have material effect on reported profit and value of assets. The greatest uncertainty is related to Sweden.

Affecto's success depends also on good customer relationships. Affecto has a well-diversified customer base. In 2013 the largest customer generated 3 percent of Affecto's net sales, while the 10 largest together generated 17 percent. Although none of the customers is critically large for the whole group, there are large customers in various countries who are significant for local business in the country.

Approximately a half of Affecto's business is in Sweden, Norway and Denmark, thus the development of the currencies of these countries (SEK, NOK and DKK) may have impact on Affecto's profitability. The main part of the companies' income and costs are within the same currency, which decreases the risks.

EVENTS AFTER THE REPORTING YEAR

Board member Lars Wahlström has been the interim CEO since 1 January 2014 and serves in that position during the CEO recruitment process.

DIVIDEND PROPOSAL

Distributable funds of the group parent company on 31 December 2013 are 72 180 865.11 euros, of which the distributable profit is 28 956 939.46 euros. Board of Directors proposes that from the financial year 2013 a dividend of 0.16 euros per share will be paid, a total of 3 560 648.32 euros with the outstanding number of shares at the end of the financial period, and the rest is carried forward to the retained earnings account. No material changes have taken place in respect of the company's financial position after the balance sheet date. The liquidity of the company is good and in the opinion of the Board of Directors proposed distribution of profit does not risk the liquidity of the company.

FUTURE OUTLOOK

Year 2014 net sales and operating profit are estimated to be near last year's level. Operating profit in the first quarter is expected to be weak, partially due to profit improvement actions being taken.

The company does not provide exact guidance for net sales or EBIT development, as single projects and timing of license sales may have large impact on quarterly sales and profit.

CONSOLIDATED INCOME STATEMENT

EUR 1 000	Note	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Net sales	18	**132 896**	133 400
Other operating income	19	**65**	221
Changes in inventories of finished goods and work in progress		**306**	-94
Materials and services	20	**-29 952**	-27 072
Personnel expenses	21	**-74 031**	-75 542
Depreciation and amortization	22	**-3 219**	-3 357
Other operating expenses	23	**-17 803**	-17 106
Operating profit		**8 262**	10 451
Financial income		**309**	791
Financial expenses		**-598**	-1 199
Net financial expenses	24	**-289**	-408
Profit before income tax		**7 973**	10 042
Income tax expense	25	**-2 407**	-2 467
Profit for the year		**5 566**	7 575
Attributable to:			
Owners of the parent company		**5 493**	7 552
Non-controlling interest		**73**	23
Earnings per share for profit attributable to the owners of the parent company (euro per share)			
Basic	26	**0.26**	0.37
Diluted	26	**0.26**	0.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1 000	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Profit for the year	**5 566**	7 575
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
Translation difference	**-3 074**	1 723
Total comprehensive income for the year	**2 491**	9 298
Total comprehensive income attributable to		
Owners of the parent company	**2 419**	9 275
Non-controlling interest	**73**	23

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

EUR 1 000	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1 947**	1 711
Goodwill	7	**72 166**	74 651
Other intangible assets	7	**2 072**	4 098
Deferred tax assets	15	**1 606**	1 506
Trade and other receivables	10	**4**	11
		77 795	81 977
Current assets			
Inventories	9	**622**	317
Trade and other receivables	10	**38 969**	45 529
Current income tax receivables		**615**	325
Cash and cash equivalents	11	**21 469**	19 767
		61 675	65 937
Total assets		**139 470**	147 914
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent company			
Share capital	12	**5 105**	5 105
Reserve of invested non-restricted equity	12,13	**47 448**	46 643
Other reserves	13	**763**	693
Treasury shares	12	**-2 165**	-2 202
Translation differences	12	**-2 128**	946
Retained earnings		**18 184**	15 781
Non-controlling interest	12	**-**	311
Total equity		**67 207**	67 277
Non-current liabilities			
Loans and borrowings	14	**22 420**	26 387
Deferred tax liabilities	15	**505**	987
		22 924	27 374
Current liabilities			
Loans and borrowings	14	**4 000**	4 000
Trade and other payables	16	**42 788**	46 745
Current income tax liabilities		**1 913**	2 159
Provisions	17	**638**	359
		49 339	53 263
Total liabilities		**72 264**	80 638
Equity and liabilities		**139 470**	147 914

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

EUR 1 000	Note	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Cash flows from operating activities			
Profit for the year		**5 566**	7 575
Adjustments for:			
Taxes	25	**2 407**	2 467
Depreciation, amortization and impairment charges	22	**3 219**	3 357
Other non-cash income and expenses		**172**	79
Financial income	24	**-123**	-636
Financial expense	24	**598**	1 199
Gain/loss on the sale of property, plant and equipment and intangible assets		**-1**	-17
		11 837	6 449
Change in working capital			
Decrease (+)/ increase (-) in trade and other receivables		**5 163**	-1 487
Decrease (+)/ increase (-) in inventories		**-305**	86
Decrease (-)/ increase (+) in trade and other payables		**-1 994**	61
Change in working capital		**2 863**	-1 340
Interest and other financial cost paid		**-566**	-1 207
Interest and other financial income received		**123**	165
Income taxes paid		**-3 343**	-2 525
Net cash from operating activities		**10 915**	9 117
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	**-1 308**	-815
Acquisition of intangible assets	7	**-258**	-193
Proceeds from sale of property, plant and equipment and intangible assets		**1**	49
Net cash used in investing activities		**-1 564**	-959
Cash flows from financing activities			
Repayments of non-current borrowings	14	**-4 000**	-4 000
Acquisition of treasury shares	12	**-**	-266
Proceeds from share options exercised	12	**781**	49
Acquisition of non-controlling interest	12	**-30**	-134
Dividends paid to the owners of the parent company	27	**-3 444**	-2 367
Net cash from financing activities		**-6 694**	-6 718
Change in cash and cash equivalents		**2 657**	1 440
Cash and cash equivalents at beginning of the year	11	**19 767**	17 964
Exchange rate differences		**-954**	363
Cash and cash equivalents at end of the year	11	**21 469**	19 767
		1 703	1 440

The notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to owners of the parent company							
EUR 1 000	Note	Share capital	Other reserves	Reserve of invested non-restricted equity	Treasury shares	Translation difference	Retained earning	Non-controlling interest	Total equity
Equity at 1 January 2013		**5 105**	**693**	**46 643**	**-2 202**	**946**	**15 781**	**311**	**67 277**
Profit for the year							5 493	73	5 566
Translation differences						-3 074			-3 074
Total comprehensive income for the year						**-3 074**	**5 493**	**73**	**2 491**
Share-based payments	13		70						70
Exercise of share options	12			781					781
Treasury shares as compensation to the Board of Directors	12			25	37				62
Acquisition of non-controlling interest without changing control	12						355	-384	-30
Dividends paid	27						-3 444		-3 444
Equity at 31 December 2013		**5 105**	**763**	**47 448**	**-2 165**	**-2 128**	**18 184**	**-**	**67 207**

		Equity attributable to owners of the parent company							
EUR 1 000	Note	Share capital	Other reserves	Reserve of invested non-restricted equity	Treasury shares	Translation difference	Retained earning	Non-controlling interest	Total equity
Equity at 1 January 2012		**5 105**	**593**	**46 591**	**-1 996**	**-777**	**10 642**	**376**	**60 535**
Profit for the year							7 552	23	7 575
Translation differences						1 723			1 723
Total comprehensive income for the year						**1 723**	**7 552**	**23**	**9 298**
Share-based payments	13		100						100
Exercise of share options	12			49					49
Acquisition of treasury shares	12				-266				-266
Treasury shares as compensation to the Board of Directors	12			2	60				62
Acquisition of non-controlling interest without changing control	12						-45	-89	-135
Dividends paid	27						-2 367		-2 367
Equity at 31 December 2012		**5 105**	**693**	**46 643**	**-2 202**	**946**	**15 781**	**311**	**67 277**

The notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Affecto Plc is a Finnish limited liability company organised under the laws of Republic of Finland. The shares of the company are listed on NasdaqOMX Helsinki. The company is domiciled in Helsinki and the address of its head office is Atomitie 2, FI-00370 Helsinki, Finland.

Affecto is the forerunner in the field of Enterprise Information Management in the Northern Europe. Our solutions for information management and business analytics help organisations to improve productivity and competitiveness with superior use of information in decision making and execution. We also deliver operational solutions for improving and simplifying processes at customer organisations and offer geographic information services.

Affecto is headquartered in Helsinki, Finland. The company has subsidiaries in Finland, Sweden, Norway, Denmark, Estonia, Lithuania, Latvia, Poland and South Africa.

A copy of the consolidated financial statements is available on the internet at www.affecto.com or can be obtained at the parent company's head office, at the address Atomitie 2, FI-00370 Helsinki, Finland.

These consolidated financial statements have been approved for issue by the Board of Directors on 13 February 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements of the group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and with the IFRS and IAS standards and their SIC and IFRIC interpretations effective at 31 December 2013. The term "IFRS" refers to the standards and their interpretations, which have been adopted for application in the EU in accordance with the procedures stipulated in the EU's regulation (EC) No.1606/2002 and embodied in the Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and company legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for derivatives, which have been measured at fair value. The financial statements are presented in thousands of euros unless otherwise stated.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions. Estimates and assumptions having the most significant effect on the amounts presented in the financial statements are disclosed under "Accounting policies requiring management judgements and sources of estimation uncertainty" (see note 4).

The group has adopted as from 1 January 2013 the following new and amended standards that have come into effect. These had no significant impact on the consolidated financial statements for the financial year 2013.

- Amendments to IAS 1 *Presentation of Financial Statements:* The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met. The amendments have only had an impact on the presentation of group's other comprehensive income.
- IFRS 13 *Fair Value Measurement:* IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The new standard has not had a significant impact on group's consolidated financial statements.
- *Annual Improvements to IFRSs 2009–2011* (May 2012): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total five standards. Their impact has not been significant.

CONSOLIDATION PRINCIPLES

Subsidiaries

In addition to the parent company, the consolidated financial statements include companies, in which the group holds the majority of the voting rights or otherwise has control over the operations of the company. Subsidiaries are consolidated from the date on which control is transferred to the group and sold subsidiaries are de-consolidated from the date that control ceases.

Acquisitions of subsidiaries are accounted for using the acquisition method whereby all the identifiable assets and liabilities assumed of the acquired company together with the consideration transferred are measured at fair value at the acquisition date. Acquisitions occurred before 1 January 2010 have been accounted for in accordance with the regulation effective at the time. After 1 January 2010 acquisition-related costs other than those associated with the issue of debt or equity securities are expensed as incurred. Identifiable assets and liabilities and contingent liabilities of the acquiree are measured at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. In 2013 and 2012 there were no acquisitions according to the revised IFRS 3 standard.

All inter-company transactions, receivables and liabilities, unrealized gains and inter-company distribution of profit are eliminated when preparing the consolidated financial statements. Unrealized losses are not eliminated, if they are caused by impairment of assets. The distribution of the financial year's profit or losses to the owners of the parent company and the non-controlling interest is presented in a separate income statement, and the distribution of the comprehensive income to the owners of the parent company and the non-controlling interest is presented with the statement of comprehensive income, The non-controlling interest's equity is presented in the balance sheet as a separate items as part of the shareholders' equity. Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Special purpose entity

In accordance with SIC-12, Affecto Management Oy, which was established for the share holding programme of the members of the group management, has been consolidated until 31 October 2013. The arrangement was dissolved in November 2013 via a share swap, where a total of 391 460 new Affecto shares subscribed in the share issue, which was directed to the shareholders of Affecto Management Oy. In this arrangement, Affecto Plc received 823 000 own Affecto Plc shares through Affecto Management Oy.

Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

Transactions in foreign currencies are recorded in functional currency at the exchange rates prevailing at the transaction date. In practise, it is often necessary to use a rate that is close to the rate of the transaction date. Monetary items denominated in foreign currency are translated into the functional currency at the exchange rates prevailing on the balance sheet date. Non-monetary items measured at fair value are translated into functional currency at the exchange rates prevailing at the valuation date. Other non-monetary items are measured at the exchange rates prevailing at the transaction date. Gains and losses resulting from foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under net sales, materials and services or under financial income and expenses based on the nature of transaction.

Income statements, statements of comprehensive incomes and cash flow statements of foreign entities are translated into the group's presentation currency at the weighted average exchange rates for the financial year and balance sheets are translated at the exchange rates on the balance sheet date. Different exchange rates used to translate the profit for the financial year in the income statement and in the balance sheet results in an exchange rate difference that is recognised in other comprehensive income.

Exchange rate differences arising from the translation of the net investment in foreign entity are recognised in other comprehensive income. When a foreign operation is sold, the accumulated exchange rate differences are recycled to the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments to the carrying amounts of the assets and liabilities arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the exchange rates on the balance sheet date.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at historical cost, less depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset when it is probable that future economic benefits associated with the item will flow to the group and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Other tangible assets comprise capitalized cost relating to premises and artwork. Artwork is not depreciated.

Depreciation is calculated using the straight-line method during the estimated useful lives, as follows

Machinery and equipment	3 to 5 years
Other tangible assets	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date to reflect changes in the estimates of economic benefits.

An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in other operating income or expenses.

INTANGIBLE ASSETS

Goodwill

Any goodwill arising on business combinations is recognised as the excess of the aggregate of the consideration transferred, any non-controlling interest in the acquiree and the acquirer's previous equity interest in the acquired company over the group's share in net assets acquired. The acquisitions between 1 January 2004 and 31 December 2009 have been accounted for in accordance with the previous IFRS 3 (2004). For the goodwill, arising from the acquisitions before 1 January 2004, the carrying amount of goodwill under previous GAAP is used as the deemed cost of goodwill at the date of transition to IFRS.

Goodwill is not amortized but tested at least annually for impairment and whenever there are indicators that goodwill might be impaired. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. (Details in note 7 Goodwill and other intangible assets). Impairment losses on goodwill are not reversed.

Research and development

Research expenditure is recognised as an expense as incurred. Development expenditure is capitalized when an entity can demonstrate the technological and commercial feasibility of a product and the cost can be measured reliably. After initial recognition, the capitalized development expenditure is measured at its cost less accumulated amortization and accumulated impairment losses. Other development expenditure is recognised as an expense when incurred. Expenditure that has been initially recognised as an expense will not be capitalized at a later date. Intangible assets not yet available for use are tested for impairment annually in accordance with IAS 36. Currently the development work the group is performing is of such a nature that it does not fulfil the criteria of capitalisation and thus the development expenditure is recognised as expense as incurred.

Other intangible assets

An intangible asset is recorded in the balance sheet initially at cost if the cost can be reliably measured and if it is probable that the estimated future economic benefit resulting from the asset will benefit the group. Those intangible assets with a finite useful life are amortised through profit and loss on a straight-line basis over their known or expected useful lives. Intangible assets with indefinite useful lives are not amortised but tested annually for impairment.

Intangible assets include trademarks, customer relationships and cartographic content, which mostly arise from fair value adjustments made in business combinations. Customer relationships, trademarks and cartographic content are amortized over their estimated useful lives (3 to 15 years).

Intangible assets, other than those explained above (including mainly computer software), are carried at cost less amortization and any impairment losses. These are amortized over their estimated useful lives (3–5 years).

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Goodwill and intangible assets that have an indefinite useful life are tested at least annually for impairment and whenever there are indicators that they might be impaired. Also intangible assets not yet available for use are tested for impairment annually.

With regard to all property, plant and equipment and intangible assets, the group assesses at each balance sheet date, whether there are indications that the carrying amount may be impaired. If such indications exist, the recoverable amount of the asset in question will be measured. If the carrying amount exceeds the recoverable amount, the difference is recognised in the income statement as an impairment loss. The recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs to sell and its value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset or the cash-generating unit. The discount rate used is determined pre-tax, which reflects the market assessment of the time value of money and asset-specific risks.

For the purposes of assessing impairment, assets are grouped at the lowest levels which are mainly independent of other units and for which there are separately identifiable cash flows (cash-generating units), largely independent from those of corresponding units. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. A previously recognised impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount must not, however, exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. However, previously recognised impairment loss on goodwill is not reversed.

FINANCIAL ASSETS

The group classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, Loans and receivables and Available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

For financial assets not carried at fair value through profit or loss, transaction costs are included in the initial carrying amount. Purchases and sales of all financial assets are recognised on the trade date.

Financial assets are derecognised when the group loses the rights to receive the contractual cash flows on the financial asset or the group has transferred substantially all risks and rewards of ownership outside the group.

Financial assets at fair value through profit or loss
A financial asset is classified in this category if acquired for trading purposes (held for trading) i.e. principally for the purposes of short-term profit-taking. Derivatives are classified as held for trading if they do not meet the hedge accounting criteria. The assets in this category are carried at fair value. Changes in fair value, both realized and unrealized, are recognised in the income statement in the period in which they arise. The group does not have financial assets at fair value through profit or loss at the balance sheet date 2013 and 2012.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes. They are measured at amortized cost and included in current financial assets, except for maturities greater than 12 months after the balance sheet date.

IMPAIRMENT OF FINANCIAL ASSETS

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Impairment on receivables is recognised when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, entering into business restructuring proceedings or probability that the debtor will enter bankruptcy are regarded as objective evidence when the probability of an impairment loss is being considered. Subsequent recoveries of the amounts previously written off are credited against other operating expenses in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash at hand, call deposits and other short-term highly liquid investments with original maturities of three months or less.

LOANS AND BORROWINGS

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, loans and borrowings are stated at amortized cost using the effective interest method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Loans and borrowings are classified as non-current liabilities except for maturities less than 12 months after the balance sheet date.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The group does not apply the hedge accounting under IAS 39 and thus the changes in fair value of derivative financial instruments are recognised in financial items in the income statement. The group does not have derivate financial instruments at the balance sheet date 2013 and 2012.

LEASES, GROUP AS A LESSEE

Leases where substantially all the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Leases, where the lessee has substantially all the risks and rewards of ownership, are classified as finance leases.

The group has entered into various operating leases, the payments under which are treated as rentals and charged to the income statement on a straight-line basis over the lease term.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling costs. Self-manufactured products are measured at manufacturing cost including raw materials, direct labor, other direct costs and related purchase and production overheads based on normal operating capacity. Cost is determined using the weighted average cost method.

EQUITY

Share capital consists solely of ordinary shares. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's shares (treasury shares), the consideration paid and any directly attributable incremental costs (net of taxes) is deducted from equity until the shares are cancelled or sold. Where such shares are subsequently sold, any consideration deducted with the directly attributable incremental transaction costs and the related income tax effect, is included in equity.

Affecto Plc shares held by Affecto Management Oy are presented in treasury shares as a deduction of equity. Affecto Management Oy's equity is presented in its entirety as the non-controlling interest of the group until 31 October 2013. In November 2013 Affecto Plc acquired the rest of the shares in Affecto Management

Oy from the group management through a share swap (previous ownership 22.8%).

In the share option programs, the proceeds gained from share subscriptions, adjusted by possible transaction costs, are recorded according to the conditions of the programs into the reserve of invested non-restricted equity.

INCOME TAXES

The tax expense for the period comprises current and deferred tax. For transactions and other events recognised in profit or loss, any related tax effects are also recognized in profit or loss. For transactions and other events recognised in other comprehensive income or directly in equity, any related tax effects are also recognised in the said items. Current tax is calculated on the taxable profit in accordance with the local tax laws applied to each group company. The tax is adjusted by any relevant tax amounts for previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is recognised on all temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The most material temporary differences arise from the depreciation of property, plant and equipment and intangible assets, appropriations, accumulated unused tax losses, financial instruments and fair value adjustments made to assets and liabilities in business combinations.

EMPLOYEE BENEFITS

Pension plans

The group companies have various pension plans in accordance with the local conditions and practices in the countries in which they operate. The plans are generally funded through payments to insurance companies. The group's pension plans are classified as defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into separate funds. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a deduction in the future payments is available.

Share-based payments

The group has option compensation plans, which will be settled in equity instruments. The compensation plans, which will be settled in equity instruments, are measured at fair value at the grant date and recognised as an expense over the vesting period under personnel expenses. The expense determined at the grant date is based on the group's estimate of the number of options that will be vested at the end of vesting period. The fair values of the options granted are determined using the Black-Scholes valuation model. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. The impact of the revision to original estimates, if any, will be recognised in the income statement. The proceeds received from share subscriptions, net of any direct transaction costs will be credited to the reserve of invested non-restricted equity when the options are exercised.

Affecto Management Oy, which was established for the share holding programme of the members of the group management, has also been consolidated. The treasury shares held by Affecto Management Oy are presented in treasury shares as a deduction of equity. The related administrative costs are recorded as an expense during the period when the expenses have incurred.

The arrangement dissolved in November 2013 when Affecto Plc acquired the rest of the shares in Affecto Management Oy from the group management through a share swap (previous ownership 22.8%).

GOVERNMENT GRANTS

Grants from government are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Research and development grants are credited against the research and development expenses in the income statement. Government grants relating to the purchase of property, plant and equipment are recorded as a reduction of the carrying amounts of the assets and are recognised in the income statement in the form of lower depreciation over the useful lives of the related assets. Other government grants are credited against the expenses during the period when the expenses have incurred.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount to be recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount recognised as a provision is the present value of the expected expenditures. Changes in provisions are recorded in the income statement in the same item in which the provision was originally recognised.

REVENUE RECOGNITION
Revenue is measured at fair value of the consideration received or receivables for the sale of goods or services, net of value-added tax, rebates and discounts.

Sales of goods/licenses
Revenue from sales of goods/licenses are recognised when a group entity has delivered the products/licenses to the customer, collectability of the related receivables is reasonably assured, the selling entity has no significant risks and rewards of ownership and the selling entity retains neither managerial commitment nor control of the sold goods/licenses.

Long-term contracts
In long-term projects, contract revenue recognition principles are applied. Long-term projects include consulting sales. Modification and customization of software plays an important part in the projects.

Contract revenue and cost are recognised based on the stage of completion. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of the total estimated costs for each contract.

Contract costs are recognised when incurred. When the outcome of a long-term contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

The group presents as an asset the gross amount due from customers of contract work for all contracts in progress for which costs incurred plus recognised profits exceed progress billings. Progress billings not yet paid by customers are included within trade receivables. If costs incurred plus recognised profit is less than billings, the difference is presented as a liability.

Other services
Sales of services (support, maintenance, consulting and training) are recognised in the financial year in which the services are rendered.

Interest and dividend income
Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

OPERATING PROFIT
The group has defined "operating profit" as follows: operating profit is the net sum obtained after adding other operating income to the net sales and then deducting purchasing costs, adjusted by the change in inventory of finished products and work in progress and the expenses of products manufactured for the group's own use; personnel expenses; depreciation, amortization and any impairment losses; and other operating expenses. All other income statement items are presented below the operating profit. Foreign currency translation differences are included in the operating profit if they arise from items related to business operations; otherwise, they are recognised in financial items.

SEGMENT INFORMATION
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the group's parent company.

APPLICATION OF NEW AND AMENDED IFRS STANDARDS AND IFRIC INTERPRETATIONS
The IASB has published the following new and amended standards and interpretations whose application will be mandatory in 2014 or later. The group has not early adopted these standards. The group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- IFRS 9 *Financial Instruments* and subsequent amendments (the effective date (previously 1 January 2015) has been postponed and will be determined in due course): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. Amendments dealing with general hedge accounting were issued in November 2013. The unfinished part of IFRS 9, impairment of financial assets, is still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed. The standard has not yet been endorsed for use by the European Union.

Group does not expect the adoption of the following standards, interpretations and their amendments to have a significant effect on the group's consolidated financial statements.

- IFRS 10 *Consolidated Financial Statements* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess.
- *Annual Improvements to IFRSs (2011–2013 cycle and 2011–2012 cycle,* December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards. Their impacts vary standard by standard but are not significant. The amendments have not yet been endorsed for use by the European Union.
- Amendments to IAS 36 *Impairment of Assets* (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.
- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities.

3. FINANCIAL RISK MANAGEMENT

FINANCIAL RISKS

The group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The focus of group's overall risk management policy is to minimize the impact of unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance of the group.

Risk management is carried out by the finance department under the general policies approved by the Audit Committee of the Board.

Foreign exchange risk

Affecto operates internationally and is exposed to currency risks arising from exchange rate fluctuations, including both transaction risk and translation risk.

Transaction risk

Transaction risk arises from cash flows that are denominated in currency that is not the entity's functional currency. Due to the nature of operations in Affecto, most of the sales and purchases are denominated in functional currencies and thus the transaction risk is not considered material.

Translation risk

Translation risk arises from investments in foreign subsidiaries. Translation risks are realized when income statement and balance sheet items of foreign subsidiaries are translated into euro. The group has not hedged the exchange risk associated with the equity of foreign subsidiaries at the reporting date.

Sensitivity analyses on the most significant translation risk arising from translation of the income statements and balance sheets of the foreign subsidiaries into euro have been disclosed in the table below. The reasonable possible change in exchange rates has been estimated to +/- 20 percentage points compared to the rates used in the reporting period. The impact on the income statement and the statement of comprehensive income and equity is presented post-tax. The most material translation risk exposures are disclosed in the table below.

EUR 1 000	2013				
		Change in exchange rate +20%		Change in exchange rate -20%	
	Net investment exposed to translation risk*	Impact on profit/ loss	Impact on comprehensive income and equity	Impact on profit/ loss	Impact on comprehensive income and equity
NOK/EUR	16 791	395	4 198	-264	-2 798
SEK/EUR	19 245	-232	4 811	155	-3 207
DKK/EUR	12 507	305	3 127	-203	-2 085

EUR 1 000	2012				
		Change in exchange rate+20%		Change in exchange rate -20%	
	Net investment exposed to translation risk*	Impact on profit/ loss	Impact on comprehensive income and equity	Impact on profit/ loss	Impact on comprehensive income and equity
NOK/EUR	20 001	488	5 000	-325	-3 334
SEK/EUR	20 790	-374	5 198	249	-3 465
DKK/EUR	12 648	293	3 162	-195	-2 108

*presented in euro by using the exchange rate on the balance sheet date.

Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating profit are substantially independent of changes in market interest rates.

The group's cash flow interest rate risk arises mainly from non-current and current loans as borrowing is issued at floating interest rate. The borrowing of the group, with a nominal value of 26.5 million euro, has a floating interest rate. An increase of 1 percentage point in the reference interest rate of the loan agreement would have increased the annual interest payment by 295 thousand euro (pre-tax) in 2013. A respective decrease of 1 percentage point in the reference interest rate would have decreased the annual interest payment by 295 thousand euro (pre-tax).

During the financial year 2012, on average 20.3 million euro of the loan capital had been converted to have fixed interest rate. The interest rate swap agreement expired on 31 December 2012. The group did not apply the hedge accounting under IAS 39 and therefore the changes in fair value of the interest rate swap had been recognised in financial items in the income statement. Change in the fair value of the interest rate swap amounting to 475 thousand euro in 2012 had been recognised as an income in the consolidated income statement, but it did not have any effect on the group's cash flow. During the financial year 2013, the group did not have the valid interest rate swap agreement.

Credit risk

The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Inspections are selectively made to customers' credit history. The group does not have material trade receivables from one customer. Also advance payments relating to projects are used to decrease the credit risk. The credit losses and reversals of previously recognised bad debts have been recognised as expense of 1 thousand euro (expense of 1 thousand euro) during the financial year. The maximum credit risk exposure is equivalent to the carrying amount of financial assets at the balance sheet date. The aging of trade receivables is disclosed in note 10.

Liquidity risk

In order to ensure sufficient amount of liquid funds to finance working capital and loan repayments, the liquidity is monitored continuously. Group monitors regularly the compliance with the loan covenants and the result of loan covenants are reported to finance company quarterly. The adequacy and flexibility of liquid funds is managed by using credit facilities. Despite the general economic uncertainty, the group's liquidity remained good during the year 2013. As at 31 December 2013 the group had cash and cash equivalents amounting to 21.5 million euro and undrawn credit facility amounting to 5.0 million euro. The group applies prudent liquidity risk management, as there are fluctuations in cash flows based on the nature of business. With relation to long-term projects the liquidity risk management involves the amount and timing of advance payments on the projects.

MATURITIES OF FINANCIAL LIABILITIES AS AT 31 DEC 2013

EUR 1 000	1 Jan–31 March 2014	1 April–31 Dec 2014	2015	2016	After 2016
Loans from financial institutions (incl. interest)	91	4 265	4 300	18 629	-
Trade and other payables	15 305	-	-	-	-
	15 396	4 265	4 300	18 629	-

MATURITIES OF FINANCIAL LIABILITIES AS AT 31 DEC 2012

EUR 1 000	1 Jan–31 March 2013	1 April–31 Dec 2013	2014	2015	After 2015
Loans from financial institutions (incl. interest)	102	4 299	4 347	4 293	18 626
Trade and other payables	14 989	-	-	-	-
	15 091	4 299	4 347	4 293	18 626

CAPITAL MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Tools to manage the capital structure of the group, among other things, are dividend payments and issues of new shares. The group can also decide to sell assets to reduce debt.

CAPITAL OF THE GROUP CONSISTS OF EQUITY AND NET DEBT

EUR 1 000	Note	2013	2012
Loans and borrowings	14	26 420	30 387
Cash and cash equivalents	11	21 469	19 767
Net debt		4 950	10 621
Equity total		67 207	67 277
Total capital		72 157	77 897

The capital risk management of the group is not based on any single key figure. The management and the Board of Directors monitor the capital structure and liquidity of the company. Purpose of the monitoring is to ensure the sufficient liquidity and flexibility of the capital structure to put growth strategy and published dividend policy into effect.

The credit facility agreement of the group includes financial covenants, breach of which might lead to an increase in cost of debt or cancellation of the facility agreement. The covenants are based on total net debt to earnings before interest, taxes, depreciation and amortization and total net debt to total equity. The covenants are measured quarterly, and these terms and conditions of covenants were met at the end of the reporting period.

FAIR VALUE ESTIMATION

Financial assets and financial liabilities measured at fair value

The financial assets and liabilities have been presented according to the following fair value measurement hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs for the asset or liability that are not based on observable market data

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

During the financial year 2012 consolidated financial liabilities comprised interest rate swap which was included in level 2. The interest rate swap agreement expired on 31 December 2012.

Other financial assets and liabilities

The carrying amounts of the group's current financial instruments, which include cash and cash equivalents, trade receivables, other receivables, trade payables and other payables approximate their fair values due to their short maturities. Current borrowings from financial institutions have a floating reference interest rate, thus their carrying amounts approximate their fair values.

4. ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain estimates and assumptions about the future that affect the reported amounts of assets and liabilities, contingent liabilities, and income and expenses. Estimates and judgements are based on historical experience and other factors, including expectations of future events. Estimates and judgements are regularly evaluated. Possible changes to estimates and assumptions are recorded in the reporting period during which the estimate or the assumption is adjusted and in all consecutive years. The most critical accounting estimates and judgements are discussed below.

IMPAIRMENT TESTING

The group tests annually whether goodwill or other intangible assets with indefinite useful lives have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Tests have shown that the profitability and the discount rate are the most sensitive parameters in the value-in-use calculations. Although the management believes that the assumptions used are appropriate, the estimated recoverable amounts can differ materially from what will actually occur in the future.

Additional information on sensitivity of the recoverable amount to changes on key assumptions is disclosed in note 7. Goodwill and other intangible assets.

REVENUE RECOGNITION

The group uses the percentage-of-completion method for long-term contracts, when the outcome of a project can be estimated reliably. The percentage-of-completion method relies on estimates of total expected contract revenue and costs, as well as on dependable measurement of the progress made towards completing the particular project. Recognised revenues and profit are subject to revisions during the project in the event that the assumptions regarding the overall project outcome are revised. The cumulative impact of a revision in estimates is recorded in the period when such revisions become likely and reliably estimable.

INVENTORY VALUATION

Management's policy is to recognise an impairment loss on slow-moving and obsolete inventory based on the management's best estimate of the amounts that are potentially unusable at the balance sheet date. Management bases its estimate on a systematic, ongoing review and evaluation.

DEFERRED TAXES

Deferred tax assets are recognised to the extent that management estimates it is probable that future taxable profit will be available against which the temporary differences can be utilized. Management estimates on future taxable profit is based on the strategy of the group and on the budgets prepared for next years.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount to be recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. The warranty provision is based on knowledge gained in the past from similar projects. Losses on long-term projects are recognised immediately when it is probable that total contract costs will exceed total contract revenue.

5. SEGMENT INFORMATION

Operating segments have been determined based on the reports that are used by the Board of Directors of Affecto Plc to make decisions.

The Board of Directors considers the business from the geographic perspective. Operating segments are based on country units, except for the Baltic segment that includes Latvia, Lithuania, Estonia, Poland and South Africa. The reportable segments of Affecto are based on the country units Finland, Norway, Sweden, Denmark and Baltic.

The reportable segments derive their revenue primarily from the sales of IT-solutions and -services.

THE SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

EUR 1 000	Finland	Norway	Sweden	Denmark	Baltic	Other	Total
Segment revenue	53 175	29 554	23 152	15 363	16 018	3 873	**141 135**
Inter-segment revenue	851	500	921	1 005	1 089	3 873	**8 238**
Revenue from external customers	52 324	29 054	22 231	14 358	14 929	-	**132 896**
Depreciation and amortization	-357	-87	-80	-90	-253	-362	**-1 230**
Operational segment result	**6 863**	**2 718**	**-229**	**1 884**	**193**	**-1 177**	**10 251**
IFRS3 amortization							**-1 989**
Operating profit							**8 262**
Total assets	40 245	20 070	28 762	17 089	8 427	1 188	**115 781**
Total assets include :							
Trade receivables from external customers	10 617	4 079	5 420	4 470	2 811	25	**27 422**
Cash and cash equivalents	8 528	6 952	1 286	927	2 461	1 315	**21 469**
Additions to non-current assets (other than financial instruments and deferred tax assets)	322	247	7	69	117	803	**1 566**

THE SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2012

EUR 1 000	Finland	Norway	Sweden	Denmark	Baltic	Other	Total
Segment revenue	52 570	27 161	23 984	16 038	16 684	3 075	**139 512**
Inter-segment revenue	491	713	405	754	674	3 075	**6 112**
Revenue from external customers	52 079	26 448	23 579	15 284	16 010	-	**133 400**
Depreciation and amortization	-431	-136	-145	-89	-272	-217	**-1 290**
Operational segment result	**7 747**	**3 317**	**-945**	**1 800**	**1 981**	**-1 382**	**12 518**
IFRS3 amortization							**-2 067**
Operating profit							**10 451**
Total assets	41 770	24 891	32 568	18 062	8 525	502	**126 317**
Total assets include :							
Trade receivables from external customers	11 346	6 405	8 045	4 933	1 929	-	**32 658**
Cash and cash equivalents	7 277	6 712	305	846	3 517	1 109	**19 767**
Additions to non-current assets (other than financial instruments and deferred tax assets)	271	18	78	89	245	306	**1 008**

Sales between segments are carried out at arm's length. The revenue from external customers reported to the Board of Directors is measured in a manner consistent with that in the income statement.

The Board of Directors assesses the performance of the operating segments based on a key figure of operational segment result. Operational segment result is calculated by adding to the operating profit the recognised impairment of goodwill and the amortization resulting from the application of IFRS 3. The IFRS3 amortization comprises the amortization made on the recognised fair value adjustments arisen from business combinations. Interest income and expenses are not allocated to segments, as cash management of the group has been centralized to the group finance department.

RECONCILIATION OF OPERATING SEGMENT RESULT TO PROFIT BEFORE INCOME TAX

EUR 1 000	2013	2012
Operational segment result	10 251	12 518
IFRS 3 amortization	-1 989	-2 067
Finance costs – net	-289	-408
Profit before income tax	7 973	10 042

The total assets allocated to the reportable segments are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical locations of the assets.

RECONCILIATION OF REPORTABLE SEGMENTS' ASSETS TO TOTAL ASSETS

EUR 1 000	2013	2012
Segment assets for reportable segments	114 593	125 815
Other segments assets	1 188	502
Unallocated:		
Deferred tax	1 606	1 506
Current income tax receivable	615	325
Cash and cash equivalents	21 469	19 767
Total assets in the balance sheet	139 470	147 914

The revenue from external customers is primarily derived from the sales of IT -solutions and -services. The revenue has been divided into two categories based on the nature of solutions; Information Management Solutions and Karttakeskus GIS business. The reportable business lines are in line with the management model of Affecto Group. In addition to IT-solutions, Karttakeskus GIS business include revenue from GIS consultancy, management of geographic information data and map publishing.

NET SALES BY BUSINESS LINES

EUR 1 000	2013	2012
Information Management Solutions	123 608	122 892
Karttakeskus GIS business	12 239	11 884
Other	-2 950	-1 376
Total	132 896	133 400

6. PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	Machinery and equipment	Other tangible assets	Total
Cost at 1 Jan. 2013	8 955	100	9 054
Translation differences	-430	-	-430
Additions	1 301	7	1 308
Disposals	-793	-	-793
Cost at 31 Dec. 2013	9 033	107	9 139
Accumulated depreciation and impairment at 1 Jan. 2013	7 296	47	7 343
Translation differences	-403	-	-403
Disposals	-793	-	-793
Depreciation for the period	1 025	21	1 045
Accumulated depreciation and impairment at 31 Dec. 2013	7 125	67	7 192
Carrying amount at 1 Jan. 2013	1 658	53	1 711
Carrying amount at 31 Dec. 2013	1 908	39	1 947

EUR 1 000	Machinery and equipment	Other tangible assets	Total
Cost at 1 Jan. 2012	8 651	91	8 742
Translation differences	194	-1	194
Additions	806	9	815
Disposals	-697	-	-697
Cost at 31 Dec. 2012	8 955	100	9 054
Accumulated depreciation and impairment at 1 Jan. 2012	6 667	24	6 691
Translation differences	174	-	174
Disposals	-668	-	-668
Depreciation for the period	1 123	23	1 147
Accumulated depreciation and impairment at 31 Dec. 2012	7 296	47	7 343
Carrying amount at 1 Jan. 2012	1 984	68	2 051
Carrying amount at 31 Dec. 2012	1 658	53	1 711

7. GOODWILL AND INTANGIBLE ASSETS

EUR 1 000	Goodwill	Customer relationship	Trademark	Cartographic content	Other	Total other intangible assets
Cost at 1 Jan. 2013	80 859	13 715	554	1 532	1 224	17 025
Translation differences	-2 484	-770	-	-	-1	-772
Additions	-	-	-	-	258	258
Disposals	-	-	-	-	-86	-86
Cost at 31 Dec. 2013	78 375	12 944	554	1 532	1 396	16 427
Accumulated amortization and impairment at 1 Jan. 2013	6 208	10 876	224	843	985	12 928
Translation differences	-	-660	-	-	-1	-661
Disposals	-	-	-	-	-86	-86
Amortization for the period	-	1 832	55	102	184	2 173
Accumulated amortization and impairment at 31 Dec. 2013	6 208	12 047	279	945	1 083	14 355
Carrying amount at 1 Jan. 2013	74 651	2 839	331	689	239	4 098
Carrying amount at 31 Dec. 2013	72 166	897	276	587	312	2 072
Goodwill	72 166					
Other intangible assets	2 072					
Total intangible assets at 31 Dec. 2013	74 238					

EUR 1 000	Goodwill	Customer relationship	Trademark	Cartographic content	Other	Total other intangible assets
Cost at 1 Jan. 2012	79 310	13 414	679	1 532	1 518	17 143
Translation differences	1 549	469	-	-	1	470
Additions	-	-	-	-	193	193
Disposals	-	-168	-125	-	-487	-780
Cost at 31 Dec. 2012	80 859	13 715	554	1 532	1 224	17 025
Accumulated amortization and impairment at 1 Jan. 2012	6 207	8 808	293	741	1 327	11 169
Translation differences	-	326	-	-	1	327
Disposals	-	-168	-125	-	-486	-779
Amortization for the period	-	1 910	55	102	144	2 211
Accumulated amortization and impairment at 31 Dec. 2012	6 208	10 876	224	843	985	12 928
Carrying amount at 1 Jan. 2012	73 102	4 606	386	791	191	5 974
Carrying amount at 31 Dec. 2012	74 651	2 839	331	689	239	4 098
Goodwill	74 651					
Other intangible assets	4 098					
Total intangible assets at 31 Dec. 2012	78 748					

ALLOCATION OF GOODWILL

Goodwill has been allocated to the cash-generating units (CGUs) which are the operating segments of the group. Finland's reportable segment consist two operating segments, Information management solutions and Karttakeskus GIS business, which are considered to generate cash inflows independent of each other.

THE CASH-GENERATING UNITS OF AFFECTO GROUP AND THE ALLOCATION OF GOODWILL

EUR 1 000	Goodwill	
	2013	2012
Finland		
Information Management Solutions	18 286	18 286
Karttakeskus GIS business	5 807	5 807
Baltic		
Information Management Solutions	3 420	3 420
Sweden		
Information Management Solutions	21 157	21 841
Norway		
Information Management Solutions	13 060	14 863
Denmark		
Information Management Solutions	10 436	10 434
	72 166	74 651

RECOGNISED IMPAIRMENT LOSSES

During 2013 and 2012 no impairment losses were recognised on goodwill or intangible assets.

IMPAIRMENT TEST OF GOODWILL

At each balance sheet date, the group assesses whether there are indications that the carrying amount of goodwill may not be recoverable. If there are any indications of impairment, the recoverable amount is compared with the carrying amount. The need for impairment is assessed at the level of cash-generating units (CGU), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is determined based on value-in-use calculations. The cash flow projections used in the calculations are based on the next year's financial budget and the forecasts for the subsequent four years approved by management. The management has based its cash flow projections for the period covered by the most recent budgets on the assumption of the market performance of the business. The assumptions used reflect past experience and future expectations, and are consistent with external sources of information. Cash flows beyond the five-year-period are based on a 2 per cent fixed annual growth rate. Used growth rates correspond to the expected long-term inflation. The growth rates do not exceed the long-term average actual growth rate within the business sector.

The goodwill impairment test results are evaluated by comparing the recoverable amount with the carrying amount of the cash-generating unit as follows:

Recoverable amount / Carrying amount	Test result
Less than 1.0	Impairment
1.0 – 1.2	Slightly above
1.2 – 1.5	Clearly above
Over 1.5	Substantially above

THE CASH-GENERATING UNITS OF AFFECTO GROUP AND TEST RESULTS AT 30 SEPTEMBER 2013

EUR 1 000	Recoverable amount / Carrying amount	Test result
Finland		
Information Management Solutions	3.1	Substantially above
Karttakeskus GIS business	2.8	Substantially above
Baltic		
Information Management Solutions	2.5	Substantially above
Sweden		
Information Management Solutions	1.1	Slightly above
Norway		
Information Management Solutions	3.0	Substantially above
Denmark		
Information Management Solutions	2.3	Substantially above

THE CASH-GENERATING UNITS OF AFFECTO GROUP AND TEST RESULTS AT 30 SEPTEMBER 2012

EUR 1 000	Recoverable amount / Carrying amount	Test result
Finland		
Information Management Solutions	2.8	Substantially above
Karttakeskus GIS business	2.6	Substantially above
Baltic		
Information Management Solutions	2.3	Substantially above
Sweden		
Information Management Solutions	1.1	Slightly above
Norway		
Information Management Solutions	2.7	Substantially above
Denmark		
Information Management Solutions	2.2	Substantially above

The discount rates used in the calculations are shown in the table below.

Cash-generating unit	Discount rate (pre-tax) 2013	2012
Finland		
Information Management Solutions	10.1%	10.2%
Karttakeskus GIS business	10.2%	10.0%
Baltic		
Information Management Solutions	12.4%	12.9%
Sweden		
Information Management Solutions	9.7%	9.8%
Norway		
Information Management Solutions	10.3%	10.3%
Denmark		
Information Management Solutions	10.4%	10.4%

The discount rate used is the WACC (weighted average cost of capital), specified for each operating segment (post-tax), which is adjusted by tax effects in connection with the test. The WACC formula inputs are risk-free rate of return, market risk premium, industry-specific beta factor, capital structure, cost of debt and company-specific risk premium.

SENSITIVITY ANALYSIS

Tests have shown that the profitability and the discount rates are the most sensitive parameters in the value-in-use calculations.

In the following cash-generating unit a reasonable possible change in a key assumption results in a situation where the carrying amount of the cash-generating unit exceeds its recoverable amount. Those assumptions to which the recoverable amount of the cash-generating unit is most sensitive are listed in the table below. When assessing the magnitude of the required change in a key assumption, possible multiplicative effects on other assumptions affecting the recoverable amount or simultaneous changes in other assumptions have not been taken into account.

Cash-generating Unit	Recoverable amount / Carrying amount	Key assumption	Required change in order for carrying amount to exceed the recoverable amount
Information Management Solutions, Sweden	1.1	- Discount rate (9.7%) - Long-term profitability will not be materially lower than the estimated level	- Discount rate 1.0 percentage points higher - Average long-term profitability in relation to the net sales 0.6 percentage points lower than forecast

Impairment test for the cash-generating unit of Information Management Solutions Sweden has been performed also at 31 December 2013 and the recoverable amount has been compared with the carrying amount of the cash-generating unit. The recoverable amount /carrying amount ratio is 1.1.

8. VALUES OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

EUR 1 000	Note	Loans and receivables	Other financial liabilities	Total carrying amount
31 Dec. 2013				
Financial assets				
Trade receivables and other receivables	10	27 621	-	27 621
Cash and cash equivalents	11	21 469	-	21 469
Total financial assets		49 090	-	49 090
Financial liabilities				
Loans from financial institutions	14	-	26 420	26 420
Trade payables and other payables	16	-	15 305	15 305
Total financial liabilities		-	41 725	41 725

The carrying amount of loans from financial institutions approximates its fair value.

EUR 1 000	Note	Loans and receivables	Other financial liabilities	Total carrying amount
31 Dec. 2012				
Financial assets				
Trade receivables and other receivables	10	32 970	-	32 970
Cash and cash equivalents	11	19 767	-	19 767
Total financial assets		52 737	-	52 737
Financial liabilities				
Loans from financial institutions	14	-	30 387	30 387
Trade payables and other payables	16	-	14 989	14 989
Total financial liabilities		-	45 376	45 376

The carrying amount of loans from financial institutions approximates its fair value.

9. INVENTORIES

EUR 1 000	2013	2012
Materials and supplies	69	65
Work in progress	35	9
Finished goods	518	242
Total	622	317

In 2013, the group recognised 52 thousand euro as a write-down on inventories (49 thousand euro).

10. TRADE AND OTHER RECEIVABLES

EUR 1 000	2013	2012
Non-current		
Other receivables	4	11
Total non-current	4	11
Current		
Trade receivables	27 422	32 658
Gross amount due from customers for contracts in progress	2 765	4 270
Prepayments	8 121	7 473
Accrued income	466	828
Other receivables	195	301
Total current	38 969	45 529
Total trade and other receivables	38 973	45 540

The carrying amounts of trade and other receivables approximate their fair values. Credit risk is described in more detail in note 3.

AGEING OF TRADE RECEIVABLES

EUR 1 000	2013	2012
Not past due	21 779	23 829
Overdue by between 1 and 30 days	5 027	7 620
Overdue by between 31 and 120 days	585	890
Overdue by more than 120 days	31	319
Total	27 422	32 658

11. CASH AND CASH EQUIVALENTS

EUR 1 000	2013	2012
Cash and cash equivalents	21 469	19 767
Total	21 469	19 767

The effective interest rate in cash and cash equivalents is 0.7% (1.0%).

12. NOTES TO EQUITY

	Number of shares	Share capital 1 000 EUR	Number of treasury shares	Treasury shares EUR 1 000	Reserve of invested non-restricted equity EUR 1 000
1 Jan. 2013	21 543 068	5 105	901 427	-2 202	46 643
Payment for share options	-	-	-	-	52
Exercise of share options	384 076	-	-	-	729
Treasury shares as compensation to the Board of Directors	-	-	-13 875	37	25
Directed share issue	391 460	-	-	-	-
31 Dec. 2013	22 318 604	5 105	887 552	-2 165	47 448
1 Jan. 2012	21 516 468	5 105	823 000	-1 996	46 591
Exercise of share options	26 600	-	-	-	49
Acquisition of treasury shares	-	-	100 000	-266	-
Treasury shares as compensation to the Board of Directors	-	-	-21 573	60	2
31 Dec. 2012	21 543 068	5 105	901 427	-2 202	46 643

There are no set limits for the maximum or minimum number of the issued shares in the Articles of Association. All issued shares are fully paid. The shares don't have a nominal value.

SHARE CAPITAL

During the years 2013 and 2012 no changes occurred in the share capital.

RESERVE OF INVESTED NON-RESTRICTED EQUITY

The reserve of invested non-restricted equity includes the premium paid for shares in the share issue in 2006, the total subscription price paid for shares in the share issue in 2007, the received sales price (net of taxes) from sold treasury shares and the funds transferred from the share premium reserve. The payments received from the exercise of options granted under option programs are recorded in full in the reserve of invested non-restricted equity.

During the financial year 2013 and 2012 the disposal of own shares as a part of Board members remuneration is recorded in the reserve of invested non-restricted equity.

During the financial year 2013 the payment 52 thousand euro for option rights concerning option series 2013 are recorded in full in the reserve of invested non-restricted equity.

During the financial year 2013, the number of shares was increased four times corresponding to share subscriptions made with the options of the 2008 option program. The increase were made on 28 March 2013 (62 986 shares, 117 thousand euro), 11 June 2013 (286 681 shares, 540 thousand euro), 13 September 2013 (1 000 shares, 2 thousand euro) and 13 December 2013 (33 409 shares, 70 thousand euro) and announced in stock exchange release on the same days. The combined share subscription price of 729 thousand euro received by the company was recorded in the reserve of invested non-restricted equity. An analysis of share-based payments is given in note 13.

During the financial year 2012, the number of shares was increased four times corresponding to share subscriptions made with the options of the 2008 option program. The increase were made on 7 May 2012 (1 500 shares, 3 thousand euro), 28 June 2012 (9 000 shares, 17 thousand euro), 28 September 2012 (4 100 shares, 8 thousand euro) and 28 December 2012 (12 000 shares, 22 thousand euro) and announced in stock exchange release on the same days. The combined share subscription price of 49 thousand euro received by the company was recorded in the reserve of invested non-restricted equity. An analysis of share-based payments is given in note 13.

TREASURY SHARES

In 2013 the company did not acquire any own shares. Based on the authorization of the Annual General Meeting 9 April 2013, the company has used 13 875 shares for the payment of Board members remuneration. At the end of financial year 2013 the parent company had 64 552 treasury shares. At the end of financial year Affecto Management Oy owns 823 000 (823 000) Affecto shares. Treasury shares total 887 552 correspond to 4.0% of the total amount of the shares.

In 2012 the company acquired 100 000 own shares. Based on the authorization of the Annual General Meeting 19 April 2012, the company has used 21 573 shares for the payment of Board members remuneration. At the end of financial year 2012 the parent company had 78 427 treasury shares.

TRANSLATION DIFFERENCES

Translation differences arise from the consolidation of the financial statements of the subsidiaries outside the Euro zone.

NON-CONTROLLING INTEREST

Affecto Management Oy's equity is presented in its entirety as the non-controlling interest of the group until 31 October 2013. In November 2013 Affecto Plc acquired the rest of the shares in Affecto Management Oy from the group management through a share swap (previous ownership 22.8%).

13. SHARE-BASED PAYMENTS

Affecto Plc has currently two share option programs: 2008 and 2013. The option program 2006 expired on 31 December 2012. No subscriptions were made with the options.

The Annual General Meeting of Affecto Plc, which was held on 31 March 2008, decided to issue share options to the key personnel of the Affecto Group, as well as to a wholly-owned subsidiary of the company. The maximum total number of share options issued shall be 1 050 000. Of the share options, 300 000 has been marked with the symbol 2008A, 350 000 with the symbol 2008B and 400 000 with the symbol 2008C. The share subscription period for share option symbol 2008A has expired at 30 November 2012 and the expired options were 217 405. The share subscription period for share options symbol 2008B has expired at 31 May 2013. A total of 236 817 new shares were subscribed with the 2008B options and the expired options were 1 001.

The Annual General Meeting of Affecto Plc, which was held on 9 April 2013, decided to issue share options to the key personnel of the Affecto Group, as well as to a wholly-owned subsidiary of the company. The maximum total number of share options issued will be 400 000 and they will be issued gratuitously or for consideration determined by the Board of Directors. A total of 259 000 of 2013 share options have been conveyed to key employees for the 0.20 eur/option issue price that was decided by the Board.

The initial share subscription price for share option is the trade-volume weighted average quotation of the share during a certain period determined in the terms and conditions of an option right. The table below shows the period for determination of the share subscription price, initial subscription prices for those shares that are known, the vesting schedule and the subscription period.

Option program	Period for determination of the share subscription price	Initial share subscription price	Share subscription period	Vesting schedule
2006C	1.1.–31.3.2008	3.79	1.4.2011–31.12.2012	1.4.2011
2008A	1.7.–30.9.2008	3.53	1.10.2011–30.11.2012	1.10.2011
2008B	1.1.–31.3.2009	2.22	1.4.2012–31.5.2013	1.4.2012
2008C	1.1.–31.3.2010	2.48	1.4.2013–31.5.2014	1.4.2013
2013	30.4.–7.5.2013	3.77	10.5.2015–31.5.2016	10.5.2015

From the share subscription price of the share options shall, as per the record date for dividend or other distribution of funds, be deducted the amount of the dividend or distributable non-restricted equity decided after the beginning of the period for determination of the share subscription price but before the share subscription. The share subscription price shall, nevertheless, always amount to at least 0.01 euro. The group does not have any obligations to buy these shares.

Should a share option owner cease to be employed by or in the service of the group, for any reason than the death of a share option owner or the statutory retirement of a share option owner, such person shall, without delay, offer to the company or its order, free of charge, the share options for which the share subscription period has not begun, on the last day of such person's employment or service. The Board of Directors can, however, in the above-mentioned cases, decide that the share option owner is entitled to keep such share options, or a part of them, which are under the offering obligation. The dividend rights of the shares and other shareholder rights shall commence when the shares have been entered into the trade register.

As a result of the subscriptions, the share capital of the company will not increase and the number of shares can increase by a maximum total of 626 141 new shares. The share subscription price shall be recognised in the invested non-restricted equity fund.

The impact of share-based payments on the expenses is reported in the line Personnel expenses in the income statement.

THE IMPACT OF SHARE-BASED PAYMENTS ON THE FINANCIAL PERFORMANCE OF THE GROUP

EUR 1 000	2013	2012
Share options	60	85
Other share-based payments	12	14
Total expense	72	100

THE MOVEMENTS IN THE NUMBER OF GRANTED OPTIONS

	2006C	2008A	2008B	2008C	2013	Total
Options outstanding 1 January 2013	-	-	211 218	344 500	-	555 718
Granted during the period	-	-	-	-	259 000	259 000
Forfeited during the period	-	-	-	38 500	-	38 500
Exercised during the period	-	-	210 217	173 859	-	384 076
Expired during the period	-	-	1 001	-	-	1 001
Options outstanding 31 December 2013	-	-	-	132 141	259 000	391 141
Options held by the company	-	-	-	94 000	141 000	235 000
Total number of options	-	-	-	226 141	400 000	626 141
Options exercisable 31 December 2013	-	-	-	132 141	-	132 141

Options outstanding 1 January 2012	218 450	217 405	237 818	359 500	-	1 033 173
Granted during the period	-	-	-	10 000	-	10 000
Forfeited during the period	-	-	-	25 000	-	25 000
Exercised during the period	-	-	26 600	-	-	26 600
Expired during the period	218 450	217 405	-	-	-	435 855
Options outstanding 31 December 2012	-	-	211 218	344 500	-	555 718
Options held by the company	-	-	112 182	55 500	-	167 682
Total number of options	-	-	323 400	400 000	-	723 400
Options exercisable 31 December 2012	-	-	211 218	-	-	211 218

The Black-Scholes valuation model, has been used in the calculation of fair value of the granted share options. The following table shows the assumptions used in determining the fair value.

	2006C	2008A	2008B	2008C:1	2008C:2	2013
Fair value of option at grant date	0.27	0.26	0.70	0.59	0.56	0.62
Grant date	28.2.2009	31.8.2009	31.8.2009	31.8.2010	30.10.2012	6.8.2013
Number of outstanding options at 31 December, 2013	-	-	-	122 141	10 000	259 000
Exercise price	3.26	3.16	1.69	2.09	2.09	3.77
Share price at grant date	2.40	2.26	2.26	2.37	2.67	3.90
Expected volatility, % (1)	37.6%	37.4%	37.4%	36.0%	23.0%	25.0%
Assumed forfeiture, %	5.0%	10.0%	10.0%	10.0%	10.0%	5.0%
Expected option life (years)	2.7	2.5	3.0	3.0	1.6	2.95
Risk-free interest rate, %	2.0%	1.68%	1.98%	0.86%	0.60%	2.0%

* The expected volatility used in valuation model is based on historical market rates of shares in parent company.

14. LOANS AND BORROWINGS

EUR 1 000	2013	2012
Loans and borrowings		
Loans from financial institutions, non-current portion	22 420	26 387
Loans from financial institutions, current portion	4 000	4 000
Total	26 420	30 387

The facility agreement of the group includes financial covenants, breach of which might lead to an increase in cost of debt or cancellation of the facility agreement. The covenants are based on total net debt to earnings before interest, taxes, depreciation and amortization and total net debt to total equity. The covenants are measured quarterly, and these terms and conditions of covenants were met at the end of the reporting period. The maturity of the loan has been presented based on the loan agreement.

THE MATURITY OF NON-CURRENT INTEREST-BEARING LIABILITIES

EUR 1 000	2013	2012
2013	-	3 968
2014	3 968	3 968
2015	3 968	3 968
2016	18 484	18 484
After 2016	-	-
Total	26 420	30 387

THE WEIGHTED AVERAGE EFFECTIVE INTEREST RATES OF INTEREST-BEARING LIABILITIES (INCLUDING CURRENT INTEREST-BEARING LIABILITIES)

%	2013	2012
Loans from financial institutions	1.45	3.13

The interest-bearing liability of the group is nominated in euro and has floating interest rates. On average 20.3 million euro of the loan had been converted to fixed interest rate loan by using interest rate swap during the financial year 2012. The interest rate swap agreement expired on 31 December 2012. The carrying amount of the interest-bearing liabilities is considered to approximate their fair values.

15. DEFERRED TAX ASSETS AND LIABILITIES

THE MOVEMENT IN DEFERRED TAX ASSETS AND LIABILITIES DURING THE PERIOD, WITHOUT TAKING INTO CONSIDERATION THE OFFSETTING OF BALANCES

EUR 1 000	1 January 2013	Charged to income statement	Translation difference	31 December 2013
Deferred tax assets				
Differences in tax and accounting depreciation differences	195	-46	-7	141
Tax losses carried forward	1 220	118	-17	1 321
Other timing differences	100	52	-1	152
Total deferred tax assets	1 515	124	-25	1 614
Deferred tax liabilities				
Fair value measurement (business combinations)	968	-536	-30	402
Expected profit distribution	-	97	-2	95
Other timing differences	28	-12	-	16
Total deferred tax liabilities	995	-451	-31	513

EUR 1 000	1 January 2012	Charged to income statement	Translation difference	31 December 2012
Deferred tax assets				
Differences in tax and accounting depreciation differences	239	-48	3	195
Financial liabilities at fair value through profit and loss	116	-116	-	-
Tax losses carried forward	1 010	194	16	1 220
Other timing differences	205	-105	-	100
Total deferred tax assets	1 570	-75	19	1 515
Deferred tax liabilities				
Fair value measurement (business combinations)	1 523	-593	38	968
Other timing differences	36	-8	-	28
Total deferred tax liabilities	1 558	-601	38	995

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

EUR 1 000	2013	2012
Total deferred tax assets	1 614	1 515
Offset against deferred tax liabilities	-8	-8
Deferred tax assets on the balance sheet	1 606	1 506
Total deferred tax liabilities	513	995
Offset against deferred tax assets	-8	-8
Deferred tax liabilities on the balance sheet	505	987

Deferred tax assets are recognised for tax losses carry forward to the extent that realization of the related tax benefit through the future taxable profits is probable. Based on the estimates for future years, management assumes that the future taxable profits will correspond at least to the amount of deferred tax assets recognized in the financial statement.

ACCUMULATED LOSSES FOR WHICH DEFERRED TAX ASSET IS NOT RECOGNISED

EUR 1 000	2013	2012
Accumulated losses	845	929

Losses have incurred during 2009–2013 and they are valid for the next five years (2014–2018).

16. TRADE AND OTHER PAYABLES

EUR 1 000	2013	2012
Current		
Trade payables	9 006	8 757
Gross amount due to customers for contracts in progress	674	1 737
Advances received	12 064	13 100
Accrued expenses	14 745	16 920
Other liabilities	6 299	6 232
Total current	42 788	46 745
Total trade and other payables	42 788	46 745

The carrying amounts of trade and other payables approximate their fair values.

17. PROVISIONS

EUR 1 000	Provisions
31 December 2012	359
Additions	934
Used during the year	-493
Reversed during the year	-162
31 December 2013	638

Provisions comprise customer contract related provisions, including warranty provisions and expected losses on long-term projects. The warranty provision is based on knowledge gained in the past from similar projects. Losses on long-term projects are recognised immediately when it is probable that total contract costs will exceed total contract revenue. The time value of money is not considered to be material on the recognised provisions.

18. NET SALES

EUR 1 000	2013	2012
Contract revenue	17 546	22 032
Service revenue*	113 133	109 419
Revenue from sale of goods	2 218	1 949
Total	132 896	133 400

* includes software revenue

For all contracts in progress at the end of financial year, the aggregate amount of costs incurred and recognised profits (less recognised losses) were 21.7 million euro (21.6 million euro). For all contracts in progress at the end of financial year, the advance payments were 19.5 million euro (19.1 million euro).

If costs incurred together with recognised profits exceed progress billings, the amount is reported in note 10. on line Gross amount due from customers for contracts in progress. Progress billings exceeding costs incurred plus recognised profits are reported in note 16 on line Gross amount due to customers for contracts in progress.

19. OTHER OPERATING INCOME

EUR 1 000	2013	2012
Gains on disposal of non-current assets	1	20
Other	64	202
Total	65	221

There were no single material items in other operating income in 2013 and 2012.

20. MATERIALS AND SERVICES

EUR 1 000	2013	2012
Materials and services		
Purchases	9 023	8 948
Change in inventories	-4	-12
External services	20 933	18 135
Total	29 952	27 072

External services comprise purchases from subcontractors and maintenance purchases.

21. PERSONNEL EXPENSES

EUR 1 000	2013	2012
Wages and salaries	59 108	60 212
Social security expenses	8 266	8 718
Pension expenses – Defined contribution plans	6 586	6 512
Share-based payments	72	100
Total	74 031	75 542

The remuneration of the management has been specified in the note 28 and the share-based compensations in the note 13. The pension expenses of the management include statutory pension arrangements.

AVERAGE NUMBER OF GROUP EMPLOYEES

	2013	2012
Finland	419	403
Norway	126	131
Sweden	141	146
Denmark	69	73
Baltic	317	327
Other	10	10
Total	1 081	1 089

22. DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES

EUR 1 000	2013	2012
Depreciation of property, plant and equipment		
Machinery and equipment	1 025	1 123
Other tangible assets	21	23
	1 045	1 147
Amortization of intangible assets		
Customer relationship	1 832	1 910
Trademark	55	55
Cartographic content	102	102
Other	184	144
	2 173	2 211
Total depreciation and amortization	3 219	3 357

During 2013 and 2012 no impairment losses were recognised.

23. OTHER OPERATING EXPENSES

EUR 1 000	2013	2012
Other personnel related expenses	7 153	7 208
Premises	5 467	5 437
IT expenses	1 628	1 330
Professional services	1 573	1 266
Marketing	1 573	1 568
Other	409	298
Total	17 803	17 106

Research and development expenses of 22 thousand euro (98 thousand euro) are charged to the income statement.

During the financial year 2013, the group has received government grants from the EU amounting to 356 thousand euro (413 thousand euro). The grants have been received for development of new solution frameworks. The received grants have been netted with the incurred costs.

24. FINANCIAL INCOME AND EXPENSES

EUR 1 000	2013	2012
Financial income		
Interest income	123	162
Change in fair value of interest rate derivatives, non-hedge accounted	-	475
Other financial income	132	91
Exchange gains and losses	54	64
	309	791
Financial expenses		
Interest expenses on bank borrowings	428	1 048
Other financial expenses	170	151
	598	1 199
Net financial expenses	289	408

THE AGGREGATE EXCHANGE RATE DIFFERENCES CHARGED/ CREDITED TO THE INCOME STATEMENT

EUR 1 000	2013	2012
Net sales	22	35
Materials and services	-9	-3
Other operating expenses	16	68
Financial items	54	64
Total	83	165

25. INCOME TAX EXPENSE

COMPONENTS OF TAX EXPENSES

EUR 1 000	2013	2012
Current tax expense	3 119	2 992
Adjustments recognised for current tax of prior periods	-137	2
Change in deferred taxes	-569	-526
Effect of changes in Finland's tax rate	-7	-
Total	2 407	2 467

RECONCILIATION OF TAX EXPENSE

EUR 1 000	2013	2012
Profit before tax	7 973	10 042
Tax calculated at 24.5 %	1 953	2 460
Differences in tax rates in other countries	11	-171
Income not subject to tax	-33	-37
Expenses not deductible for tax purposes	160	145
Taxes paid on dividends	275	10
Unrecognised deferred tax assets on losses	104	153
Recognition of tax effect previously unrecognised tax losses	-17	-95
Change in deferred taxes, expected profit distribution	97	-
Change in deferred taxes - change in Finland's tax rate	-7	-
Prior year tax expense	-137	2
Income tax expense	2 407	2 467

Deferred taxes have been recalculated due to the following changes in tax rates; Finland 2013: from 24.5% to 20%, Norway 2013: from 28% to 27% (Sweden 2012: from 26.3% to 22%).

26. EARNINGS PER SHARE

BASIC

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares and company's own shares owned by Affecto Management Oy.

EUR 1 000	2013	2012
Profit attributable to owners of the parent company	5 493	7 552
Weighted average number of ordinary shares in issue during financial year (thousands)	20 906	20 642
Basic earnings per share (euro per share)	0.26	0.37

DILUTED

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At the end of 2013 an 2012 the only dilutive instrument, which may increase the number of the potential ordinary shares, was share options. The share options will dilute the earnings per share, if the subscription price of these share options is less than the fair value of the share. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

EUR 1 000	2013	2012
Profit attributable to owners of the parent company	5 493	7 552
Diluted weighted average number of ordinary shares in issue during financial year (thousands)	21 013	20 871
Diluted earnings per share (euro per share)	0.26	0.36

27. DIVIDEND DISTRIBUTION

The dividends paid in 2013 were 3 444 thousand euro (0.16 euro per share). The dividends paid in 2012 were 2 367 thousand euro (0.11 euro per share).

28. RELATED PARTY TRANSACTIONS

The key management of the group is considered as related parties which include the members of the Board of Directors of the parent company and the management team of the group.

THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH RELATED PARTIES:

KEY MANAGEMENT COMPENSATION

EUR 1 000	2013	2012
Salaries and other short-term employee benefits	2 017	2 184
Post-employment benefits	288	279
Termination benefits	85	245
Share-based payments	6	13
Total	2 395	2 721

OPTIONS HELD BY THE KEY MANAGEMENT AT THE END OF FINANCIAL YEAR:

Number of options	2013	2012
2008B	-	60 202
2008C	40 500	40 500
2013	20 500	-

The terms and conditions of the options have been described in the note 13.

THE CEO'S AND THE BOARD MEMBERS REMUNERATION HAS BEEN RECOGNISED AS AN EXPENSE DURING THE FINANCIAL YEAR AS FOLLOWS:

EUR 1 000	2013	2012
CEO and the Board of Directors:		
Pekka Eloholma, CEO	403*	314
Aaro Cantell, Chairman of the Board	40	51
Lehmusto Heikki, Member of the Board until 9 April 2013	0	30
Persson Magdalena, Member of the Board from 9 April 2013 alkaen	22	-
Ruuska Jukka, Member of the Board	31	41
Sand Olof, Member of the Board from 9 April 2013	22	-
Skaarer Haakon, Member of the Board until 9 April 2013	0	30
Soanjärvi Tuija, Member of the Board	23	30
Wahlström Lars, Member of the Board	23	29
CEO and the Board of Directors	564	524

*The CEO's remuneration includes termination benefit 108 thousand euro.

STATUTORY PENSION ARRANGEMENT

The CEO is subject to statutory pension arrangements, no supplementary pension arrangements. According to Employees Pension Act (TyEL, 395/2006), the pension expenses of CEO have been recognised on accrual basis 57 thousand euro in year 2013 (2012: 55 thousand euro).

RELATED PARTY TRANSACTIONS

Purchases from the entity that are controlled by key management personnel of the group were 5 thousand euro during the financial year 2013 (0 thousand euro).

LOANS TO RELATED PARTIES:

LOANS TO KEY MANAGEMENT OF THE GROUP

EUR 1 000	2013	2012
1 January	1 624	1 625
Accrued interest	36	61
Amortisations during the year	-1 659	-63
31 December	-	1 624

The Board of Directors of Affecto Plc decided in 2010 of a share-based incentive plan. As a part of the arrangement, Affecto Plc granted to Affecto Management Oy an interest-bearing loan amounting to 1.6 million euro to finance the acquisition of the company's shares. The arrangement was dissolved in November 2013 via a share swap, where a total of 391 460 new Affecto shares subscribed in the share issue which was directed to the shareholders of Affecto Management Oy. In this arrangement Affecto Plc received 823 000 own Affecto Plc shares through Affecto Management Oy as well as the company's loan receivable 1.5 million euro.

29. AUDIT FEES

EUR 1 000	2013	2012
KPMG		
Audit	135	131
Tax advisory	45	60
Other services	68	98
Total	249	288
Other		
Tax advisory	5	7
Other services	3	-
Total	8	7

Audit fees have been reported on an accrual basis.

30. SUBSIDIARIES AS AT 31 DECEMBER 2013

Name of the subsidiary	Ownership of group (%)	Country of incorporation
Affecto Finland Oy	100	Finland
Karttakeskus Oy	100	Finland
Affecto Securities Oy	100	Finland
Affecto Lietuva UAB	100	Lithuania
Affecto Poland Sp. z o.o.	100	Poland
Affecto Estonia Oü	100	Estonia
Affecto Latvia SIA	100	Latvia
Mebius IT Vilnius UAB	100	Lithuania
Affecto Sweden AB	100	Sweden
Affecto Norway AS	100	Norway
Affecto Denmark A/S	100	Denmark
Information Technology Solutions Affecto (Pty) Ltd	100	South Africa
Affecto Management Oy	100	Finland

In accordance with SIC-12, Affecto Management Oy, which was established for the share holding programme of the members of the group management, has been consolidated until 31 October 2013. In November 2013 Affecto Plc acquired the rest of the shares in Affecto Management Oy from the group management through a share swap (previous ownership 22.8%).

31. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS GIVEN

OPERATING LEASE COMMITMENTS – WHERE THE GROUP IS THE LESSEE

The group leases office premises, machinery and cars under non-cancellable operating leases. The operating leases of office premises mature on average in 3 to 5 years, and normally contain an option to extend the lease term after the lease expires. The income statement for 2013 includes office premise expenses of 3.4 million euro (3.2 million euro).

THE FUTURE AGGREGATE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES:

EUR 1 000	2013	2012
Not later than 1 year	3 675	3 966
Over 1 year and not later than 5 years	3 719	6 594
Over 5 years	-	-
Total	7 394	10 561

GUARANTEES GIVEN

EUR 1 000	2013	2012
Liabilities secured by a mortgage		
Bank borrowings	26 500	30 500

The above-mentioned liabilities are secured by bearer bonds with a nominal value of 52.5 million euro. The bonds are held by Nordea Pankki Suomi Oyj and they are secured by a mortgage on company assets of the group companies. In addition, the shares in Affecto Finland Oy and Affecto Norway AS have been pledged to secure the financial liabilities above.

OTHER SECURITIES GIVEN ON OWN BEHALF

EUR 1 000	2013	2012
Pledges	36	6
Other guarantees	2 836	3 559

Other guarantees are mostly securities issued for customer projects. These guarantees include both bank guarantees secured by parent company of the group and guarantees issued by the parent company and subsidiaries directly to the customer.

32. EVENTS AFTER THE BALANCE SHEET DATE

Board member Lars Wahlström has been the interim CEO since 1 January 2014 and serves in that position during the CEO recruitment process.

33. PROPOSAL OF PROFIT DISTRIBUTION

Distributable funds of the group parent company on 31 December 2013 are 72 180 865.11 euros, of which the distributable profit is 28 956 939.46 euros. Board of Directors proposes that from the financial year 2013 a dividend of 0.16 euros per share will be paid, a total of 3 560 648.32 euros with the outstanding number of shares at the end of the financial period, and the rest is carried forward to the retained earnings account. No material changes have taken place in respect of the company's financial position after the balance sheet date. The liquidity of the company is good and in the opinion of the Board of Directors proposed distribution of profit does not risk the liquidity of the company.

KEY FIGURES

Figures in 1 000 euro except for percentages	2009	2010	2011	2012	**2013**
Net sales	103 006	114 078	127 270	133 400	**132 896**
EBITDA	6 265	6 617	11 608	13 808	**11 481**
EBITDA, % of net sales	6.1	5.8	9.1	10.4	**8.6**
Operating profit	-3 587	3 275	8 182	10 451	**8 262**
Operating profit, % of net sales	-3.5	2.9	6.4	7.8	**6.2**
Profit before income taxes	-6 271	1 479	7 087	10 042	**7 973**
Profit before income taxes, % of net sales	-6.1	1.3	5.6	7.5	**6.0**
Profit attributable to owners of the parent company	-7 139	955	5 328	7 552	**5 493**
Profit attributable to owners of the parent company, % of net sales	-6.9	0.8	4.2	5.7	**4.1**
Return on equity, %	-12.7	1.7	9.1	11.9	**8.3**
Return on capital employed, %	-4.1	3.1	7.5	9.1	**6.4**
Equity ratio, %	42.9	43.1	46.1	50.6	**53.0**
Gross investment in non-current assets	971	1 072	1 416	1 008	**1 566**
Gross investment, % of net sales	0.9	0.9	1.1	0.8	**1.2**
Order backlog	41 108	54 354	57 110	61 359	**48 682**
Number of employees, average during the year	974	919	1 011	1 089	**1 081**
Gearing, %	39.1	40.4	27.1	15.8	**7.4**
Interest-bearing net debt	20 919	22 645	16 391	10 621	**4 950**
KEY RATIOS PER SHARE					
Earnings per share (EPS), basic	-0.33	0.05	0.26	0.37	**0.26**
Earnings per share, diluted	-0.33	0.05	0.25	0.36	**0.26**
Equity per share	2.49	2.69	2.91	3.24	**3.14**
Dividend per share	0.06	0.06	0.11	0.16	**0.16***
Dividend per earnings, %	neg.	132.9	42.7	43.7	**60.9**
Effective yield, %	2.7	2.6	4.7	5.4	**3.5**
P/E ratio	neg.	52.0	9.2	8.1	**17.4**
Market capitalization	47 685	50 564	50 779	63 321	**101 701**
Share value, euro					
Lowest price	1.82	2.02	2.00	2.39	**2.98**
Highest price	2.67	2.70	2.97	3.00	**4.80**
Average price	2.15	2.42	2.46	2.73	**4.01**
Closing price	2.22	2.35	2.36	2.95	**4.57**
Trading volume					
1 000 shares	10 058	7 443	8 846	4 859	**6 225**
%	47	35	41	23	**28**
Weighted average number of shares	21 479 730	21 145 680	20 693 468	20 641 763	**20 905 671**
Number of shares at end of year	21 479 730	20 693 468	20 693 468	20 641 641	**21 431 052**

*Board's proposal on 13 February 2014

CALCULATION OF KEY FIGURES

EBITDA	=	Earnings before interest, taxes, depreciation, amortization and impairment losses
EBITDA, % of net sales	=	$\frac{\text{Earnings before interest, taxes, depreciation, amortization and impairment losses}}{\text{Net sales}} \times 100$
Operational segment result	=	Operating profit before amortizations on fair value adjustments due to business combinations (IFRS3) and goodwill impairments
Operating profit, % of net sales	=	$\frac{\text{Operating profit}}{\text{Net sales}} \times 100$
Profit before income taxes, % of net sales	=	$\frac{\text{Profit before income taxes}}{\text{Net sales}} \times 100$
Profit attributable to owners of the parent company, % of net sales	=	$\frac{\text{Profit attributable to owners of the parent company}}{\text{Net sales}} \times 100$
Return on equity, %	=	$\frac{\text{Profit}}{\text{Total equity}} \times 100$
Return on capital employed, %	=	$\frac{\text{Profit + interest expenses and other financial expenses}}{\text{Total assets – non-interest-bearing liabilities}} \times 100$
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Total assets – advance payments}} \times 100$
Gross investment in non-current assets	=	Cost of property, plant and equipment and intangible assets and investments included under non-current assets, comprising loan receivables recognised in non-current assets.
Gross investment, % of net sales	=	$\frac{\text{Gross investment}}{\text{Net sales}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Total equity}} \times 100$
Interest-bearing net debt	=	Interest-bearing liabilities – cash and cash equivalents
Earnings per share (EPS)	=	$\frac{\text{Profit attributable to owners of the parent company}}{\text{Weighted average number of ordinary shares in issue during the financial year}}$
Equity per share	=	$\frac{\text{Total equity}}{\text{Adjusted number of the shares at the end of the financial year}}$
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Adjusted number of the shares at the end of the financial year}}$
Dividend per earnings, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective yield, %	=	$\frac{\text{Adjusted dividend per share}}{\text{Adjusted share price at balance sheet date}} \times 100$
P/E ratio	=	$\frac{\text{Adjusted share price at balance sheet date}}{\text{Earnings per share}}$
Market capitalization	=	Number of shares at year end (excluding company's own shares held by the company) x share price at balance sheet date

PARENT COMPANY INCOME STATEMENT

EUR 1 000	Note	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Net sales	6	**5 363**	4 566
Other operating income		**29**	6
Material and services			
External services		**1 222**	1 065
		1 222	1 065
Personnel expenses			
Wages and salaries		**1 408**	1 397
Social security expenses			
Pension expenses		**239**	216
Other social security expenses		**42**	42
		1 690	1 656
Depreciation, amortization and impairment charges			
Depreciation and amortization according to plan	11	**362**	217
Other operating expenses		**3 195**	2 909
Operating loss		**-1 077**	-1 275
Financial income and expenses			
Dividend income		**5 773**	3 764
Interest income and other financial income		**526**	453
Impairment of financial assets		**-3 125**	-3 162
Interest expenses and other financial expenses		**-962**	-1 394
		2 211	-338
Profit/loss before extraordinary items		**1 135**	-1 613
Extraordinary items			
Group contribution	10	**5 300**	4 900
Profit before appropriations and income tax		**6 435**	3 287
Income taxes	13	**-778**	-668
Profit for the financial year		**5 657**	2 619

PARENT COMPANY BALANCE SHEET

EUR 1 000	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets			
Intangible rights	14	**261**	177
Property, plant and equipment			
Machinery and equipment	14	**559**	201
Investments			
Shares in subsidiaries	15	**102 833**	103 930
Other shares and similar rights of ownership		**-**	140
Total non-current assets		**103 652**	104 449
Current assets			
Receivables			
Long- term			
Receivables from group companies, non-current		**2 162**	1 896
Deferred taxes		**15**	16
	16	**2 177**	1 913
Short-term			
Trade receivables		**25**	-
Receivables from group companies	17	**6 725**	6 672
Other receivables		**25**	-
Prepaid expenses and accrued income	18	**319**	124
		7 094	6 796
Cash and cash equivalents		**1 291**	1 078
Total current assets		**10 562**	9 786
Total assets		**114 214**	114 234
EQUITY AND LIABILITIES			
Equity			
Share capital		**5 105**	5 105
Reserve of invested non-restricted equity		**43 224**	40 561
Retained earnings		**23 300**	24 088
Profit for the year		**5 657**	2 619
Total equity	19	**77 286**	72 374
Liabilities			
Non-current liabilities			
Loans from credit institutions	22	**22 500**	26 500
Current liabilities			
Loans from credit institutions	22	**4 000**	4 000
Trade payables		**367**	100
Payables to group companies	23	**8 823**	10 025
Other liabilities		**116**	121
Accrued expenses	24	**1 122**	1 115
		14 428	15 361
Total liabilities		**36 928**	41 861
Total shareholders' equity and liabilities		**114 214**	114 234

PARENT COMPANY CASH FLOW STATEMENT

EUR 1 000	Note	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Cash flows from operating activities			
Profit/loss before extraordinary items		**1 135**	-1 613
Adjustments:			
Depreciation and amortisation		**362**	217
Unrealised foreign exchange wins and losses		**-45**	-128
Impairment		**3 125**	3 162
Financial income and expenses		**-5 292**	-2 696
Other adjustments		**62**	56
Cash flows before change in working capital		**-652**	-1 002
Change in working capital:			
Increase (-) / decrease (+) in current non interest-bearing receivables		**96**	-94
Increase (+) / decrease (-) in current non interest-bearing liabilities		**168**	102
Cash flows from operating activities before financial items and taxes		**-389**	-994
Interest paid and payments for other financial expenses, related to operations		**-656**	-1 275
Dividends received from operations		**4 349**	3 755
Interest received from operations		**138**	231
Income taxes paid		**-794**	-379
Net cash generated from operating activities		**2 648**	1 338
Cash flows from investing activities			
Investments in intangible assets and property, plant and equipment		**-805**	-306
Investment in subsidiary		**-30**	-
Acquisition of other shares and similar rights of ownership		**-**	-134
Net cash generated from investing activities		**-834**	-440
Cash flows from financing activities			
Proceeds from issuance of share capital against payments (share options)		**781**	49
Acquisition of treasury shares		**-**	-266
Dividends paid		**-3 444**	-2 367
Repayment of current loan receivables		**-737**	-1 992
Proceeds from current borrowings		**500**	2 887
Repayment of non-current borrowings		**-4 000**	-4 000
Group contribution		**5 300**	4 900
Net cash generated from financing activities		**-1 601**	-789
Change in cash and cash equivalents		**213**	109
Cash and cash equivalents at beginning of year		**1 078**	969
Cash and cash equivalents at end of year		**1 291**	1 078

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The financial statements of the parent company of the group, Affecto Plc, have been prepared in accordance with the Finnish Accounting Standards (FAS).

1. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets and property, plant and equipment are shown at historical cost less accumulated depreciation and amortisation according to plan. Depreciation/amortisation is calculated over the useful lives of the assets as follows.

Intangible rights	3–5 years
Machinery and equipment	3 years

2. FINANCIAL ASSETS

Financial assets (securities) are measured at cost.

3. PENSION EXPENSES

Retirement benefits for personnel have been arranged with insurance companies. Pension costs are expensed when incurred.

4. FOREIGN CURRENCY ITEMS

Foreign currency receivables and payables are translated into euro by using the closing rate at the balance sheet date.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps are used for converting floating interest rate loans from financial institutions to have fixed interest rate. The company did not have the interest rate swap agreements during the financial year. The interest rate swap agreement expired on 31 December 2012.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET OF PARENT COMPANY

6. NET SALES BY BUSINESS AREA

EUR 1 000	2013	2012
Information Management Solutions, group companies	1 175	1 176
Intra group revenue	4 188	3 390
Total	5 363	4 566

7. AVERAGE NUMBER OF EMPLOYEES

	2013	2012
Full-time employees	9	9
Part-time employees	1	1
Total	10	10

8. NUMBER OF EMPLOYEES AT THE END OF YEAR

	2013	2012
Full-time employees	10	9
Part-time employees	1	1
Total	11	10

9. KEY MANAGEMENT COMPENSATION

The CEO's and the Board members remuneration has been recognised as an expense during the financial year as follows:

EUR 1 000	2013	2012
CEO	403*	314
Members of the Board	161	210
CEO and the Board of Directors	564	524

* The CEO's remuneration includes termination benefit 108 thousand euro.

The remuneration of the members of the Board and the CEO has been specified in the note 28 to the consolidated financial statements.

Statutory pension arrangement

The CEO is subject to statutory pension arrangements, no supplementary pension arrangements. According to Employees Pension Act (TyEL, 395/2006), the pension expenses of CEO have been recognised on accrual basis 57 thousand euro in year 2013 (2012: 55 thousand euro).

10. EXTRAORDINARY ITEMS

A group contribution of 5 300 thousand euro (4 900 thousand euro) received from Affecto Finland Oy and Karttakeskus Oy is included in the extraordinary items.

11. DEPRECIATION AND AMORTISATION ACCORDING TO PLAN

EUR 1 000	2013	2012
Intangible rights	140	90
Machinery and equipment	222	127
Total	362	217

Depreciation and amortisation according to plan have been calculated on the historical cost based on the useful lives of the assets.

12. AUDIT FEES

EUR 1 000	2013	2012
Audit fee	18	20
Tax advisory	6	6
Other fees	21	19
Total	45	45

Audit fees have been reported on an accrual basis. Audit has been performed by KPMG Oy Ab.

13. INCOME TAXES

EUR 1 000	2013	2012
Tax on extraordinary items	1 299	1 201
Current tax	-367	-533
Adjustment to prior year taxes	-163	-
Change in untaxed reserves	1	-9
Tax at source from foreign dividend	9	10
Total	778	668

In 2013 deferred taxes have been calculated using 20% tax rate due to the change in Finland's tax rate.

14. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	2013	2012
Software		
Cost at 1 January	611	453
Additions	295	158
Disposals	-77	-
Cost at 31 December	829	611
Accumulated amortisation at 1 January	434	344
Disposals	-6	-
Amortisation for the year	140	90
Accumulated amortisation at 31 December	569	434
Carrying amount at 31 December	261	177

EUR 1 000	2013	2012
Machinery and equipment		
Cost at 1 January	480	332
Additions	579	148
Disposals	-26	-
Cost at 31 December	1 033	480
Accumulated depreciation at 1 January	278	151
Disposals	-26	-
Depreciation for the year	222	127
Accumulated depreciation at 31 December	474	278
Carrying amount at 31 December	559	201

15. SHARES IN SUBSIDIARIES

EUR 1 000	Ownership	2013	2012	Country
Affecto Finland Ltd	100%	23 845	23 845	Finland
Karttakeskus Oy	100%	7 332	7 332	Finland
Affecto Lietuva UAB	100%	5 340	5 340	Lithuania
Affecto Securities Oy	100%	3	3	Finland
Affecto Sweden AB	100%	21 225	24 350	Sweden
Affecto Norway AS	100%	26 972	26 972	Norway
Affecto Denmark A/S	100%	12 087	12 087	Denmark
Affecto Poland Sp.z o.o.	90.47%	600	600	Poland
Information Technology Solutions Affecto (PTY) Ltd	100%	0	0	South Africa
Affecto Latvia SIA	100%	796	796	Latvia
Affecto Estonia OÜ	100%	2 606	2 606	Estonia
Affecto Management Oy	100%	2 028	-	Finland
Shares in subsidiaries total		102 833	103 930	

In 2013, an impairment loss of 3 125 thousand euro has been recognised on shares in Affecto Sweden AB to adjust the carrying value to equal fair value. In 2012, an impairment loss of 3 162 thousand euro has been recognised on shares in Affecto Sweden AB to adjust the carrying value to equal fair value.

In November 2013 Affecto Plc acquired the rest of the shares in Affecto Management Oy from the group management through a share swap (previous ownership 22.8%).

16. NON-CURRENT RECEIVABLES

EUR 1 000	2013	2012
Loan receivables from group companies	2 162	1 896
Deferred taxes	15	16
Total	2 177	1 913

17. RECEIVABLES FROM GROUP COMPANIES

EUR 1 000	2013	2012
Trade receivables	64	405
Other receivables	6 661	6 267
Total	6 725	6 672

18. PREPAID EXPENSES AND ACCRUED INCOME

EUR 1 000	2013	2012
Receivables on personnel costs	-	-
Advances on purchase invoices	311	124
Other receivables	7	-
Total	319	124

19. CHANGES IN EQUITY

EUR 1 000	2013	2012
Restricted equity		
Share capital at 1 January	5 105	5 105
Share capital at 31 December	5 105	5 105
Restricted equity at 31 December	5 105	5 105
Non-restricted equity		
Reserve of invested non-restricted equity at 1 January	40 561	40 510
Reserve of invested non-restricted equity at 31 December	43 224	40 561
Retained earnings at 1 January	26 707	26 662
Dividends paid	-3 444	-2 367
Acquisition of treasury shares	-	-266
Treasury shares as compensation to the Board of Directors	37	60
Retained earnings at 31 December	23 300	24 088
Profit for the year	5 657	2 619
Non-restricted equity at 31 December	72 181	67 269
Total equity at 31 December	77 286	72 374

	Number of shares
1 January 2013	21 543 068
31 December 2013	22 318 604

In 2013 a total of 384 076 shares have been subscribed with the 2008B and 2008C stock options.

In November 2013 Affecto Plc acquired the rest of the shares in Affecto Management Oy from the group management through a share swap (previous ownership 22.8%). The entire subscription price of the shares offered for subscription was recorded in the invested free equity fund.

Based on the authorization of the Annual General Meeting the company has used 13 875 shares for the payment of Board members remuneration in 2013.

At the end of 2013 the company had 64 552 own shares.

In 2012 a total of 26 600 shares have been subscribed with the 2008B stock options.

In 2012 the company acquired 100 000 own shares. Based on the authorization of the Annual General Meeting the company has used 21 573 shares for the payment of Board members remuneration

20. THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting of Affecto Plc, which was held on 9 April 2013, decided to authorise the Board of Directors to decide upon the issuing of new shares and upon the conveying of the company's own shares held by the company in one or more tranches. The share issue may be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors and in relation to a share issue against payment at a price to be determined by the Board of Directors.

The authorisation includes also the right to issue option rights and special rights, in the meaning of chapter 10 section 1 of the Companies Act, which entitle to the company's new shares or the company's own shares held by the company against consideration.

A maximum of 4 200 000 shares may be issued, of which a maximum of 2 100 000 can be own shares held by the company.

The authorisation comprises the right to deviate from the shareholders' pre-emptive subscription right provided that the company has a weighty financial reason for the deviation in a share issue against payment and provided that the company, taking into account the interest of all its shareholders, has a particularly weighty financial reason for the deviation in a share issue without consideration. Within the above mentioned limits the authorisation may be used e.g. in order to strengthen the company's capital structure, to broaden the company's ownership, to be used as payment in mergers and acquisitions or when the company acquires assets relating to its business, for payment of the Board of Directors' remuneration and as part of the company's incentive programmes. Shares may also be subscribed for own shares or may be conveyed against contribution in kind or by means of set-off.

In addition, the authorisation includes the right to decide upon a share issue without consideration to the company itself so that the amount of own shares held by the company after the share issue is at most one-tenth (1/10) of all shares in the company. Pursuant to chapter 15 section 11 subsection 1 of the Companies Act all own shares held by the company or its subsidiaries are included in this amount. The authorisation replaces the authorisation resolved on by the Annual General Meeting on 19 April 2012. The authorisation shall be in force until the next Annual General Meeting, however, not longer than until 30 June 2014.

21. CALCULATION OF DISTRIBUTABLE FUNDS

Parent company's distributable funds are:

EUR 1 000	2013	2012
Retained earnings	23 300	24 088
Profit for the year	5 657	2 619
Reserve of invested non-restricted equity	43 224	40 561
Total distributable funds	72 181	67 269

22. LOANS FROM CREDIT INSTITUTIONS

EUR 1 000	2013	2012
Loans from credit institutions at 1 January	30 500	34 500
Changes during the year:		
Repayment of loans	-4 000	-4 000
Loans frorm credit institutions at 31 December	26 500	30 500
Repayment schedule:		
Year 2014	4 000	4 000
Year 2015	4 000	4 000
Year 2016	18 500	18 500
Year 2017	-	-
Total	26 500	30 500

The loan facility agreement includes financial covenants, breach of which might lead to an increase in cost of debt or cancellation of the facility agreement. The covenants are based on the group's total net debt to earnings before interest, taxes, depreciation and amortization and the group's total net debt to total equity. The covenants are measured quarterly, and these terms and conditions of covenants were met at the end of the reporting period.

23. PAYABLES TO GROUP COMPANIES

EUR 1 000	2013	2012
Trade payables	97	223
Other payables	8 727	9 801
Total	8 823	10 025

24. ACCRUED EXPENSES

EUR 1 000	2013	2012
Personnel costs	425	387
Interest payable	-	-
Income tax payable	618	645
Other	79	83
Total	1 122	1 115

25. CONTINGENCIES AND COMMITMENTS

LEASE COMMITMENTS – WHERE THE COMPANY IS THE LESSEE

The company leases machinery and cars under non-cancellable lease agreements.

THE FUTURE AGGREGATE LEASE PAYMENTS UNDER NON-CANCELLABLE LEASES

EUR 1 000	2013	2012
Not later than 1 year	34	46
Later than 1 year and not later than 5 years	17	48
Total	51	94

GUARANTEES

EUR 1 000	2013	2012
Liabilities secured by a mortgage:		
Loans from financial institutions	26 500	30 500
Credit facility (5 000 000 euro), not used	-	-
Bank guarantee facility (2 500 000 euro)	486	1 208
The value of securities given:		
Mortgages	52 500	52 500
Shares given as a security (carrying amount)	58 149	58 149

The above-mentioned liabilities are secured by bearer bonds with a nominal value of 52.5 million euro. The bonds are held by Nordea Pankki Suomi Oyj and they are secured by a mortgage on company assets. In addition, the shares in Affecto Finland Oy and Affecto Norway AS have been pledged to secure the financial liabilities above.

COMMITMENTS ON BEHALF OF OTHER GROUP COMPANIES

Affecto Oyj has given the following guarantees on behalf of Affecto Finland Oy and Affecto Sweden AB:

EUR 1 000

Lessor	Max. commitment amount
Internationales Immobilien-Institut GmbH	Personal security
Helsingin Atomitie A-C Oy	Personal security
Ektornet Finland II Oy	57
Kiinteistö Oy Tourulan Kivääritehdas	17
Vasakronan Fastigheter AB	56
PEDAB Group AB	1 129
LeasePlan Sverige AB	36

SHARES AND SHAREHOLDERS

CORPORATE FORM AND COMPANY NAME
The company is a public limited company and its name is Affecto Plc.

SHARE CAPITAL AND SHARES
As at 31 December 2013 the company's share capital consisted of 22 318 604 shares and the share capital was EUR 5 104 956.30. The share has no nominal par value.

The company owns 64 552 treasury shares directly and 823 000 shares indirectly through a fully owned subsidiary Affecto Management Oy.

OPTION PROGRAM 2008
The Annual General Meeting decided in 2008 to issue stock options. The details of the option rights are explained in the decision notice of the AGM dated 31 March 2008. Of the stock options, 300 000 shall be marked with the symbol 2008A, 350 000 shall be marked with the symbol 2008B and 400 000 shall be marked with the symbol 2008C.

The share subscription period shall be: for stock option 2008A 1 October 2011 – 30 November 2012, for stock option 2008B 1 April 2012 – 31 May 2013, and for stock option 2008C 1 April 2013 – 31 May 2014.

The share subscription price for stock option 2008C shall be the trade volume weighted average quotation of the share on the Helsinki Stock Exchange during 1 January – 31 March 2010. From the share subscription price of the stock options shall, as per the record date for dividend or other distribution of funds, be deducted the amount of the dividend or distributable non-restricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription. As at 31 December 2013, the subscription price was 2.09 eur for 2008C.

The 2008C stock options have been listed at Nasdaq OMX Helsinki since 2 April 2013 with the trading symbol AFE1VEW308. 173 859 options have been used for share subscription by 31 December 2013. 132 141 options are outstanding.

OPTION PROGRAM 2013
The Annual General Meeting decided in 2013 to issue stock options. The details of the option rights are explained in the decision notice of the AGM dated 9 April 2013. The maximum total number of stock options issued shall be 400 000. By 31 December 2013 a total of 259 000 options had been conveyed to key employees for the 0.20 eur/option issue price decided by the Board.

The share subscription period shall be 10 May 2015–31 May 2016.

The share subscription price shall be the trade volume weighted average quotation of the share on the Helsinki Stock Exchange during 30 April – 7 May 2013. From the share subscription price of the stock options shall, as per the record date for dividend or other distribution of funds, be deducted the amount of the dividend or distributable non-restricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription. As at 31 December 2013, the subscription price was 3.77 eur.

SHARE-BASED INCENTIVE PLAN 2010
The Board of Directors decided in June 2010 to establish a share-based incentive plan, where the company's management invested in Affecto shares through Affecto Management Oy, owned by the management. The purpose of the plan was to commit the Participants to the Company by encouraging them to acquire and hold the Company's shares, and this way increase the Company's shareholder value in the long run. Affecto Management Oy acquired 823 000 shares and financed the acquisition by the managers' own capital investments and by a 1.6 MEUR interest-bearing loan provided by Affecto. The plan has been terminated in November 2013 via a share swap, where the managers received direct shareholding in Affecto. Affecto Management Oy is now a fully owned subsidiary of Affecto Plc.

THE AUTHORISATIONS GIVEN TO THE BOARD OF DIRECTORS
The Annual General Meeting decided to authorise the Board of Directors to decide to acquire of the company's own shares with distributable funds in one or more tranches on the terms set forth below. The acquisition of shares reduces the company's distributable non-restricted shareholders' equity. The company's own shares may be acquired in order to strengthen the company's capital structure, to be used as payment in corporate acquisitions or when the company acquires assets related to its business, for payment of the Board of Directors' remuneration and as part of the company's incentive programmes in a manner and to the extent decided by the Board of Directors and to be transferred for other purposes or to be cancelled. A maximum of 2 100 000 shares may be acquired. The company's own shares may be acquired in accordance with the decision of the Board of Directors either through a public trading or by a public offer at their

market price at the time of purchase. The Board of Directors shall decide upon all other matters regarding the acquisition of own shares. The authorisation shall be in force until the next Annual General Meeting.

The Annual General Meeting decided to authorise the Board of Directors to decide to issue new shares and to convey the company's own shares held by the company in one or more tranches. The share issue may be carried out as a share issue against payment or without consideration on terms to be determined by the Board of Directors and in relation to a share issue against payment at a price to be determined by the Board of Directors. The authorisation includes also the right to issue option rights and special rights, in the meaning of Chapter 10 Section 1 of the Companies Act, which entitle to the company's new shares or the company's own shares held by the company against consideration. A maximum of 4 200 000 new shares may be issued, of which a maximum of 2 100 000 can be own shares held by the company. The authorisation comprises the right to deviate from the shareholders' pre-emptive subscription right provided that the company has a weighty financial reason for the deviation in a share issue against payment and provided that the company, taking into account the interest of all its shareholders, has a particularly weighty financial reason for the deviation in a share issue without consideration. Within the above mentioned limits the authorisation may be used e.g. in order to strengthen the company's capital structure, to broaden the company's ownership, to be used in corporate acquisitions or when the company acquires assets relating to its business, for payment of the Board of Directors' remuneration and as part of the company's incentive programmes. The shares may also be subscribed for or own shares may be conveyed against contribution in kind or by means of set-off. In addition, the authorisation includes the right to decide on a share issue without consideration to the company itself so that the amount of own shares held by the company after the share issue is at most one-tenth (1/10) of all shares in the company. Pursuant to Chapter 15 Section 11 Subsection 1 of the Companies Act all own shares held by the company or its subsidiaries are included in this amount. The authorisation shall be in force until the next Annual General Meeting. Based on this authorization, a total of 391 460 new shares have been issued in connection with the termination of the Affecto Management holding company arrangement. Additionally a total of 13 875 shares have been conveyed to the Board members as a partial payment of their fees, in accordance to the decision made by the Annual General Meeting.

DIVIDEND POLICY

Affecto's dividend policy is to pay 30–50 percent of the profit as dividend. The company may deviate from this policy due to the needs of business development and growth.

INFORMATION ABOUT SHARE TRADING

Trading with the company's shares in the NasdaqOMX Helsinki commenced on 27 May 2005. The company is classified to the Computer services subsector of the Technology industry and to the Small Cap segment of the Nordic list.

OWNERS

The company had total of 2 866 owners on 31 December 2013 and the foreign ownership was 9 percent. The list of the largest owners can be viewed in the company's web site. The shareholder register can be reviewed at Euroclear Finland Ltd, Urho Kekkosen katu 5 C, Helsinki.

FLAGGING ANNOUNCEMENTS

The following flagging announcements have been given during 2013:

- 29 September 2013: Ownership of Arendals Fossekompani decreased below 5 percent
- 25 October 2013: Ownership of Sp-Rahastoyhtiö exceeded 5 percent
- 28 October 2013: Ownership of Säästöpankki Kotimaa fund exceeded 5%

Trading code (ticker).	AFE1V	
ISIN code	FI0009013312	
Highest price in 2013	4.80	eur
Lowest price in 2013	2.98	eur
Closing price at 31 Dec 2013	4.57	eur
Market capitalization 31 Dec 2013	97 939 908	eur
Trading volume 1 Jan – 31 Dec 2013	6 225 217	shares
Average price 1 Jan – 31 Dec 2013	4.01	eur
Trading volume, % of shares	28	%
Number of shares 31 Dec 2013	22 318 604	shares
Number of shares excl. the treasury shares and the shares owned by Affecto Management Oy	21 431 052	shares

Share price 2011–2013, eur

Largest registered shareholders 31 December 2013

		Shares	%
1	Cantell Oy	2 283 176	10.2
2	Evli Finnish Small Cap Fund	1 489 634	6.7
3	Danske Invest Finnish Small Cap Fund	1 452 422	6.5
4	Laine Mika	1 450 000	6.5
5	Säästöpankki Kotimaa Mutual Fund	1 305 500	5.8
6	OP-Finland Small Cap Fund	1 086 858	4.9
7	Taaleritehdas Finland Value Equity Fund	900 000	4.0
8	OP-Finland Arvo Fund	761 884	3.4
9	Ilmarinen	633 269	2.8
10	State Pension Fund	600 000	2.7
11	Seb Finland Small Cap Fund	465 419	2.1
12	Arvo Finland Value Fund	426 576	1.9
13	EQ Nordic Small Cap Fund	420 000	1.9
14	Central Church Fund	410 558	1.8
15	Säästöpankki Small Cap Fund	394 228	1.8
16	Varma	310 000	1.4
17	Nordea Finnish Small Cap Fund	244 214	1.1
18	4capes Oy	200 000	0.9
19	Handelsbanken Aktie Fund	180 000	0.8
20	Visio Allocator Fund	152 490	0.7
	Top 20 together	15 166 228	68.0
	Nominee registered	1 281 117	5.7
	Treasury shares / Affecto Management Oy	823 000	3.7
	Treasury shares	64 552	0.3
	Other shareholders	4 983 707	22.3
	Total number of shares	22 318 604	100.0

Distribution of shares 31 December 2013

	Owners		Shares	
	No.	%	No.	%
1–100	446	16	30 353	0
101–500	1161	41	366 710	2
501–1 000	545	19	444 509	2
1 001–5 000	534	19	1 208 494	5
5 001–10 000	74	3	555 405	2
10 001–50 000	68	2	1 451 357	7
50 001–100 000	10	0	648 145	3
100 001–500 000	16	1	4 068 621	18
500 001–1 000 000	6	0	4 477 420	20
1 000 001–	6	0	9 067 590	41
Total	2 866	100	22 318 604	100

Owners by sectors 31 December 2013

	Owners		Shares	
	No.	%	No.	%
Non-financial corp. and housing corp.	177	6	7 663 389	34
Financial and insurance corporations	17	1	5 800 205	26
General government	4	0	1 574 769	7
Households	2 620	91	4 745 485	21
Non-profit institutions	10	0	487 066	2
Foreign owners (registered)	28	1	766 573	3
Nominee registered	10	0	1 281 117	6
Total	2 866	100	22 318 604	100

BOARD'S DIVIDEND PROPOSAL

Distributable funds of the parent company of the group on 31 December 2013 are 72 180 865.11 euros, of which the distributable profit is 28 956 939.46 euro. The Board of Directors proposes to the Annual General Meeting that for the financial year 2013 a dividend of 0.16 euro per share will be paid, a total of 3 560 648.32 euro with the outstanding number of shares at the end of the financial year, and the rest is carried forward to the retained earnings account. No material changes have taken place in respect of the company's financial position after the balance sheet date. The liquidity of the company is good and in the opinion of the Board of Directors the proposed distribution of profit does not risk the liquidity of the company.

In Helsinki, 13 February 2014

Aaro Cantell
Chairman of the Board

Magdalena Persson

Jukka Ruuska

Olof Sand

Tuija Soanjärvi

Lars Wahlström
CEO

AUDITOR'S REPORT

To the Annual General Meeting of Affecto Plc
We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Affecto Plc for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 26 February 2014
KPMG OY AB

REINO TIKKANEN
Authorized Public Accountant

CORPORATE GOVERNANCE STATEMENT

GENERAL PRINCIPLES

Affecto Plc has prepared the Corporate Governance Statement in accordance with recommendation 54 of the Finnish Corporate Governance Code. The corporate governance statement has been prepared as a separate report and it is also available on the company's web site www.affecto.com. Affecto's Board of Directors' has reviewed this corporate governance statement. KPMG Oy Ab, has checked that the statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements.

Affecto complies with the provisions of the Corporate Governance Code prepared by the Finnish Securities Market Association in 2010. The Finnish Corporate Governance Code can be found from: www.cgfinland.fi.

The duties of the different company organs are organized in line with the provisions of the Finnish Companies Act and the Finnish Securities Markets Act as well as other Finnish legislation.

Affecto complies with the rules and recommendations of the NasdaqOMX Helsinki. The company's Board of Directors is responsible for compliance with corporate governance principles.

AFFECTO GROUP

The group parent company is Affecto Plc. Operational business is handled mainly by group subsidiaries. Affecto Finland Oy and Karttakeskus Oy conduct the business in Finland. The business in Sweden is conducted through Affecto Sweden AB, in Norway through Affecto Norway AS and in Denmark through Affecto Denmark A/S. Business in Baltic countries is conducted by Affecto Lietuva UAB, Affecto Latvia SIA, Affecto Estonia OÜ, Affecto Poland Sp. z o.o. and Information Technology Solutions Affecto (Pty) Ltd.

The company's operational business is managed principally through the country business units. Finland, Sweden, Norway, Denmark and Baltic were the five country units of the group in 2013.

GENERAL MEETING

The General Meeting of Shareholders is the highest decision-making body of the company. The Annual General Meeting confirms the company's financial statements and decides on the distribution of profits, elects the Board and the auditors and determines their fees.

The Board shall summon an Annual General Meeting within six months of the end of the financial period.

Any matter that a shareholder wishes to be addressed at a General Meeting of Shareholders shall be notified in writing to the Board of Directors in such time that the matter may be included in the notice convening the General Meeting of Shareholders. Extraordinary General Meetings can be convened during the year, if needed.

SHAREHOLDERS' NOMINATION COMMITTEE

Based on the Board of Directors' proposal, the Annual General Meeting of 2013 resolved to appoint a shareholders' Nomination Committee to prepare proposals concerning members of the Board of Directors and their remuneration for the following Annual General Meeting.

The Nomination Committee will consist of the representatives of the three largest shareholders and the Chairman of the Board of Directors, acting as an expert member, if he/she is not appointed representative of a shareholder. The members representing the shareholders will be appointed by the three shareholders whose share of ownership of the shares of the company is largest on 31 October preceding the Annual General Meeting. Should a shareholder not wish to use its right to nominate, this right will be passed on to the next largest shareholder who does not already have a right to nominate a representative. The largest shareholders will be determined on the basis of the ownership information registered in the book-entry system. However, holdings by a shareholder, who under the Finnish Securities Markets Act has the obligation to disclose changes in shareholdings (flagging obligation), may be combined provided that the owner presents a written request to that effect to the Board of Directors of the company no later than three business days prior to 31 October preceding the Annual General Meeting.

The Nomination Committee will be convened by the Chairman of the Board of Directors, and the Committee will appoint a chairman among its members.

The Nomination Committee should give its proposal to the Board of Directors of the company by 20 January preceding the Annual General Meeting.

The three largest shareholders, Cantell Oy, Evli Suomi Pienyhtiöt Fund and Danske Invest Suomen Pienyhtiöt Fund have appointed Aaro Cantell, chairman of Affecto's Board of Directors, Janne Lassila, managing director of Evli Fund Management Company, and Juha Varis, a senior portfolio manager in Danske Invest Fund Management as members of the Nomination Committee.

BOARD OF DIRECTORS

The Board of Directors has overall responsibility for the appropriate administrative and operational organization of Affecto Plc and its subsidiaries. The Board ratifies the principles that govern group strategy, organization, accounts and financial management. The Board also appoints the group's Chief Executive Officer.

The shareholders of Affecto Plc elect the Board of Directors annually at the Annual General Meeting. The Board consists of three to seven members. The term of office of the Board members ends at the conclusion of the first Annual General Meeting which is convened after the election.

The Board convenes regularly at least 11 times a year, and whenever required. At the beginning of each year the Board agrees in advance the thematic issues for discussion at the Board meetings, in addition to the requirements of normal financial supervision. In 2013, the Board convened a total of 15 times, and average attendance level was at 94 per cent.

The members' attendance in the Board Committee meetings in 2013 is shown in the table below:

	Position	Board	Audit committee	Nomination and compensation committee
Aaro Cantell	chairman	15/15	3/3	2/2
Jukka Ruuska	vice chairman	15/15	-	4/4
Heikki Lehmusto	member until 9 April	4/4	1/1	-
Magdalena Persson	member since 9 April	9/11	2/3	-
Olof Sand	member since 9 April	9/11	-	2/2
Haakon Skaarer	member until 9 April	4/4	1/1	-
Tuija Soanjärvi	member	14/15	4/4	-
Lars Wahlström	member	15/15	-	4/4

The Chairman of the Board of Directors have received a monthly remuneration of 3 200 euros, Vice-Chairman 2 500 euros and a member 1 800 euros as decided in the Annual General Meeting. A fee of 250 euros has been paid for participation in Committee meetings, save for meetings of the Shareholders Nomination Committee. Additionally, reasonable travel costs have been paid.

Board members

At the end of 2013 the Board of Directors comprised the following members: Aaro Cantell (chairman), Jukka Ruuska (vice chairman), Magdalena Persson, Olof Sand, Tuija Soanjärvi and Lars Wahlström.

All board members except Wahlström are independent of the company. Persson, Ruuska, Sand and Soanjärvi are independent of the company and of the owners.

Aaro Cantell (b.1964) is the chairman of the Board and has been a member of the Board of Directors since 2000. Mr. Cantell is an entrepreneur and the chairman of the board of Normet Group Oy. He has in the past worked as Managing Partner of Fenno Management Oy and as Investment Director at the Finnish National Fund for Research and Development (Sitra). Mr. Cantell is the chairman of the board of VTT Technical Research Centre of Finland and a board member of the Federation of Finnish Technology Industries. Mr. Cantell holds a Master of Science Degree in Engineering.

Jukka Ruuska (b. 1961) is the vice-chairman of the Board and has been a member of the Board of Directors since 2010. Ruuska is the CEO of Asiakastieto Oy. Earlier Ruuska has served as a Senior Partner at CapMan Plc, CEO of the Nordic Stock Exchange, CEO of the Helsinki Stock Exchange and has held management positions at Helsingin Puhelin Oy and Finnet Oy, Prospectus Oy and Kansallis-Osake-Pankki. Mr. Ruuska has LL.M. and MBA degrees.

Magdalena Persson (b.1971) is a member of the Board of Directors since 2013. Persson is Senior Director Commercial Sales at Microsoft Western Europe. Earlier she has worked in various management positions at e.g. Mando Group, SamSari, Microsoft and WM-Data Business Partner. She has a Licentiate of Economics and Management degree.

Olof Sand (b.1963) is a member of the Board of Directors since 2013. Sand is the CEO of Anticimex Ab. Earlier he has served as the CEO of Proact IT Group AB (publ) (2005-2012) and in various management positions at e.g. Acando, ABB Communications and Tele2. He is an engineer, additionally AMP (Harvard), IFL (Stockholm) and MBA (Uppsala).

Tuija Soanjärvi (b.1955) is a member of the Board of Directors since 2011. Soanjärvi has served as the CFO of Itella Corporation in 2005-2011, as CFO of Elisa Corporation in 2003-2005, and at TietoEnator Corporation in 1986-2003, latest as the CFO. She is a member of the board of directors of Basware Oyj, Tecnotree Corporation, DNA Oy, VR-Group Ltd. and Metsähallitus. She has a master's degree in Economics and Business Administration.

Lars Wahlström (b.1959) is a member of the Board of Directors since 2011 and the interim CEO since 1.1.2014. Wahlström served as the CEO of Telepo AB in 2009-2012. Previously he has worked at Oracle, EHPT (Ericsson Hewlett Packard Telecommunications), Allgon Mobile, Kockumation and Mölnlycke Healthcare. He has a degree in Business Administration from the University of Stockholm.

Duties of the Board of Directors

The Board has prepared its own rules of procedure, with the principal duties defined as follows:

- Take responsibility for duties which the Companies Act, the articles of association or other instances has bindingly decreed on the Board of Directors
- Ratify the strategy
- Ratify the company's management system on the submission of the CEO
- Ratify the annual action plan and monitor its enforcement
- Ratify the procedures for company internal control and risk management and monitor their implementation
- Interim reports, financial statements and annual report – processing, approval and communication
- Ratify group financing policy
- Propose the dividend policy to the General Meeting
- Decide on company and business acquisitions and divestments
- Decide on significant individual investments and contingent liabilities
- Ratify group incentive scheme and policy
- Appoint and release from duties company senior management and decide on their employment terms and bonuses on the basis of proposals made by the Nominations and compensation committee
- Establishment of subsidiaries
- Supervise and develop the company's corporate governance procedures
- Evaluate and develop the operation of the Board of Directors
- Evaluate the work of the CEO and feedback on it

COMMITTEES OF THE BOARD

The committees appointed by the Board have no independent decision making powers. The chairman of the committee informs the Board on the work of the committee. The minutes of committee meetings are distributed for all board members for information purposes.

Audit Committee

The task of the Audit Committee, which is appointed by the Board, is to supervise the efficiency of the company's accounting and financial reporting system as well as to monitor the company's audit functions. The committee is also charged with the supervision of matters and practices relating to sound corporate governance and, where necessary, propose to the Board any required measures to develop corporate governance.

The audit committee shall comprise of three to five board members. The members will be nominated annually. The members of the audit committee shall be independent of the company and at least one member shall be independent of significant shareholders. The members shall have the qualifications necessary to perform the responsibilities of the audit committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

The Committee convened 4 times in 2013, attendance level was 92 per cent.

Committee members: Tuija Soanjärvi (chairwoman), Aaro Cantell and Magdalena Persson.

Duties of the Audit Committee:

- To monitor the company's financial position
- To supervise the financial reporting process
- To monitor the reporting process of financial statements (annual reports, interim reports)
- To evaluate and develop the sufficiency, efficiency and appropriateness of internal control and risk management systems
- To evaluate compliance with laws and regulations
- To prepare the proposal for resolution on the election of the auditor and to evaluate the independence of the statutory auditor
- To contact the auditor and to review the reports that the auditor prepares for the audit committee
- To evaluate advisory services provided by the auditor
- To monitor the statutory audit of the financial statements and consolidated financial statements
- To monitor the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement

Nominations and Compensation Committee

The company has a joint committee for nominations and compensation which prepares the decisions for employee remunerating plans as well as for top management appointments.

The Committee convened 4 times in 2013, attendance level was 100 per cent.

Committee members: Jukka Ruuska (chairman), Olof Sand and Lars Wahlström.

The committee's rules of procedure determine its duties as follows:

- Preparation of matters pertaining to the appointment of the managing director and the other executives as well as the identification of their possible successors
- Preparation of matters pertaining to the remuneration and other financial benefits of the managing director and other executives
- Preparation of matters pertaining to the remuneration schemes of the company
- Evaluation of the remuneration of the managing director and the other executives as well as seeing to it that the remuneration schemes are appropriate
- Answering questions related to the remuneration statement at the General Meeting

INFORMATION ABOUT THE CEO AND THE MANAGEMENT TEAM

The Board of Directors appoints the CEO. The CEO is in charge of the management of the company's operations and governance in accordance with the Articles of Association, the Finnish Companies Act and the instructions given by the Board.

Pekka Eloholma, b.1960, M.Sc.(Eng.), was Affecto's CEO 1 September 2006 - 31 December 2013.

Lars Wahlström (b.1959) is a member of the Board of Directors since 2011 and the CEO since 1.1.2014. Wahlström served as the CEO of Telepo AB in 2009-2012. Previously he has worked at Oracle, EHPT (Ericsson Hewlett Packard Telecommunications), Allgon Mobile, Kockumation and Mölnlycke Healthcare. He has a degree in Business Administration from the University of Stockholm.

The Board has decided on the terms of CEO's work. A written managing director contract, approved by the board, has been signed between the company and CEO.

The CEO is assisted in the management of the group by the Executive Management Team. The Executive Management Team usually convenes once per month.

The Chairman of the Board approves the nomination of the Executive Management Team members based on propositions by the CEO.

The Executive management team assists the CEO in the management of the group. In January 2014 the Executive Management Team comprised the following members: Lars Wahlström (Chief Executive Officer), Satu Kankare (Chief Financial Officer), Håvard Ellefsen (Country Manager, Norway & HR development), Claus Kruse (Country Manager, Denmark & Sales process development), Rene Lykkeskov (Business development), Stig-Göran Sandberg (Country Manager Finland, Area Manager Baltic & Delivery process development) and Hellen Wohlin Lidgard (Country Managaer, Sweden & Marketing development).

The company web site includes information of management shareholdings.

INSIDERS
Affecto complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki, supplemented by the company's own guidelines. According to Affecto's insider rules, insiders are forbidden to trade with the company's shares only during 4 weeks before each quarterly report.

The board members, CEO and the auditor are permanent public insiders by law. In addition, certain members of the management have been named as public insider. Certain other company managers and financial department employees have been named as company-specific non-public insiders.

Additionally, separate insider registers are maintained for M&A activities and other projects possibly having a significant impact on share price.

The shareholdings of company employees who are public insiders may be viewed on the company's internet web pages. The public insider register can be reviewed at Euroclear Finland Ltd, Urho Kekkosen katu 5 C, Helsinki.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

Financial reporting and its internal controls
Affecto prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards, as adopted by EU, the Securities Markets Acts as well as the appropriate Financial Supervision Authority Standards and NASDAQ OMX Helsinki Ltd's rules. The Report of the Board of Directors of Affecto and parent company financial statements are prepared in accordance with Finnish Accounting Act and the recommendations and guidelines of the Finnish Accounting Board.

Affecto's financial reporting process consists of external and internal accounting. Internal control and risk management systems and practices as described below are designed to ensure that the financial reports as disclosed by the company give correct information about the company finances in all material respect.

Affecto group has reporting manual which includes an overview of financial reporting process, key outputs, and roles and responsibilities within the process. Essential group policies are part of the guidelines. The up-to-date versions of reporting manual, other internal guidelines for financial reporting and timetables can be found at group intranet.

Affecto's subsidiaries in each country have separate finance organisation and also business activities are local. Proper arrangement and monitoring of internal control is the responsibility of the local management in accordance with the group framework.

Affecto group uses a common chart of account and consolidation and reporting application. Subsidiaries submit external and internal financial reporting to the group finance on a monthly basis. Reported figures are transferred through a common database to the reporting system which allows transparency of financial data in the subsidiary accounting and reporting.

The group finance has defined the significant processes relevant to internal control over financial reporting, e.g. revenue, purchasing, payroll expenses, project management, finance, and related IT systems. Within this process framework, financial reporting risks and control objectives have been defined and group wide common control points have been designed to mitigate financial reporting risks in a preventive or detective way. Common control points include for example authorisations, key accounting reconciliations, project management procedures, segregation of key financial duties and analysis of financial performance and figures in order to identify any irregularities or errors.

Group finance supports subsidiaries by visiting subsidiaries frequently and by providing additional guidance. The subsidiaries together with the group finance conduct annually a self-evaluation of the internal control points, which is then presented to the Audit committee.

Financial reports prepared by the subsidiaries are analysed by Affecto group management and group finance to identify any irregularities or errors. In addition to the financial reports, subsidiary management prepares monthly a written report of activities within the period in a standard form. Group management organises business review meetings at the country level half-yearly in which subsidiary operations and finances are reviewed. Segment-based financial reports are prepared for the Affecto Board on a monthly basis. According its charter, the Board reviews and approves interim financial reports, financial statement releases and the financial statements.

The group finance and finance managers of the subsidiaries meet semi-annually to evaluate and adjust the procedures related to financial reporting and internal controls.

Internal control
Internal control aims to ensure that Affecto's business activities are efficient and proficient, financial reporting is reliable and that applicable laws, regulations and company's internal policies are followed.

Affecto Board has approved operating principles of internal control, which have been prepared in accordance with the Code recommendation 48. Operating principles include the main features of risk management process, summary of risks, control objectives and common control points for financial reporting as well as roles and responsibilities in executing and monitoring internal control in Affecto.

The Board of Directors and the Audit Committee, which is appointed by the Board, supervise internal control and risk management. The CEO and CFO are together responsible for implementing the internal control and risk management together with the group management team, subsidiary management teams and finance managers.

Risk management process
In Affecto's risk management process, subsidiaries in each country identify and assess business risks annually in accordance with a pre-defined model. The assessment includes also potential likelihood and impact of the identified risk. For the risks identified, Affecto prepares an action plan and responsibilities. Risk assessments prepared at the country level are consolidated in the group level and the Executive Management Team and the Board of Directors review the summary and assess the adequacy of action plans.

The Board informs the market about the most significant risks and uncertainties in the financial statements and in the interim reports.

Internal audit
Affecto does not have separate internal audit function. The function is generally carried out by group finance department staff. Any audit results are reported by the CFO to the Board's Audit Committee and to the CEO. If necessary, reports can also be addressed directly to the entire Board of Directors. The Audit Committee can engage external advisors to perform evaluations relating to control environment or other activities.

AUDIT
The company has one regular auditor, which must be a firm of independent public accountants approved by the Central Chamber of Commerce. The term of office of the auditor ends at the conclusion of the first Annual General Meeting held after the election.

On 9 April 2013 the Annual General Meeting elected as auditor KPMG Oy Ab. KPMG has served as auditor since 2009. The auditor with principal responsibility is APA Reino Tikkanen.

The 2013 consolidated financial statements include audit fees of 136 thousand Euros paid to KPMG as well as 113 thousand Euros in advisory fees.

COMPENSATION SYSTEM

Incentive schemes

Incentive scheme (short-term incentive plan)
Key personnel in the company (incl. management) are covered by an incentive scheme which is based on the attainment of annually set targets. In 2013, the group paid approximately 6.9 million euros as performance-related salaries and bonuses to 869 persons.

The targets and their weights set for individuals vary in accordance with their duties and status. On the whole, the targets are linked to the individuals' performance in relation to the net sales and results of the whole company or the profit centre and/or the individual concerned. The employees also have their own qualitative targets, the attainment of which is assessed separately from the financial targets.

Although the targets and levels vary by person, the average target levels of management's bonuses are set to form approx. 25 percent of the total compensation.

The Board of Directors has set the targets for the Chief Executive Officer based on the proposal from the Board's Nominations and Compensation Committee. The targets for other key personnel have been set in the line organization under the direction of the CEO.

Option scheme (long-term incentive plan)
The Annual General Meetings held in 2008 and 2013 have decided on option programs for long-term binding and compensation. The option programs are described in detail in the company's internet pages.

Retirement benefits
The CEO and the other members of the corporate management board are subject to statutory pension arrangements, no supplementary pension agreements.

CEO's remuneration
In year 2013, the CEO Pekka Eloholma's salary and fringe benefits amounted to a total of 295 thousand Euros and he did not earn any annual bonus for year 2013. The CEO's annual bonus was mainly dependent on the profit of the group. His contract will terminate on 18 May 2014. Termination benefit 108 012 euro has been recognised as an expense in financial year 2013.

Lars Wahlström, a board member, is serving as the interim CEO since 1 January 2014 and will serve in that function during the CEO recruitment process. His fixed salary is 20 000 euros per month. He has no variable salary component. His employment contract prescribes a one-month period of notice which applies to both parties. The contract does not contain any separate conditions relating to the payment of salary during the period of notice.

Management's long-term share-based incentive plan
The Board of Directors of Affecto decided in June 2010 to establish a share-based incentive plan, where selected members of the company's management (CEO, Nordic country managers and Baltic area manager) invested in Affecto shares through Affecto Management Oy, owned by the management. The purpose of the plan was to commit the Participants to the Company by encouraging them to acquire and hold the Company's shares, and this way increase the Company's shareholder value in the long run. Affecto Management Oy acquired 823 000 shares and financed the acquisition by the managers' own capital investments and by a 1.6 MEUR interest-bearing loan provided by Affecto. The plan has been dissolved in November 2013 via a share swap, where the managers received direct shareholding in Affecto, 391 460 shares in total.

Board compensation

The members of the Board of directors receive the monthly fees decided in the Annual General Meeting: 3 200 euros/month for the chairman Aaro Cantell, 2 500 euros/month for the vice-chairman Jukka Ruuska and 1 800 euros/month for members. A fee of 250 euros is paid for participation in Committee meetings, save for meetings of the Shareholders' Nomination Committee. Additionally, reasonable travel costs have been paid.

The monthly remunerations for the entire term have been paid in December 2013 so that 60 per cent of the remuneration were paid in cash and 40 per cent were paid in the company's shares by conveying 13 875 shares to the Board members.

The Board members have no other share or share-based compensation plans. Nor are they included in other compensation schemes or pension arrangements.

The CEO's and Board members remuneration have been recognized as an expense during the financial year as follows:

EUR 1 000	2013	2012	2011
Eloholma Pekka, CEO	403*	314	297
Cantell Aaro, chairman	40	51	38
Lautsuo Pyry	0	0	5
Lehmusto Heikki	0	30	22
Persson Magdalena	22	0	0
Ruuska Jukka, vice chairman	31	41	29
Rytkönen Esko	0	0	5
Sand Olof	22	0	0
Skaarer Haakon	0	30	21
Soanjärvi Tuija	23	30	17
Wahlström Lars	23	29	17

*The CEO's remuneration includes termination benefit 108 012 euro.

The travel expenses have been paid to Aaro Cantell (619 euros), Magdalena Persson (1 819 euros), Jukka Ruuska (547 euros), Haakon Skaarer (2 131 euros), Olof Sand (2 132 euros), Tuija Soanjärvi (622 euros) and Lars Wahlström (5 534 euros).

BOARD OF DIRECTORS

LARS WAHLSTRÖM

b. 1959, Bus.Adm.

CEO of Affecto Plc 1.1.2014-
Value Builder Europe AB, General partner

Board member since 2011
Shares: 4 946

JUKKA RUUSKA

b. 1961, LL.M., MBA

Asiaskastieto Oy, CEO

Vice-chairman of the Board,
Board member since 2010
Shares: 15 870

TUIJA SOANJÄRVI

b. 1955, M.Sc.(Econ.)

Basware Oyj, Board member
DNA Oy, Board member
Tecnotree Corporation, Board member
VR-Group Ltd, Board member
Metsähallitus, Board member

Board member since 2011
Shares: 4 946

AARO CANTELL

b. 1964, M.Sc.(Eng.)

Normet Group Oy, Chairman of the Board
The Federation of Finnish Technology Industries, Board member
VTT Technical Research Centre of Finland, Chairman of the Board

Chairman of the Board
Board member since 2000
Shares: 2 295 870

OLOF SAND

b. 1963, engineer

Anticimex Ab, CEO

Board member since 2013
Shares: 1 936

MAGDALENA PERSSON

b. 1971, Lic.Econ.

Microsoft Western Europe,
Senior Director Commercial Sales

Board member since 2013
Shares: 1 936

* Holdings of the shares and options on 31 December 2013. The figures include the holdings of their own, underage children and entities under their control.

MANAGEMENT

LARS WAHLSTRÖM

CEO as of 1.1.2014
b. 1959, Bus.Adm.

Shares: 4 946
Options: -

SATU KANKARE

CFO
b. 1966, M.Sc.(Econ.)

Shares: -
Options: -

HÅVARD ELLEFSEN

Country Manager, Norway
b. 1971, B.Sc. Honours
(Comp.Sci.)

Shares: 67 441
Options: -

CLAUS KRUSE

Country Manager, Denmark
b. 1962, M.Sc.(Econ.)

Shares: 21 707
Options: -

STIG-GÖRAN SANDBERG

Country Manager, Finland
and Baltic
b. 1957, M.Sc.(Comp.Sci.)

Shares: 150 358
Options: -

RENÉ LYKKESKOV

Chief Strategy Officer
b. 1964, GDBA

Shares: 6 212
Options:
2008C: 10 500

HELLEN WOHLIN LIDGARD

Country Manager, Sweden
b. 1969, M.Sc.(Eng.)

Shares: 19 300
Options: -

Wahlström, Kankare, Ellefsen, Kruse, Lykkeskov, Sandberg and Wohlin Lidgard form the Executive management team.

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING
The Annual General Meeting of Affecto Plc will be held on Thursday 10 April 2014 at 10.00 a.m. at Finlandia Hall, Mannerheimintie 13, 00100 Helsinki, Finland.

DIVIDEND
The Board of Directors proposes that a dividend of EUR 0.16 per share is distributed from the year 2013 and that dividend is paid on 25 April 2014.

FINANCIAL INFORMATION 2014
Interim reports will be published
January – March on 29 April 2014
January – June on 4 August 2014 and
January – September on 30 October 2014

INVESTOR RELATIONS
Hannu Nyman
Senior Vice President, M&A, IR
tel. +358 205 777 761

AFFECTO PLC
Atomitie 2
FI-00370 Helsinki,
Finland
Tel. +358 205 777 11
Fax +358 205 777 199
www.affecto.com