2014

Affecto

Affecto in brief

Affecto creates business value for its customers by combining information, technology and insight. We leverage the full data set surrounding contemporary organisations and our services range from information technologies to advanced digital business solutions. We have over 1 000 experts in Finland, Sweden, Norway, Denmark, Estonia, Lithuania, Latvia, Poland and South Africa.

Contents

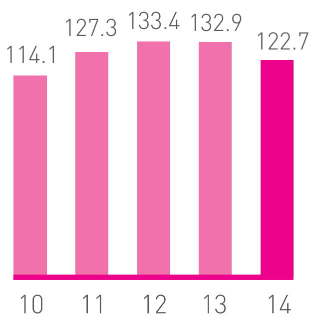
YEAR 2014 IN BRIEF

- Affecto's net sales decreased from previous year.
- Operational segment result was at previous year's level.
- Operating profit decreased due to goodwill impairment.
- Order backlog slightly increased.

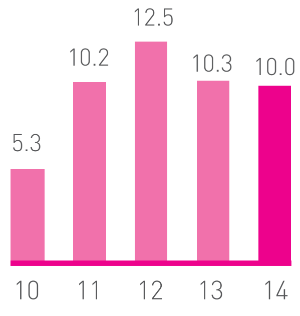
KEY FIGURES	2013	2014
Net sales, M€	132.9	**122.7**
Oper. segment result, M€	10.3	**10.0**
Operating profit, M€	8.3	**0.8**
Order backlog, M€	48.7	**49.6**
Personnel at the year-end	1 088	**1 028**
Earnings/share, €	0.26	**-0.07**
Dividend/share, € *	0.16	**0.16**
Equity ratio	53.0	**54.6**

* Board's proposal

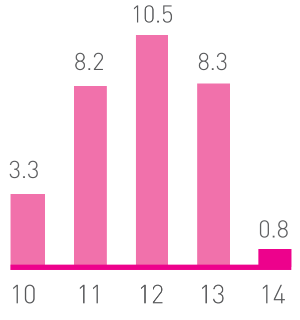
NET SALES , M€



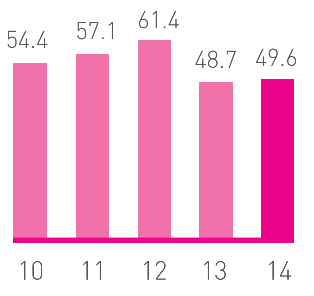
OPERATIONAL SEGMENT RESULT, M€



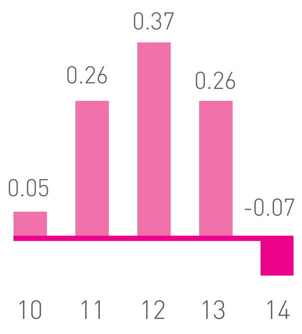
OPERATING PROFIT , M€



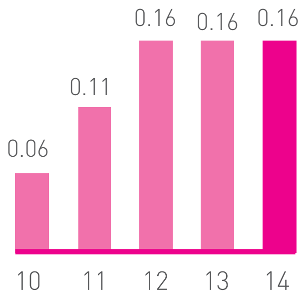
ORDER BACKLOG, M€



EPS, €/SHARE



DIVIDEND, €/SHARE



Towards evolving growth

Changes in our customers' behaviour had an impact on the demand for Affecto's services, but our profitability endured the pressure. During 2014 we started updating our strategy. Affecto is evolving as a company that focuses on increasing customer value and serving our customers in new ways.

In 2014 the demand for IT-services in all Nordic countries was affected by slow decision making in our traditional markets and by larger projects being divided into smaller entities. Simultaneously, however, new business technology markets were emerging and creating new opportunities for us to grow.

Consequently, our net sales decreased somewhat from the previous year to 122.7 million euro (2013: 132.9 million euro). Our net sales dropped in all other segments except Baltic, where our insurance sector business and business in Estonia were good and our results increased significantly.

Overall, the operational segment result—10.0 million euro—remained at nearly last year's level (10.3 million euro). In addition to the positive profitability development in Baltic, this was also influenced by our cost structure, which is agile in adapting to new situations in all countries when necessary. Besides Baltic, also Norway and Sweden showed good development. Efforts to add efficiency started to clearly bear fruit in both countries during autumn 2014. Denmark has most room for improvement: our sales performance there was not good and the utilization rate remained low.

During the autumn and especially in the last quarter of 2014 Sweden's business developed positively. In the past few years development in the Swedish market has taken us in the right direction and our belief in the Swedish market and our prospects there has strengthened. However, uncertainties still remain regarding the development rate in Sweden. Partly due to this and to inaccuracy of earlier forecasting an impairment was made to the goodwill related to Sweden, thus decreasing our operating profit to 0.8 million euro (8.3 million euro).

FIRST IMPRESSIONS STILL VALID

I started as Affecto's CEO in the beginning of last September, when I took the reins from interim CEO Lars Wahlström. During his term Lars successfully prepared Affecto for its development path, for which I wish to give him my warm thanks.

I already knew Affecto from before; I participated in a four-year customer project between my previous employer Accenture and Affecto during the early 2000s. Already back then I enjoyed working with Affecto's people, whom I found to be extremely capable professionals—and this definitely influenced my decision to join Affecto.

My first impressions have grown stronger since starting work at Affecto. This is a workplace with such a scope of stellar professionals; it is in a league of its own in the Nordic countries, both in terms of headcount and competence. There is also exceptional entrepreneurial spirit and enthusiasm towards our specific field here at Affecto, something I truly value. We are ready and able to create something entirely new.

Thus far Affecto has mainly grown through acquisitions enabling rapid business growth. Now, our primary aspiration is to achieve organic growth and this means we must change both the way in which we operate and develop our business.

A TRANSFORMATION PROMISING NEW OPPORTUNITIES

Digitalization and the growing business impact of IT has been contemporary buzz for some time. It is exciting to see how during 2014 they have become an integral part of our and our customers' everyday life. Our customers experience this as disruptional impacts to their business models. New digital entrants in industries, further developing business automation and the new modern needs of our customers' customers have an impact on expectations towards our services.

This transformation provides our customers not only opportunities and challenges, but also ambiguity as to the direction their businesses and technology will develop. Previously IT-solutions were more straightforward to buy, as solutions remained more similar regardless of the organization or its industry. New business technology solutions are purchased for highly specialized needs that are typical solely for the customer's situation. This makes investments more unique also from a customer's perception. For us this creates opportunities to help our customers' businesses more directly.

We will seek new business areas close to our core competences. We will advance together with our customers, exploring opportunities. An increasing number of customers wish to start small-scale and validate their business idea with their own information rapidly and only then decisively start moving step-by-step towards a more substantial investment.

New explorative areas of expertise include development of digital consumer experience and design, concrete utilization of the internet of things as well as solutions to algorithmic automation and secure digital business. In all these areas we already have created first solutions and prototypes, from which we are decisively seeking growth in the long term.

An explorative approach requires even closer partnerships. We intend to embark on this path decisively with new kinds of partnerships with our customers and for example startup companies.

In addition, the solutions we explore must hold enough potential of evolving into core business for us.

THE DEVELOPING CORE

Enterprise information management, advanced business process systems and location solutions are and will be the essence of our core business.

We have significant experiences in all these core business areas in Northern Europe. However, we have been somewhat modest in communicating the scope of our expertise and successes. Our brand has portrayed information management business effectively. Moreover, our essential track record in business process systems as well as location solutions is equally important and core.

Some befitting examples of our accomplishments in the business process systems area include medicine logistics in Finland, the core of Estonia's electronic patient records system and the real-time utilization of energy companies' electricity meter data. In geospatial information Karttakeskus provides advanced solutions that naturally are our strength in Finland, but we also actively provide services in this area for example in Norway, Sweden and Estonia.

This core will continue to form the foundation of our business, and its decisive development is essential to us. We are also seeking growth from these areas. In addition to technology services we will also develop our understanding of our customers' business processes and industries, in order to more holistically answer our customers' solutions needs.

We will also seek more efficiency and effectiveness by increasing and developing group-wide usage of shared resources and by utilizing new operational models. Customers want lighter solutions that they can utilize fast, and this has a direct impact on technology demand. For example cloud services and appliance-based solutions are becoming more popular and decreasing investments in traditional licensed solutions.

Our skillful employees form the foundation for all of this. Their talent and enthusiasm drives our success. We foster professionals who wish to continually improve their current capability, and developers of new ideas. We will create new career paths especially for hybrid people with equal understanding of the worlds of business and technology.

PARTICIPATING IN EVERYDAY LIFE

Our customers are surrounded by a mass of information, which is increasing in both size and versatility. Turning this information into insights is more and more important to corporations and public sector organizations. We are in a good position and eager to participate in this work. We can become a closer part of the life of our customers and their customers as well. Thus we are on a mission to contribute to everyone's life with information and insight — companies, consumers and citizens alike.

We started a new phase in our evolution in 2014 and we will be accelerating our pace this year. I am eagerly anticipating the opportunity to take part in the tightening cooperation with our customers and our capable experts, and the novel results this work creates.

I thank our employees, our customers, our partners and our shareholders for their valuable input last year and I hope to see cooperation becoming closer still in 2015.

Juko Hakala
CEO

Report of the Board of Directors

NET SALES

Affecto's net sales in 2014 were 122.7 MEUR (2013: 132.9 MEUR). Net sales in Finland were 50.6 MEUR (53.2 MEUR), in Norway 25.0 MEUR (29.6 MEUR), in Sweden 20.0 MEUR (23.2 MEUR), in Denmark 12.0 MEUR (15.4 MEUR) and 19.0 MEUR (16.0 MEUR) in Baltic.

Net sales decreased by 8% in 2014. Largest decrease was in Denmark, but also Sweden and Norway decreased clearly. Baltic grew by 19% mainly thanks to the insurance business, but also due some improvement in the Lithuanian market. Resource utilization was low especially in Denmark. Net sales of consultant work was clearly lower than in the previous year.

Net sales of Information Management Solutions business were 114.0 MEUR (123.6 MEUR) and net sales of Karttakeskus GIS business were 11.9 MEUR (12.2 MEUR).

The general market sentiment continued cautious in all Nordic countries. In Affecto's core business customers continued to show interest mainly in shorter and smaller projects, especially true for mid-sized customers, and investment decisions took a long time. In the new business technology markets the customers' showed more active interest, but their needs were often still forming up. The Finnish market that was rather weak in the early part of the year, picked up a bit in the last few months. The order backlog slightly increased to 49.6 MEUR (48.7 MEUR).

PROFIT

Affecto's operating profit was 0.8 MEUR (8.3 MEUR) and the operational segment result was 10.0 MEUR (10.3 MEUR). Operational segment result was in Finland 5.4 MEUR (6.9 MEUR), in Norway 2.0 MEUR (2.7 MEUR), in Sweden 0.3 MEUR (-0.2 MEUR), in Denmark 0.9 MEUR (1.9 MEUR) and in Baltic 2.9 MEUR (0.2 MEUR).

Operational segment profit 10.0 MEUR was almost at the previous year's level (10.3 MEUR). Finland had 11% profitability and Norway had 8% profitability. Profitability in Baltic improved to 15% thanks to the insurance business and Estonia. Denmark's profitability decreased to 7% mainly due to decreased resource utilisation. Sweden reached slightly positive profitability of 2%.

There were streamlining actions in Norway and Sweden that caused 0.9 MEUR non-recurring costs in the first quarter, but had positive impact on the profitability later in the year.

According to the IFRS3 requirements, operating profit includes 1.8 MEUR (2.0 MEUR) of amortization on intangible assets related to acquisitions. The other intangible assets impacting in the IFRS3 amortization have been wholly amortized and the amortization has ended.

Sweden has shown progress in profitability. There is still uncertainty regarding Sweden and an impairment of 7.4 MEUR was made to the goodwill related to Sweden. Goodwill impairment is reported separately.

R&D costs totaled 0.3 MEUR (0.0 MEUR), i.e. 0.3% of net sales (0.0%). 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 -1.6 MEUR, while it was 5.6 MEUR last year.

FINANCE AND INVESTMENTS

At the end of the reporting period Affecto's balance sheet totaled 124.8 MEUR (12/2013: 139.5 MEUR). Equity ratio was 54.6% (53.0%) and net gearing was 1.8% (7.4%).

The financial loans were 22.5 MEUR (26.5 MEUR) at the end of reporting period. The company's cash and liquid assets were 21.4 MEUR (21.5 MEUR). The interest-bearing net debt was 1.1 MEUR (5.0 MEUR).

Cash flow from operating activities for the reported period was 8.3 MEUR (10.9 MEUR) and cash flow from investing activities was -0.7 MEUR (-1.6 MEUR). Investments in tangible and intangible assets were 0.7 MEUR (1.6 MEUR).

The Annual General Meeting held in April decided to distribute a dividend of 3.6 MEUR (3.4 MEUR).

EMPLOYEES

The number of employees was 1028 persons at the end of the reporting period (1088). 426 employees were based in Finland (444), 93 in Norway (124), 129 in Sweden (146), 68 in Denmark (71) and 312 in the Baltic countries (303). The average number of employees during the period was 1041 (1081). Wages and salaries were 54.1 MEUR (59.1 MEUR in 2013, 60.2 MEUR in 2012).

Board member Lars Wahlström served as the interim CEO in 1 January – 7 September 2014. Juko Hakala started as the CEO on 8 September 2014.

REVIEW OF MARKET DEVELOPMENTS

Changes in customers' demands in the current economic conditions have affected the company during the year. Customers' decision-making pace was rather slow and they also preferred to split large projects into smaller lots, which had negative impact on order backlog during the year. Order backlog has slightly increased compared to last year, thanks to good development in Baltic and in Sweden.

Market development in the core business is twofold: some technology and solution areas grow well, but some see only very slow growth. E.g. demand for appliances and other next-generation data warehouse solutions is growing, while the demand for basic data warehouse solutions is not growing much. Affecto is shifting our offerings and resources to match the changing customer needs. For example, in Norway the company has had emphasis on next-generation data warehouses, while in Sweden and Finland it has had more focus on collaboration and digitalization solutions.

The information technology markets and buying are building into several separate markets. IT buying continues to change, cloud and commodity-like services will grow and the roles of customers' IT organizations are changing. Price competition continues tight and the global service companies will continue to grow in this market. Small local companies can develop their competitiveness by specializing, for example into the new fields in analytics.

At the same time new business technology markets are emerging, where information technology solutions and the information generated by them form an integral part of customer organizations' own products and services. From customers' perspective these solutions will be elemental for their business and will have close connection to their own competitiveness and profit. So, the decisions regarding these solutions will be made in proximity of or within the business itself. Business capabilities based on Internet of Things offer examples of this kind of solutions that may transform products and business models in various industries. Affecto aims to grow in these markets together with customers.

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 decreased by 5% to 50.6 MEUR (53.2 MEUR). Operational segment result was 5.4 MEUR (6.9 MEUR) and profitability was 11%. Net sales decreased due to smaller sales of consultancy work. General mood is still cautious in Finland and customers are slow with their investment decisions, but customer activity picked up a bit toward the year-end. Order backlog is below last year's level.

The net sales of Karttakeskus GIS business, reported as part of Finland, decreased by 3% to 11.9 MEUR (12.2 MEUR) and its profitability was good.

The net sales in Norway were 25.0 MEUR (29.6 MEUR) and operational segment result was 2.0 MEUR (2.7 MEUR). Net sales decreased by 15% mainly due to smaller sales of consultant work. Profitability was 8%. Streamlining actions done at the beginning of the year have helped to decrease the cost base and have improved profitability toward the year-end. Amount of Norwegian employees decreased clearly during the year, while the usage of nearshore resources from Baltic grew. Order backlog is slightly above last year's level.

The net sales in Sweden were 20.0 MEUR (23.2 MEUR) and operational segment result 0.3 MEUR (-0.2 MEUR). Net sales decreased by 14%, to which both the decreased amount of employees, decreased license sales and the weakened SEK have contributed. It is positive that after several loss-making years Sweden reached slightly positive profitability of 2%. Development actions in Sweden will continue and the company wants to be the leading Enterprise Information Management company also in this market. Order backlog is above last year's level. Although Sweden's profitability has developed positively and it made a positive result in 2014, there is still uncertainty regarding the pace of the development in Sweden. An impairment of 7.4 MEUR was made to the goodwill related to Sweden.

The net sales in Denmark were 12.0 MEUR (15.4 MEUR) and operational segment result was 0.9 MEUR (1.9 MEUR). Net sales decreased by 22% mainly due to low resource utilization but also due to decrease in license sales. Profitability decreased to 7%. Competition in Denmark is tight. Order backlog is below last year's level.

The net sales in Baltic (Lithuania, Latvia, Estonia, Poland, South Africa) were 19.0 MEUR (16.0 MEUR). Operational segment result was 2.9 MEUR (0.2 MEUR). Net sales increased by 19% and profitability increased to 15%. The Lithuanian public sector market has recovered slower than anticipated, as the preparations of new EU funded projects has progressed slowly. Euro conversion projects had positive impact on the Lithuanian market during the fall. Estonian market situation is normal. The insurance business is performing well. Order backlog is significantly above last year's level.

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting of Affecto Plc, held on 10 April 2014, adopted the financial statements for 1.1.–31.12.2013 and discharged the members of the Board of Directors and the CEO from liability. Approximately 33 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 2013.

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 with Reino Tikkanen, APA, as auditor in charge.

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.

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 2014 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 Board has not used in the review period the authorizations given by the Annual General Meeting in 2013, that expired on 10 April 2014.

The complete contents of the new authorizations given by the Annual General Meeting held on 10 April 2014 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 the authorization a total of 20 333 shares have been conveyed in August to the Board members as a partial payment of their fees, in accordance to the decision made by the Annual General Meeting.

CHANGES IN GROUP STRUCTURE

Fully owned subsidiary Affecto Management Oy was merged to its parent Affecto Plc on 31 December 2014.

SHARES AND TRADING

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 22 450 745 shares. The company owned 867 219 treasury shares, approx. 3.9% of the total amount of the shares.

During the review period the highest share price was 4.62 euro, the lowest price 2.80 euro, the average price 3.12 euro and the closing price 2.93 euro. The trading volume was 5.8 million shares, corresponding to 26% of the number of shares at the end of the period. The market value of shares was 63.2 MEUR at the end of the period excluding the treasury shares.

2008C options' exercise period ended on 31 May 2014 and 132 141 new shares were subscribed with the 2008C options.

SHAREHOLDERS

The company had a total of 2 987 owners on 31 December 2014 and the foreign ownership was 15%. 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. 10.6%.

According to the flagging announcement made on 21 May 2014, the ownership of Evli Pankki and funds managed by Evli Rahastoyhtiö has decreased below 5%. According to flagging announcements the ownership of Mika Laine has decreased below 5% on 17 October 2014 and the ownership of Lombard International Assurance S.A. has exceeded 5% on 17 October 2014.

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'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.

Affecto's success depends also on good customer relationships. Affecto has a well-diversified customer base. In 2014 the largest customer generated 3% of Affecto's net sales, while the 10 largest together generated 17%. 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.

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. Additionally the increase of cloud services and other similar market trends may affect the license sales negatively. Affecto had license sales of approx. 9 MEUR in 2014.

Approximately 40% of Affecto's net sales is generated in Sweden and Norway, thus the development of the currencies of these countries (SEK and NOK) 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 REVIEW PERIOD

Hellen Wohlin Lidgard, the country manager for Sweden, has resigned from Affecto in January 2015 to be an entrepreneur. She will continue as the country manager until July 2015 at the latest.

DIVIDEND PROPOSAL

Distributable funds of the group parent company on 31 December 2014 are 60 434 767.73 euros, of which the distributable profit is 16 940 906.97 euros. Board of Directors proposes that from the financial year 2014 a dividend of 0.16 euros per share will be paid, a total of 3 453 364.16 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

Net sales and operating profit are estimated to grow in 2015.

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.

Key figures

Figures in 1 000 euro except for percentages	2010	2011	2012	2013	**2014**
Net sales	114 078	127 270	133 400	132 896	**122 693**
EBITDA	6 617	11 608	13 808	11 481	**11 227**
EBITDA, % of net sales	5.8	9.1	10.4	8.6	**9.2**
Operating profit	3 275	8 182	10 451	8 262	**833**
Operating profit, % of net sales	2.9	6.4	7.8	6.2	**0.7**
Profit before income taxes	1 479	7 087	10 042	7 973	**270**
Profit before income taxes,% of net sales	1.3	5.6	7.5	6.0	**0.2**
Profit attributable to owners of the parent company	955	5 328	7 552	5 493	**-1 591**
Profit attributable to owners of the parent company, % of net sales	0.8	4.2	5.7	4.1	**-1.3**
Return on equity, %	1.7	9.1	11.9	8.3	**-2.5**
Return on capital employed, %	3.1	7.5	9.1	6.4	**-1.1**
Equity ratio, %	43.1	46.1	50.6	53.0	**54.6**
Gross investment in non-current assets	1 072	1 416	1 008	1 566	**740**
Gross investment, % of net sales	0.9	1.1	0.8	1.2	**0.6**
Order backlog	54 354	57 110	61 359	48 682	**49 645**
Number of employees, average during the year	919	1 011	1 089	1 081	**1 041**
Gearing, %	40.4	27.1	15.8	7.4	**1.8**
Interest-bearing net debt	22 645	16 391	10 621	4 950	**1 071**
KEY RATIOS PER SHARE					
Earnings per share (EPS), basic	0.05	0.26	0.37	0.26	**-0.07**
Earnings per share , diluted	0.05	0.25	0.36	0.26	**-0.07**
Equity per share	2.69	2.91	3.24	3.14	**2.80**
Dividend per share	0.06	0.11	0.16	0.16	**0.16***
Dividend per earnings, %	132.9	42.7	43.7	60.9	**neg.**
Effective yield, %	2.6	4.7	5.4	3.5	**5.5**
P/E ratio	52.0	9.2	8.1	17.4	**neg.**
Market capitalization	50 564	50 779	63 321	101 701	**63 240**
Share value, EUR					
Lowest price	2.02	2.00	2.39	2.98	**2.80**
Highest price	2.70	2.97	3.00	4.80	**4.62**
Average price	2.42	2.46	2.73	4.01	**3.12**
Closing price	2.35	2.36	2.95	4.57	**2.93**
Trading volume					
1000 shares	7 443	8 846	4 859	6 225	**5 839**
%	35	41	23	28	**26**
Weighted average numbers of shares	21 145 680	20 693 468	20 641 763	20 905 671	**21 519 037**
Number of shares at end ot year	20 693 468	20 693 468	20 641 641	21 431 052	**21 583 526**

*Board's proposal on 12.2.2015

Consolidated income statement

1 000 EUR	Note	1 Jan –31 Dec 2014	1 Jan –31 Dec 2013
Net sales	18	**122 693**	132 896
Other operating income	19	**27**	65
Changes in inventories of finished goods and work in progress		**-83**	306
Materials and services	20	**-26 560**	-29 952
Personnel expenses	21	**-67 630**	-74 031
Depreciation and amortization	22	**-2 971**	-3 219
Impairment	22	**-7 423**	-
Other operating expenses	23	**-17 221**	-17 803
Operating profit		**833**	8 262
Financial income		**68**	309
Financial expenses		**-631**	-598
Net financial expenses	24	**-563**	-289
Profit before income tax		**270**	7 973
Income tax expense	25	**-1 861**	-2 407
Profit / loss for the year		**-1 591**	5 566
Attributable to:			
Owners of the parent company		**-1 591**	5 493
Non-controlling interest		**-**	73
Earnings per share for profit / loss attributable to the owners of the parent company (euro per share)			
Basic	26	**-0.07**	0.26
Diluted	26	**-0.07**	0.26

Consolidated statement of comprehensive income

1 000 EUR	1 Jan – 31 Dec 2014	1 Jan –31 Dec 2013
Profit / loss for the year	**-1 591**	5 566
Other comprehensive income		
Items that may be reclassified subsequently to the statement of income:		
Translation difference	**-2 141**	-3 074
Total comprehensive income for the year	**-3 732**	2 491
Total comprehensive income attributable to		
Owners of the parent company	**-3 732**	2 419
Non-controlling interest	**-**	73

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

Consolidated balance sheet

1 000 EUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1 505**	1 947
Goodwill	7	**62 814**	72 166
Other intangible assets	7	**254**	2 072
Deferred tax assets	15	**1 263**	1 606
Trade and other receivables	10	**-**	4
		65 836	77 795
Current assets			
Inventories	9	**493**	622
Trade and other receivables	10	**36 736**	38 969
Current income tax receivables		**393**	615
Cash and cash equivalents	11	**21 380**	21 469
		59 002	61 675
Total assets		**124 838**	139 470
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	**47 718**	47 448
Other reserves	13	**835**	763
Treasury shares	12	**-2 111**	-2 165
Translation differences	12	**-4 269**	-2 128
Retained earnings		**13 159**	18 184
Total equity		**60 437**	67 207
Non-current liabilities			
Loans and borrowings	14	**18 452**	22 420
Deferred tax liabilities	15	**190**	505
		18 642	22 924
Current liabilities			
Loans and borrowings	14	**4 000**	4 000
Trade and other payables	16	**40 254**	42 788
Current income tax liabilities		**927**	1 913
Provisions	17	**578**	638
		45 759	49 339
Total liabilities		**64 401**	72 264
Equity and liabilities		**124 838**	139 470

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

Consolidated cash flow statement

1 000 EUR	Note	1 Jan – 31 Dec 2014	1 Jan –31 Dec 2013
Cash flows from operating activities			
Profit / loss for the year		**-1 591**	5 566
Adjustments for:			
Taxes	25	**1 861**	2 407
Depreciation, amortization and impairment charges	22	**10 394**	3 219
Other non-cash income and expenses		**242**	172
Financial income	24	**-68**	-123
Financial expense	24	**450**	598
Gain/loss on the sale of property, plant and equipment and intangible assets		**0**	-1
		11 287	11 837
Change in working capital			
Decrease (+)/ increase (-) in trade and other receivables		**1 714**	5 163
Decrease (+)/ increase (-) in inventories		**129**	-305
Decrease (-)/ increase (+) in trade and other payables		**-1 495**	-1 994
Change in working capital		**348**	2 863
Interest and other financial cost paid		**-418**	-566
Interest and other financial income received		**68**	123
Income taxes paid		**-2 946**	-3 343
Net cash from operating activities		**8 339**	10 915
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	**-582**	-1 308
Acquisition of intangible assets	7	**-157**	-258
Proceeds from sale of property, plant and equipment and intangible assets		**1**	1
Net cash from investing activities		**-739**	-1 564
Cash flows from financing activities			
Repayments of non-current borrowings	14	**-4 000**	-4 000
Proceeds from share options exercised	12	**262**	781
Acquisition of non-controlling interest		**-**	-30
Dividends paid to the owners of the parent company	27	**-3 434**	-3 444
Net cash from financing activities		**-7 172**	-6 694
Change in cash and cash equivalents		**429**	2 657
Cash and cash equivalents at beginning of the year	11	**21 469**	19 767
Exchange rate differences		**-518**	-954
Cash and cash equivalents at end of the year	11	**21 380**	21 469
		-89	1 703

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

Consolidated statement of changes in equity

1 000 EUR	Note	Share capital	Other reserves	Reserve of invested non-restricted equity	Treasury shares	Translation difference	Retained earning	Non-controlling interest	Total equity
		Equity attributable to owners of the parent company							
Equity at 1.1.2014		**5 105**	**763**	**47 448**	**-2 165**	**-2 128**	**18 184**	**-**	**67 207**
Profit / loss for the year							-1 591	-	-1 591
Translation differences						-2 141			-2 141
Total comprehensive income for the year						**-2 141**	**-1 591**	**-**	**-3 732**
Share-based payments	13		72						72
Exercise of share options	12			262					262
Treasury shares as compensation to the Board of Directors	12			8	54				62
Dividends paid	27						-3 434		-3 434
Equity at 31.12.2014		**5 105**	**835**	**47 718**	**-2 111**	**-4 269**	**13 159**	**-**	**60 437**

1 000 EUR	Note	Share capital	Other reserves	Reserve of invested non-restricted equity	Treasury shares	Translation difference	Retained earning	Non-controlling interest	Total equity
		Equity attributable to owners of the parent company							
Equity at 1.1.2013		**5 105**	**693**	**46 643**	**-2 202**	**946**	**15 781**	**311**	**67 277**
Profit / loss 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							354	-384	-30
Dividends paid	27						-3 444		-3 444
Equity at 31.12.2013		**5 105**	**763**	**47 448**	**-2 165**	**-2 128**	**18 184**	**-**	**67 207**

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 Nasdaq OMX Helsinki. The company is domiciled in Helsinki and the address of its head office is Atomitie 2, FI-00370 Helsinki, Finland.

Affecto creates business value for its customers by combining information, technology and insight. We leverage the full data set surrounding contemporary organisations and our services range from information technologies to advanced digital business solutions. We have over 1 000 experts 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 12 February 2015.

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 2014. 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 2014 the following new and amended standards that have come into effect 2014.

- 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. The new standard had no impact on consolidated financial statements.
- 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. The amended standard had no significant impact on consolidated financial statements.

- 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 had no impact on consolidated financial statements.

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when the group is exposed to, or has rights to variable returns from its involvement with the entity. Furthermore, the group has the ability to affect the return through its power over entity. 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 2014 and 2013 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 and 31 December 2014 Affecto Management Oy has been merged into the parent company Affecto Plc.

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. 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). The amortization periods of trademark and cartographic content have been changed during year 2014 and the amortizations ended during 2014.

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 to 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 2014 and 2013.

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.

DERIVATE 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 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 2014 and 2013.

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.

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 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.

In previous financial year, Affecto Management Oy, which was established for the share holding programme of the members of the group management, has been consolidated. 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.

A guarantee provision is recognized once a product or service subject to guarantee terms has been sold and the amount of potential guarantee costs can be estimated with sufficient accuracy.

The group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

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

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 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 2015 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.

- New IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15. The standard has not yet been endorsed for use by the European Union.
- New IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9. 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.

- *Annual Improvements to IFRSs* (2011–2013 cycle and 2010–2012 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.
- Amendment to IAS 1 *Presentation of Financial Statements*: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation will have no significant impact on consolidated financial statements. The amendment has not yet been endorsed for use by the European Union.
- *Annual Improvements to IFRSs,* 2012–2014 cycle (effective for financial years beginning on or after 1 January 2016): 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 four standards. Their impacts vary standard by standard but are not significant. The amendments have not yet been endorsed for use by the European Union.

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.

Foreign exchange risk

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

Transction 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.

1 000 EUR		2014			
		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	14 854	293	3 713	-195	-2 476
SEK/EUR	10 875	-1 883	2 719	1 255	-1 813

1 000 EUR		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

* 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 22.5 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 255 thousand euro (pre-tax) in 2014. A respective decrease of 1 percentage point in the reference rate would have decreased the annual interest payment by 255 thousand euro (pre-tax) in 2014.

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. Also advance payments relating to projects are used to decrease the credit risk. The group does not have material trade receivables from one customer. One of the biggest overdue receivable is from Lithuania's public sector and the receivable correspond 2% of the group's trade receivables. The credit losses and reversals of previously recognised bad debts have been recognised as income of 18 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. The group's liquidity remained good during the year 2014. As at 31 December 2014 the group had cash and cash equivalents amounting to 21.4 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 31.12.2014

1 000 EUR	1.1.–31.3. 2015	1.4.–31.12. 2015	2016	2017	After 2017
Loans from financial institutions (incl. interest)	70	4 201	18 616	-	-
Trade and other payables	14 028	-	-	-	-
	14 098	4 201	18 616	-	-

MATURITIES OF FINANCIAL LIABILITIES AS AT 31.12.2013

1 000 EUR	1.1.–31.3. 2014	1.4.–31.12. 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	-

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

1 000 EUR	Note	2014	2013
Loans and borrowings	14	22 452	26 420
Cash and cash equivalents	11	21 380	21 469
Net debt		1 071	4 950
Equity total		60 437	67 207
Total capital		61 508	72 157

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.

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.

An impairment of 7 423 thousand euro has been recognized on assets allocated to Sweden cash generating unit for the financial year ending 31 December 2014. The impairment is fully recognized on goodwill.

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. Additional information on long-term contracts is disclosed in note 18. Net sales.

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. Additional information on deferred taxes for accumulated losses is disclosed in note 15. Deferred tax assets and liabilities.

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. Additional information on provisions is disclosed in note 17. Provisions.

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 2014

1 000 EUR	Finland	Norway	Sweden	Denmark	Baltic	Other	Total
Segment revenue	50 564	25 028	19 985	12 038	19 032	3 669	**130 316**
Inter-segment revenue	1 106	511	116	595	1 626	3 669	**7 623**
Revenue from external customers	49 457	24 517	19 869	11 443	17 406	-	**122 693**
Depreciation and amortization	-307	-71	-55	-93	-207	-485	**-1 218**
Operational segment result	**5 441**	**1 966**	**304**	**865**	**2 944**	**-1 511**	**10 009**
IFRS3 amortization							**-1 753**
Impairment of goodwill							**-7 423**
Operating profit							**833**
Total assets	39 106	19 331	20 364	14 604	7 467	930	**101 801**
Total assets include:							
Trade receivables from external customers	10 683	4 810	5 235	2 393	2 368	-	**25 490**
Cash and cash equivalents	7 269	4 978	1 354	1 756	5 013	1 010	**21 380**
Additions to non-current assets (other than financial instruments and deferred assets)	262	30	7	44	101	296	**740**

THE SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

1 000 EUR	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 assets)	322	247	7	69	117	803	**1 566**

See note 7. more details on the impairment of goodwill in Sweden segment amounting to 7 423 thousand euro in 2014.

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 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

1 000 EUR	2014	2013
Operational segment result	10 009	10 251
IFRS3 amortization	-1 753	-1 989
Impairment of goodwill	-7 423	-
Finance costs – net	-563	-289
Profit before income tax	270	7 973

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

1 000 EUR	2014	2013
Segment assets for reportable segments	100 872	114 593
Other segments assets	930	1 188
Unallocated:		
Deferred tax	1 263	1 606
Current income tax receivable	393	615
Cash and cash equivalents	21 380	21 469
Total assets in the balance sheet	124 838	139 470

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

1 000 EUR	2014	2013
Information Management Solutions	114 008	123 608
Karttakeskus GIS business	11 868	12 239
Other	-3 183	-2 950
Total	122 693	132 896

6. PROPERTY, PLANT AND EQUIPMENT

1 000 EUR	Machinery and equipment	Other tangible assets	Total
Cost at 1 January 2014	9 033	107	9 139
Translation differences	-272	0	-272
Additions	580	2	582
Disposals	-399	-	-399
Cost at 31 December 2014	8 942	109	9 051
Accumulated depreciation and impairment at 1 January 2014	7 125	67	7 192
Translation differences	-251	0	-251
Disposals	-399	-	-399
Depreciation for the period	983	21	1 004
Accumulated depreciation and impairment at 31 December 2014	7 458	88	7 546
Carrying amount at 1 January 2014	1 908	39	1 947
Carrying amount at 31 December 2014	1 484	21	1 505

1 000 EUR	Machinery and equipment	Other tangible assets	Total
Cost at 1 January 2013	8 955	100	9 054
Translation differences	-430	0	-430
Additions	1 301	7	1 308
Disposals	-793	-	-793
Cost at 31 December 2013	9 033	107	9 139
Accumulated depreciation and impairment at 1 January 2013	7 296	47	7 343
Translation differences	-403	0	-403
Disposals	-793	-	-793
Depreciation for the period	1 025	21	1 045
Accumulated depreciation and impairment at 31 December 2013	7 125	67	7 192
Carrying amount at 1 January 2013	1 658	53	1 711
Carrying amount at 31 December 2013	1 908	39	1 947

7. GOODWILL AND INTANGIBLE ASSETS

1 000 EUR	Goodwill	Customer relationship	Trademark*	Cartographic content*	Other	Total other intangible assets
Cost at 1 January 2014	78 375	12 944	554	1 532	1 396	16 427
Translation differences	-2 164	-647	-	-	0	-647
Additions	-	-	-	-	157	157
Disposals	-	-	-	-	-16	-16
Cost at 31 December 2014	76 211	12 297	554	1 532	1 537	15 921
Accumulated amortization and impairment at 1 January 2014	6 208	12 047	279	945	1 083	14 355
Translation differences	-234	-640	-	-	0	-640
Disposals	-	-	-	-	-15	-15
Amortization for the period	0	891	276	587	215	1 968
Impairment	7 423	-	-	-	-	-
Accumulated amortization and impairment at 31 December 2014	13 397	12 297	554	1 532	1 283	15 667
Carrying amount at 1 January 2014	72 166	897	276	587	312	2 072
Carrying amount at 31 December 2014	62 814	-	-	-	254	254
Goodwill	62 814					
Other intangible assets	254					
Total intangible assets at 31 December 2014	63 068					

1 000 EUR	Goodwill	Customer relationship	Trademark	Cartographic content	Other	Total other intangible assets
Cost at 1 January 2013	80 859	13 715	554	1 532	1 224	17 025
Translation differences	-2 484	-770	-	-	-1	-771
Additions	-	-	-	-	258	258
Disposals	-	-	-	-	-86	-86
Cost at 31 December 2013	78 375	12 944	554	1 532	1 396	16 427
Accumulated amortization and impairment at 1 January 2013	6 208	10 876	224	843	985	12 928
Translation differences	0	-660	-	-	-1	-661
Disposals	-	-	-	-	-86	-86
Amortization for the period	0	1 832	55	102	184	2 173
Accumulated amortization and impairment at 31 December 2013	6 208	12 047	279	945	1 083	14 355
Carrying amount at 1 January 2013	74 651	2 839	331	689	239	4 098
Carrying amount at 31 December 2013	72 166	897	276	587	312	2 072
Goodwill	72 166					
Other intangible assets	2 072					
Total intangible assets at 31 December 2013	74 238					

*The amortization periods of trademark and cartographic content have been changed during year 2014 and the amortizations ended during 2014.

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

1 000 EUR	Goodwill	
	2014	2013
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	12 766	21 157
Norway		
Information Management Solutions	12 079	13 060
Denmark		
Information Management Solutions	10 456	10 436
	62 814	72 166

RECOGNISED IMPAIRMENT LOSSES

Impairment test for the cash-generating unit of Information Management Solutions Sweden has been performed also at 31 December 2014 and the recoverable amount has been compared with the carrying amount of the cash-generating unit. In this impairment test, an impairment of 7 423 thousand euro has been recognized on assets allocated to Sweden cash-generating unit for the financial year 2014. The impairment is fully recognized on goodwill. After the impairment, the carrying amount of goodwill allocated to Sweden unit is 12 766 thousand euro. Although Sweden's profitability has developed positively, there is still uncertainty regarding the pace of the development in Sweden. The impairment derives from the changes in the estimates of revenue and profit taken into account historical track record in the business estimates. During 2013 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 key assumptions when calculating the value-in-use are as follows: 1. profitability and 2. discount rate. 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 prepared by the business management and handled by the Board of Directors. 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
Over 1.2 – 1.5	Clearly above
Over 1.5	Substantially above

THE CASH-GENERATING UNITS OF AFFECTO GROUP AND TEST RESULTS AT 30 SEPTEMBER 2014 (EXCEPT SWEDEN 31 DECEMBER 2014)

1 000 EUR	Recoverable amount / Carrying amount	Test result
Finland		
Information Management Solutions	3.3	Substantially above
Karttakeskus GIS business	2.4	Substantially above
Baltic		
Information Management Solutions	3.9	Substantially above
Sweden		
Information Management Solutions	1.0	Test result 31 Dec 2014
Norway		
Information Management Solutions	3.0	Substantially above
Denmark		
Information Management Solutions	2.8	Substantially above

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

1 000 EUR	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 discount rates used in the calculations are shown in the table below at 30 September 2014 (except Sweden 31 December 2014) and at 30 September 2013.

Cash-generating unit	Discount rate (pre-tax) 2014	2013
Finland		
Information Management Solutions	9.0%	10.1%
Karttakeskus GIS business	9.1%	10.2%
Baltic		
Information Management Solutions	12.5%	12.4%
Sweden		
Information Management Solutions	9.0%	9.7%
Norway		
Information Management Solutions	10.7%	10.3%
Denmark		
Information Management Solutions	9.3%	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.

The most sensitive to movements in assumptions has been Information Management Solutions Sweden. The impairment test for the cash-generating unit of Information Management Solutions Sweden has been performed also at 31 December 2014 and the recoverable amount has been compared with the carrying amount of the cash-generating unit. The impairment of 7 423 thousand euro is fully recognized on goodwill. All unfavourable changes in the assumptions would cause a new need to record goodwill impairment.

8. VALUES OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

1 000 EUR	Note	Loans and receivables	Other financial liabilities	Total carrying amount
31.12.2014				
Financial assets				
Trade receivables and other receivables	10	25 950	-	25 950
Cash and cash equivalents	11	21 380	-	21 380
Total financial assets		47 331	-	47 331
Financial liabilities				
Loans from financial institutions	14	-	22 452	22 452
Trade payables and other payables	16	-	14 028	14 028
Total financial liabilities		-	36 480	36 480

1 000 EUR	Note	Loans and receivables	Other financial liabilities	Total carrying amount
31.12.2013				
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

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. 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.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

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.

9. INVENTORIES

1 000 EUR	2014	2013
Materials and supplies	25	69
Work in progress	8	35
Finished goods	459	518
Total	493	622

In 2014, the group recognised 45 thousand euro as a write-down on inventories (52 thousand euro).

10. TRADE AND OTHER RECEIVABLES

1 000 EUR	2014	2013
Non-current		
Other receivables	-	4
Total non-current	-	4
Current		
Trade receivables	25 490	27 422
Gross amount due from customers for contracts in progress	1 689	2 765
Prepayments	8 573	8 121
Accrued income	523	466
Other receivables	460	195
Total current	36 736	38 969
Total trade and other receivables	36 736	38 973

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

1 000 EUR	2014	2013
Not past due	19 859	21 779
Overdue between 1 and 30 days	4 350	5 027
Overdue between 31 and 120 days	818	585
Overdue more than 120 days	463	31
Total	25 490	27 422

11. CASH AND CASH EQUIVALENTS

1 000 EUR	2014	2013
Cash and cash equivalents	21 380	21 469
Total	21 380	21 469

The effective interest rate in cash and cash equivalents is 0.4% (0.7%).

12. NOTES TO EQUITY

	Number of shares	Share capital EUR 1 000	Number of treasury shares	Treasury shares EUR 1 000	Reserve of invested non-restricted equity EUR 1 000
1 January 2014	22 318 604	5 105	887 552	-2 165	47 448
Payments for share options	-	-	-	-	2
Exercise of share options	132 141	-	-	-	260
Treasury shares as compensation to the Board of Directors	-	-	-20 333	54	8
31 December 2014	22 450 745	5 105	867 219	-2 111	47 718
1 January 2013	21 543 068	5 105	901 427	-2 202	46 643
Payments 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 December 2013	22 318 604	5 105	887 552	-2 165	47 448

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 2014 and 2013 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 2014 and 2013 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 2014 the payment 2 thousand euro for option rights concerning option series 2013 are recorded in full in the reserve of invested non-restricted equity (2013: 52 thousand euro).

During the financial year 2014 the number of shares was increased two times corresponding to share subscriptions made with the options of the 2008 option program. The increases were made on 14 March 2014 (31 617 shares, 66 thousand euro) and 16 June 2014 (100 524 shares, 194 thousand euro). The combined share subscription price of 260 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 2013, the number of shares was increased four times corresponding to share subscriptions made with the options of the 2008 option program. The increases 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). The combined share subscription price of 729 thousand euro received by the company was recorded in the reserve of invested non-restricted equity.

TREASURY SHARES

In 2014 the company did not acquire any own shares. Based on the authorization of the Annual General Meeting 10 April 2014, the company has used 20 333 shares for the payment of Board members remuneration (2013: 13 875 shares). Affecto Management Oy, a fully owned subsidiary of Affecto Plc, has been merged into Affecto Plc on 31 December 2014. Due to the merger 823 000 shares in Affecto Plc owned by Affecto Management Oy have transferred into Affecto Plc's direct ownership. Treasury shares total 867 219 correspond to 3.9% of the total amount of the shares.

TRANSLATION DIFFERENCES

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

13. SHARE-BASED PAYMENTS

During financial year Affecto Plc had two share option programs: 2008 and 2013. The option program 2008 ended on 31 May 2014.

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 was 1 050 000. Of the share options, 300 000 had 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 share subscription period for share options symbol 2008C has expired at 31 May 2014. A total of 306 000 new shares were subscribed with the 2008B options and the expired options were 0.

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. In 2014 8 000 share options have been conveyed to key employees for the 0.24 eur/option issue price that was decided by the Board and in 2013 259 000 share options have been conveyed to key employees for the 0.20 eur/option issue price that was decided by the Board in 2013.

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
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 400 000 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

1 000 EUR	2014	2013
Share options	73	60
Other share-based payments	-	12
Total expense	73	72

THE MOVEMENTS IN THE NUMBER OF GRANTED OPTIONS

	2008B	2008C	2013	Total
Options outstanding 1 January 2014	-	132 141	259 000	391 141
Granted during the period	-	-	8 000	8 000
Forfeited during the period	-	-	48 000	48 000
Exercised during the period	-	132 141	-	132 141
Expired during the period	-	-	-	-
Options outstanding 31 December 2014	-	-	219 000	219 000
Options held by the company	-	-	181 000	181 000
Total number of options	-	-	400 000	400 000
Options exercisable 31 December 2014	-	-	-	-
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

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.

	2008B	2008C:1	2008C:2	2013:1	2013:2
Fair value of option at grant date	0.70	0.59	0.56	0.62	0.95
Grant date	31.8.2009	31.8.2010	30.10.2012	6.8.2013	27.1.2014
Number of outstanding options at 31 December, 2014	-	-	-	211 000	8 000
Exercise price	1.69	1.93	1.93	3.61	3.61
Share price at grant date	2.26	2.37	2.67	3.90	4.50
Expected volatility, %*	37.4%	36.0%	23.0%	25.0%	25.0%
Assumed forfeiture, %	10.0%	10.0%	10.0%	5.0%	5.0%
Expected option life (years)	3.0	3.0	1.6	3.0	2.5
Risk-free interest rate, %	1.98%	0.86%	0.60%	2.0%	2.0%

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

14. LOANS AND BORROWINGS

1 000 EUR	2014	2013
Loans and borrowings		
Loans from financial institutions, non-current portion	18 452	22 420
Loans from financial institutions, current portion	4 000	4 000
Total	22 452	26 420

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

1 000 EUR	2014	2013
2014	-	3 968
2015	3 968	3 968
2016	18 484	18 484
After 2016	-	-
Total	22 452	26 420

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

%	2014	2013
Loans from financial institutions	1.49	1.45

The interest-bearing liability of the group is nominated in euro and has floating interest rates.

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

1 000 EUR	1 January 2014	Charged to income statement	Translation difference	31 December 2014
Deferred tax assets				
Differences in tax and accounting depreciation differences	141	-49	-3	89
Tax losses carried forward	1 321	-226	-27	1 068
Other timing differences	152	-37	0	114
Total deferred tax assets	1 614	-312	-30	1 271
Deferred tax liabilities				
Fair value measurement (business combinations)	402	-392	-1	8
Expected profit distribution	95	45	0	140
Other timing differences	16	34	0	50
Total deferred tax liabilities	513	-313	-1	198

1 000 EUR	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

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.

1 000 EUR	2014	2013
Total deferred tax assets	1 271	1 614
Offset against deferred tax liabilities	-8	-8
Deferred tax assets on the balance sheet	1 263	1 606
Total deferred tax liabilities	198	513
Offset against deferred tax assets	-8	-8
Deferred tax liabilities on the balance sheet	190	505

Deferred tax assets are recognised for tax losses carry forward (Sweden and Lithuania) 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

1 000 EUR	2014	2013
Accumulated losses	705	845

Losses have incurred during 2010–2014 and mainly need to be utilized during the next five years (2015–2019).

16. TRADE AND OTHER PAYABLES

1 000 EUR	2014	2013
Current		
Financial liabilities carried at amortised acquisition cost		
Trade payables	8 148	9 006
Gross amount due to customers for contracts in progress	1 081	674
Advances received	13 034	12 064
Accrued expenses	12 110	14 745
Other liabilities	5 880	6 299
Total current	40 254	42 788
Total trade and other payables	40 254	42 788

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

17. PROVISIONS

1 000 EUR	Provisions
31 December 2013	638
Additions	701
Used during the year	-523
Reversed during the year	-238
31 December 2014	578

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

1 000 EUR	2014	2013
Contract revenue	14 766	17 546
Service revenue*	105 606	113 133
Revenue from sale of goods	2 321	2 218
Total	122 693	132 896

* 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 20.2 million euro (21.7 million euro). For all contracts in progress at the end of financial year, the advance payments were 19.5 million euro (19.5 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

1 000 EUR	2014	2013
Gains on disposal of non-current assets	0	1
Other	27	64
Total	27	65

There were no single material items in other operating income in 2014 and 2013.

20. MATERIALS AND SERVICES

1 000 EUR	2014	2013
Materials and services		
Purchases	8 218	9 023
Change in inventories	44	-4
External services	18 298	20 933
Total	26 560	29 952

External services comprise purchases from subcontractors and maintenance purchases.

21. PERSONNEL EXPENSES

1 000 EUR	2014	2013
Wages and salaries	54 052	59 108
Social security expenses	7 331	8 266
Pension expenses – Defined contribution plans	6 174	6 586
Share-based payments	73	72
Total	67 630	74 031

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

	2014	2013
Finland	417	419
Norway	105	126
Sweden	136	141
Denmark	67	69
Baltic	305	317
Other	10	10
Total	1 041	1 081

22. DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHANGES

1 000 EUR	2014	2013
Depreciation of property, plant and equipment		
Machinery and equipment	983	1 025
Other tangible assets	21	21
	1 004	1 045
Amortization of intangible assets		
Customer relationship	891	1 832
Trademark	276	55
Cartographic content	587	102
Other intangible assets	215	184
	1 968	2 173
Total depreciation and amortization	2 971	3 219
Impairment		
Goodwill	7 423	-

See note 7. for more details on the impairment of goodwill in Sweden segment amounting to 7 423 thousand euro. During 2013 no impairment losses were recognised.

23. OTHER OPERATING EXPENSES

1 000 EUR	2014	2013
Other personnel related expenses	6 686	7 153
Premises	5 437	5 467
IT	1 682	1 628
Professional services	1 442	1 573
Marketing	1 444	1 573
Other	530	409
Total	17 221	17 803

Research and development expenses of 331 thousand euro (22 thousand euro) are charged to the income statement.

During the financial year 2014, the group has received government grants from the EU amounting to 355 thousand euro (356 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

1 000 EUR	2014	2013
Financial income		
Interest income	68	123
Other financial income	-	132
Exchange gains	-	54
	68	309
Financial expenses		
Interest expenses on bank borrowings	380	428
Other financial expense	69	170
Exchange losses	181	-
	631	598
Net financial expenses	563	289

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

1 000 EUR	2014	2013
Net sales	20	22
Materials and services	-29	-9
Other operating expenses	-35	16
Financial items	-181	54
Total	-225	83

25. INCOME TAX EXPENSE

COMPONENTS OF TAX EXPENSES

1 000 EUR	2014	2013
Current tax expense	1 944	3 119
Adjustments recognised for current tax of prior periods	-80	-137
Change in deferred taxes	-3	-569
Effect of changes in Finland's tax rate	-	-7
Total	1 861	2 407

RECONCILIATION OF TAX EXPENSE

1 000 EUR	2014	2013
Profit before taxes	270	7 973
Tax calculated at 20% (2013: 24.5%)	54	1 953
Differences in tax rates in other countries	8	11
Income not subject to tax	-14	-33
Expense not deductible for tax purposes	276	160
Impairment of goodwill	1 485	-
Taxes paid on dividends	118	275
Unrecognised deferred tax assets on losses	1	104
Recognition of tax effect previously unrecognised tax losses	-31	-17
Change in deferred taxes, expected profit distribution	45	97
Change in deferred taxes – change in Finland's tax rate	-	-7
Prior year tax expense	-80	-137
Income tax expense	1 861	2 407

Tax rate used in the calculation of deferred taxes changed in the previous year: Finland from 24.5% to 20% and Norway from 28% to 27%.

26. EARNINGS PER SHARE

BASIC

Basic earnings per share is calculated by dividing the profit / loss 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.

1 000 EUR	2014	2013
Profit / loss attributable to owners of the parent company	-1 591	5 493
Weighted average number of ordinary shares in issue during financial year (thousands)	21 519	20 906
Basic earnings per share (euro per share)	-0.07	0.26

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 2014 and 2013 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.

1 000 EUR	2014	2013
Profit /loss attributable to owners of the parent company	-1 591	5 493
Diluted weighted average number of ordinary shares in issue during financial year (thousands)	21 519	21 013
Diluted earnings per share (euro per share)	-0,07	0,26

27. DIVIDEND DISTRIBUTION

The dividends paid in 2014 were 3 434 thousand euro (0.16 euro per share). The dividends paid in 2013 were 3 444 thousand euro (0.16 euro per share).

28. RELATED PARTY TRANSACTIONS

The key management of the group is considered as related parties which mainly 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

1 000 EUR	2014	2013
Salaries and other short-term employee benefits	2 312	2 017
Post-employment benefits	283	288
Termination benefits	80	85
Share-based payments	3	6
Total	2 678	2 395

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

Number of options	2014	2013
2008B	-	-
2008C	-	40 500
2013	8 000	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:

1 000 EUR	2014	2013
CEO and the Board of Directors::		
Pekka Eloholma, CEO until 31 December 2013 *	-	403
Juko Hakala, CEO from 8 September 2014	236	-
Lars Wahlström, CEO from 1 January to 7 September 2014	165	-
Board of Directors:		
Aaro Cantell, Chairman of the Board	39	40
Magdalena Persson, Member of the Board from 9 April 2013	23	22
Jukka Ruuska, Member of the Board	31	31
Olof Sand, Member of the Board from 9 April 2013	22	22
Tuija Soanjärvi, Member of the Board	23	23
Lars Wahlström, Member of the Board	22	23
CEO and the Board of Directors	559	564

*The CEO's remuneration includes termination benefit 108 thousand euro in 2013.

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 74 thousand euro in year 2014 (2013: 73 thousand euro).

RELATED PARTY TRANSACTIONS

Purchases from the entity that are controlled by key management personnel of the group were 3 thousand euro during the financial year 2014 (2013: 5 thousand euro).

LOANS TO RELATED PARTIES:

LOANS TO KEY MANAGEMENT OF THE GROUP

1 000 EUR	2014	2013
1 January	-	1 624
Accrued interest	-	36
Amortisations during the year	-	-1 659
31 December	-	-

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. In this arrangement Affecto Plc received 823 000 own shares through Affecto Management Oy as well as the company's loan receivable 1.5 million euro. Affecto Management Oy has been merged into Affecto Plc on 31 December 2014.

29. AUDIT FEES

1 000 EUR	2014	2013
KPMG		
Audit	135	135
Tax advisory	22	45
Other services	50	68
Total	207	249

Other		
Tax advisory	-	5
Other services	1	3
Total	1	8

Audit fees have been reported on an accrual basis.

30. SUBSIDIARIES AS AT 31 DECEMBER 2014

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

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%) and Affecto Management Oy has been merged into Affecto Plc on 31 December 2014.

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 2014 includes office premise expenses of 3.5 million euro (2013: 3.4 million euro).

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

1 000 EUR	2014	2013
Not later than 1 year	3 333	3 675
Over 1 year and not later than 5 years	3 421	3 719
Over 5 years	-	-
Total	6 755	7 394

GUARANTEES GIVEN

1 000 EUR	2014	2013
Liabilities secured by a mortgage		
Bank borrowings	22 500	26 500

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

1 000 EUR	2014	2013
Pledges	33	36
Other guarantees	2 118	2 836

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.

DISPUTES AND LITIGATIONS

The group' subsidiary has received 0.8 million euro claim for damages, which the company has been disputed because the company's opinion is that the claim is without merit. No provision or contingent liability has been booked in connection with this claim in arbitration process.

32. EVENTS AFTER THE BALANCE SHEET DATE

Hellen Wohlin Lidgard, the country manager for Sweden, has resigned from Affecto in January 2015 to be an entrepreneur. She will continue as the country manager until July 2015 at the latest.

33. PROPOSAL OF PROFIT DISTRIBUTION

Distributable funds of the group parent company on 31 December 2014 are 60 434 767.73 euros, of which the distributable profit is 16 940 906.97 euros. Board of Directors proposes that from the financial year 2014 a dividend of 0.16 euros per share will be paid, a total of 3 453 364.16 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.

34. CALCULATION OF KEY FIGURES

EBITDA	=	Earnings before interest, taxes, depreciation, amortization and impairment losses	
EBITDA, % of net sales	=	Earnings before interest, taxes, depreciation, amortization and impairment losses / Net sales	x 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	=	Operating profit / Net sales	x 100
Profit before income taxes, % of net sales	=	Profit before income taxes / Net sales	x 100
Profit attributable to owners of the parent company, % of net sales	=	Profit attributable to owners of the parent company / Net sales	x 100
Return on equity, %	=	Profit / Total equity	x 100
Return on capital employed, %	=	Profit + interest expenses and other financial expenses / Total assets – non-interest-bearing liabilities	x 100
Equity ratio, %	=	Total equity / Total assets – advance payments	x 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	=	Gross investment / Net sales	x 100
Gearing, %	=	Interest-bearing liabilities – cash and cash equivalents / Total equity	x 100
Interest-bearing net debt	=	Interest-bearing liabilities – cash and cash equivalents	
Earnings per share (EPS)	=	Profit attributable to owners of the parent company / Weighted average number of ordinary shares in issue during the financial year	
Equity per share	=	Total equity / Adjusted number of the shares at the end of the financial year	
Dividend per share	=	Dividend for the financial year / Adjusted number of the shares at the end of the financial year	
Dividend per earnings, %	=	Dividend per share / Earnings per share	x 100
Effective yield, %	=	Adjusted dividend per share / Adjusted share price at balance sheet date	x 100
P/E ratio	=	Adjusted share price at balance sheet date / 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

1 000 EUR	Note	1 Jan – 31 Dec 2014	1 Jan – 31 Dec 2013
Net sales	5	**6 036**	5 363
Other operating income		**8**	29
Material and services			
External services		**2 241**	1 222
		2 241	1 222
Personnel expenses			
Wages and salaries		**1 426**	1 408
Social security expenses			
Pension expenses		**236**	239
Other social security expenses		**43**	42
		1 704	1 690
Depreciation, amortization and impairment changes			
Depreciation and amortization according to plan	10	**1 955**	362
Other operating expenses		**2 986**	3 195
Operating loss		**-2 843**	-1 077
Financial income and expenses			
Dividend income		**4 167**	5 773
Interest income and other financial income		**385**	526
Impairment of financial assets		**-10 908**	-3 125
Interest expenses and other financial expenses		**-960**	-962
		-7 316	2 211
Profit/loss before extraordinary items		**-10 159**	1 135
Extraordinary items			
Group contribution	9	**4 100**	5 300
Profit / loss before appropriations and income tax		**-6 059**	6 435
Income taxes	12	**-450**	-778
Profit /loss for the financial year		**-6 509**	5 657

Parent company balance sheet

1 000 EUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets			
Intangible rights	13	**168**	261
Property, plant and equipment			
Machinery and equipment	13	**462**	559
Investments			
Shares in subsidiaries	14	**89 897**	102 833
Total non-current assets		**90 527**	103 652
Current assets			
Receivables			
Long-term			
Receivables from group companies, non-current		**2 162**	2 162
Deferred taxes		**23**	15
	15	**2 184**	2 177
Short-term			
Trade receivables		**-**	25
Receivables from group companies	16	**5 137**	6 725
Other receivables		**11**	25
Prepaid expenses and accrued income	17	**378**	319
		5 526	7 094
Cash and cash equivalents		**1 010**	1 291
Total current assets		**8 720**	10 562
Total assets		**99 247**	114 214
EQUITY AND LIABILITIES			
Equity			
Share capital		**5 105**	5 105
Reserve of invested non-restricted equity		**43 494**	43 224
Retained earnings		**23 449**	23 300
Profit for the year		**-6 509**	5 657
Total equity	18	**65 540**	77 286
Liabilities			
Non-current liabilities			
Loans from credit institutions	21	**18 500**	22 500
Current liabilities			
Loans from credit institutions	21	**4 000**	4 000
Trade payables		**253**	367
Payables to group companies	22	**10 533**	8 823
Other liabilities		**41**	116
Accrued expenses	23	**380**	1 122
		15 207	14 428
Total liabilities		**33 707**	36 928
Total shareholders' equity and liabilities		**99 247**	114 214

Parent company cash flow statement

1 000 EUR	1 Jan – 31 Dec 2014	1 Jan – 31 Dec 2013
Cash flows from operating activities		
Profit/loss before extraordinary items	**-10 159**	1 135
Adjustments:		
Depreciation and amortisation	**1 955**	362
Unrealised foreign exchange wins and losses	**119**	-45
Impairment	**10 908**	3 125
Financial income and expenses	**-3 712**	-5 292
Other adjustments	**-2**	62
Cash flow before change in working capital	**-891**	-652
Change in working capital:		
Increase (-) / decrease (+) in current non interest-bearing receivables	**-133**	96
Increase (+) / decrease (-) in current non interest-bearing liabilities	**-112**	168
Cash flows from operating activities before financial items and taxes	**-1 136**	-389
Interest paid and payments for other financial expenses, related to operations	**-607**	-656
Dividends received from operations	**3 407**	4 349
Interest received from operations	**25**	138
Income taxes paid	**-1 158**	-794
Net cash generated from operating activities	**531**	2 648
Cash flows from investing activities		
Investments in intangible assets and property, plant and equipment	**-296**	-805
Investment in subsidiary	**8**	-30
Net cash generated from investing activities	**-288**	-834
Cash flows from financing activities		
Proceeds from issuance of share capital against payments (share options)	**262**	781
Dividends paid	**-3 566**	-3 444
Repayment of current loan receivables	**-596**	-737
Proceeds from current borrowings	**3 665**	500
Repayment of non-current borrowings	**-4 000**	-4 000
Group contribution	**3 600**	5 300
Net cash generated from financing activities	**-635**	-1 601
Change in cash and cash equivalents	**-392**	213
Cash and cash equivalents at beginning of year	**1 291**	1 078
Change in cash (merger of Affecto Management)	**111**	-
Cash and cash equivalents at end of year	**1 010**	1 291

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 to 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.

NOTES TO THE INCOME STATEMENT AND BALANCE SHEET OF PARENT COMPANY

5. NET SALES BY BUSINESS AREA

1 000 EUR	2014	2013
Information Management Solutions, group companies	2 259	1 175
Intra group revenue	3 777	4 188
Total	6 036	5 363

6. AVERAGE NUMBER OF EMPLOYEES

	2014	2013
Full-time employees	10	9
Part-time employees	0	1
Total	10	10

7. NUMBER OF EMPLOYEES AT THE END OF YEAR

	2014	2013
Full-time employees	9	10
Part-time employees	0	1
Total	9	11

8. KEY MANAGEMENT COMPENSATION

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

1 000 EUR	2014	2013
CEO	401	403
Members of the Board	158	161
CEO and the Board of Directors	559	564

The remuneration of the members of the Board and the CEO has been specified in the note 28 to the consolidated financial statements. The CEO's remuneration included termination benefit 108 thousand euro in 2013.

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 74 thousand euro in year 2014 (2013: 73 thousand euro).

9. EXTRAORDINARY ITEMS

A group contribution of 4 100 thousand euro (5 300 thousand euro) received from Affecto Finland Oy and Karttakeskus Oy is included in the extraordinary items.

10. DEPRECIATION AND AMORTISATION ACCORDING TO PLAN

1 000 EUR	2014	2013
Intangible rights	180	140
Goodwill	1 470	-
Machinery and equipment	305	222
Total	1 955	362

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

11. AUDIT FEES

1 000 EUR	2014	2013
Audit fee	21	18
Tax advisory	4	6
Other fees	11	21
Total	37	45

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

12. INCOME TAXES

1 000 EUR	2014	2013
Tax on extraordinary items	820	1 299
Current tax	-368	-367
Adjustment to prior year taxes	-7	-163
Change in untaxed reserves	-7	1
Tax at source from foreign dividend	12	9
Total	450	778

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

13. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

1 000 EUR	2014	2013
Software		
Cost at 1 January	829	611
Additions	88	295
Disposals	-1	-77
Cost at 31 December	915	829
Accumulated amortisation at 1 January	569	434
Disposals	-1	-6
Amortisation for the year	180	140
Accumulated amortisation at 31 December	748	569
Carrying amount at 31 December	168	261

1 000 EUR	2014	2013
Machinery and equipment		
Cost at 1 January	1 033	480
Additions	208	579
Disposals	-30	-26
Cost at 31 December	1 211	1 033
Accumulated amortisation at 1 January	474	278
Disposals	-30	-26
Amortisation for the year	305	222
Accumulated amortisation at 31 December	749	474
Carrying amount at 31 December	462	559

14. SHARES IN SUBSIDIARIES

1 000 EUR	Ownership	2014	2013	Country
Affecto Finland Oy, Helsinki	100%	23 845	23 845	Finland
Karttakeskus Oy, Helsinki	100%	7 332	7 332	Finland
Affecto Lietuva UAB	100%	5 340	5 340	Lithuania
Affecto Securities Oy, Helsinki	100%	3	3	Finland
Affecto Sweden AB	100%	10 317	21 225	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 Technlology 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, Helsinki	100%	-	2 028	Finland
Shares in subsidiaries total		89 897	102 833	

In 2014, an impairment loss of 10 908 thousand euro has been recognised on shares in Affecto Sweden AB to adjust the carrying value to equal fair value.

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.

Affecto Management Oy, a fully owned subsidiary of Affecto Plc, has been merged into Affecto Plc on 31 December 2014. In 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%).

15. NON-CURRENT RECEIVABLES

1 000 EUR	2014	2013
Loan receivables from group companies	2 162	2 162
Deferred taxes	23	15
Total	2 184	2 177

16. RECEIVABLES FROM GROUP COMPANIES

1 000 EUR	2014	2013
Trade receivables	261	64
Other receivables	4 876	6 661
Total	5 137	6 725

17. PREPAID EXPENSES AND ACCRUED INCOME

1 000 EUR	2014	2013
Receivables on personnel costs	1	0
Current income tax receivables	89	-
Advances on purchase invoices	289	311
Other receivables	-	7
Total	378	319

18. CHANGES IN EQUITY

1 000 EUR	2014	2013
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	43 224	40 561
Payments for share options	2	52
Exercise of share options	260	729
Treasury shares as compensation to the Board of Directors	8	24
Affecto Management Oy's shares through a share swap	-	1 857
Reserve of invested non-restricted equity at 31 December	43 494	43 224
Retained earnings at 1 January	28 957	26 707
Dividends paid	-3 566	-3 444
Acquisition of treasury shares	-1 996	-
Treasury shares as compensation to the Board of Directors	54	37
Retained earnings at 31 December	23 449	23 300
Profit / loss for the year	-6 509	5 657
Non-restricted equity at 31 December	60 435	72 181
Total equity at 31 December	65 540	77 286

	Number of shares
1 January 2014	22 318 604
31 December 2014	22 450 745

Affecto Management Oy, a fully owned subsidiary of Affecto Plc, has been merged into Affecto Plc on 31 December 2014. Due to merger 823 000 shares in Affecto Plc owned by Affecto Management Oy have transferred into Affecto Plc's direct ownership. In 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 20 333 shares for the payment of Board members remuneration in 2014. At the end of 2014 the company had 867 219 own shares. At the end of 2013 the company had 64 552 own shares.

In 2014 a total of 132 141 shares have been subscribed with the 2008C stock options. In 2013 a total of 384 076 shares have been subscribed with the 2008B and 2008C stock options.

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19. THE AUTHORIZATION GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting of Affecto Plc, which was held on 10 April 2014, 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 9 April 2013. The authorisation shall be in force until the next Annual General Meeting, however, not longer than until 30 June 2015.

20. CALCULATION OF DISTRIBUTABLE FUNDS

Parent company's distributable funds are:

1 000 EUR	2014	2013
Retained earnings	23 449	23 300
Profit / loss for the year	-6 509	5 657
Reserve of invested non-restricted equity	43 494	43 224
Total distributable funds	60 435	72 181

21. LOANS FROM CREDIT INSTITUTIONS

1 000 EUR	2014	2013
Loans from credit institutions at 1 January	26 500	30 500
Changes during the year:		
Repayment of loans	-4 000	-4 000
Loans frorm credit institutions at 31 December	22 500	26 500
Repayment schedule:		
Year 2014	-	4 000
Year 2015	4 000	4 000
Year 2016	18 500	18 500
Year 2017	-	-
Total	22 500	26 500

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.

22. PAYABLES TO GROUP COMPANIES

1 000 EUR	2014	2013
Trade payables	297	97
Other payables	10 236	8 727
Total	10 533	8 823

23. ACCRUED EXPENSES

1 000 EUR	2014	2013
Personnel costs	317	425
Income tax payable	-	618
Other	64	79
Total	380	1 122

24. 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

1 000 EUR	2014	2013
Not later than 1 year	49	34
Later than 1 year and not later than 5 years	44	17
Total	93	51

GUARANTEES

1 000 EUR	2014	2013
Liabilities secured by a mortgage:		
Loans from financial institutions	22 500	26 500
Credit facility (5 000 000 euro), not used	-	-
Bank guarantee facility (2 500 000 euro)	232	486
The value of securities given:		
Mortgages	52 500	52 500
Shares given as a security (carrying amount)	50 816	50 816

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:

1 000 EUR	
Lessor	Max. commitment
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	53
PEDAB Group AB	1 065
LeasePlan Sverige AB	19

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 2014 the company's share capital consisted of 22 450 745 shares and the share capital was EUR 5 104 956.30. The share has no nominal par value.

The company owns 867 219 treasury shares.

OPTION PROGRAM 2008

The option program 2008 ended on 31 May 2014.

In total 542 817 options were used for share subscription in 2012-2014.

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 2014 a total of 219 000 options had been conveyed to key employees for the 0.20 or 0.24 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 2014, the subscription price was 3.61 eur.

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 20 333 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.

INFORMATION ABOUT SHARE TRADING

Trading with the company's shares in the NasdaqOMX Helsinki commenced in 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 2 987 owners on 31 December 2014 and the foreign ownership was 15 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 2014:

- 21 May 2014: Ownership of Evli Pankki and funds managed by Evli Rahastoyhtiö decreased below 5 percent
- 17 October 2014: Ownership of Mika Laine decreased below 5 percent
- 17 October 2014: Ownership of Lombard International Assurance S.A. exceeded 5 percent

Trading code (ticker).	AFE1V	
ISIN code	FI0009013312	
Highest price in 2014	4.62	eur
Lowest price in 2014	2.80	eur
Closing price at 31 Dec 2014	2.93	eur
Market capitalization 31 Dec 2014	63 239 731	eur
Trading volume 1 Jan – 31 Dec 2014	18 207 460	shares
Average price 1 Jan – 31 Dec 2014	3.12	eur
Trading volume, % of shares	26	%
Number of shares 31 Dec 2014	22 450 745	shares
Number of shares excl. the treasury shares	21 583 526	shares

Share price 2012–2014, eur

Largest registered shareholders 31 December 2014

		Shares	%
1	Cantell Oy	2 283 176	10.2
2	Lombard International Assurance S.A.	1 453 400	6.5
3	Danske Invest Finnish Small Cap Fund	1 452 422	6.5
4	Säästöpankki Kotimaa Mutual Fund	1 305 500	5.8
5	OP-Finland Small Cap Fund	1 086 858	4.8
6	Evli Finnish Small Cap Fund	1 051 284	4.7
7	Ilmarinen	888 461	4.0
8	Taaleritehdas Finland Value Equity Fund	800 000	3.6
9	OP-Finland Arvo Fund	761 884	3.4
10	State Pension Fund	600 000	2.7
11	Seb Finland Small Cap Fund	465 419	2.1
12	EQ Nordic Small Cap Fund	420 000	1.9
13	Arvo Finland Value Fund	417 591	1.9
14	Nordea Bank	415 313	1.8
15	Säästöpankki Small Cap Fund	394 228	1.8
16	4capes Oy	314 640	1.4
17	Varma	310 000	1.4
18	Central Church Fund	253 440	1.1
19	Nordea Finnish Small Cap Fund	215 000	1.0
20	Op-Delta Fund	193 650	0.9
	Top 20 together	15 082 266	67.2
	Nominee registered	1 248 458	5.6
	Treasury shares	867 219	3.9
	Other shareholders	5 252 802	22.9
	Total number of shares	22 450 745	100.0

Distribution of shares 31 December 2014

	Owners		Shares	
	No.	%	No.	%
1–100	453	15	30 476	0
101–500	1205	40	373 619	2
501–1 000	568	19	473 946	2
1 001–5 000	574	19	1 303 340	6
5 001–10 000	84	3	620 891	3
10 001–50 000	67	2	1 493 723	7
50 001–100 000	9	0	609 768	3
100 001–500 000	15	1	4 194 770	19
500 001–1 000 000	6	0	4 717 572	21
1 000 001–	6	0	8 632 640	38
Total	2 987	100	22 450 745	100

Owners by sectors 31 December 2014

	Owners		Shares	
	No.	%	No.	%
Non-financial corp. and housing corp.	164	5	7 316 319	33
Financial and insurance corporations	17	1	5 967 894	27
General government	4	0	1 829 961	8
Households	2 759	92	3 590 073	16
Non-profit institutions	8	0	320 128	1
Foreign owners (registered)	28	1	2 177 912	10
Nominee registered	7	0	1 248 458	6
Total	2 987	100	22 450 745	100

Board's dividend proposal

Distributable funds of the group parent company on 31 December 2014 are 60 434 767.73 euros, of which the distributable profit is 16 940 906.97 euros. Board of Directors proposes that from the financial year 2014 a dividend of 0.16 euros per share will be paid, a total of 3 453 364.16 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.

In Helsinki, 12. February 2015

Aaro Cantell
Chairman of the Board

Magdalena Persson

Jukka Ruuska

Olof Sand

Tuija Soanjärvi

Lars Wahlström

Juko Hakala
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, 2014. 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 2015
KPMG OY AB

REINO TIKKANEN
Authorized Public Accountant

Affecto Plc's 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: http://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 reportable segments of the group in 2014.

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 2014 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.

In 2014 Cantell Oy, Danske Invest Suomen Pienyhtiöt Fund and Säästöpankki Kotimaa Fund have appointed Aaro Cantell, Chairman of Affecto's Board of Directors, Tuomas Virtala, Head of Danske Capital Finland, and Petteri Vaarnanen, Head of asset management in SP-Rahastoyhtiö, as members of the Nomination Committee. Lombard International Assurance S.A. did not appoint a member.

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 2014, 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 2014 is shown in the table below:

	Position	Board	Audit committee	Nomination and compensation committee
Aaro Cantell	chairman	14/15	1/4	-
Jukka Ruuska	vice chairman	15/15	-	2/2
Magdalena Persson	member	13/15	4/4	-
Olof Sand	member	14/15	-	2/2
Tuija Soanjärvi	member	14/15	4/4	-
Lars Wahlström	member	15/15	-	1/2

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 2014 the Board of Directors comprised the following members: Aaro Cantell (chairman), Jukka Ruuska (vice chairman), Magdalena Persson, Olof Sand, Tuija Soanjärvi and Lars Wahlström.

Other board members are independent of the company except Lars Wahlström who worked as interim CEO from 1 January to 7 September 2014 and Aaro Cantell who has been a non-executive director for more than 12 consecutive years. Magdalena Persson, Jukka Ruuska, Olof Sand and Tuija 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 CEO of Interflora AB. Earlier she has worked in various management positions at e.g. Microsoft, Mando Group, SamSari 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, 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 during 1.1.–7.9.2014. Wahlström is the General partner at Value Builder Europe AB. 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 2014, attendance level was 75%.

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 2 times in 2014, attendance level was 83%.

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.

Lars Wahlström (b.1959) is a member of the Board of Directors since 2011 and was the interim CEO 1.1.–7.9.2014.

Juko Hakala is Affecto's CEO since 8 September 2014. He has previously served in various management positions at Accenture since 1998, latest as managing director at Accenture Digital in the Nordic countries. Earlier he has been responsible for Accenture Technology Strategy and Accenture Infrastructure Outsourcing units in the Nordic countries, and he has also built the Strategic IT unit in Finland.

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 2015 the Executive Management Team comprised the following members: Juko Hakala (Chief Executive Officer), Satu Kankare (Chief Financial Officer), Håvard Ellefsen (Country Manager, Norway & Core capabilities development), Claus Kruse (Country Manager, Denmark & Sales process development), René Lykkeskov (Business development), Stig-Göran Sandberg (Country Manager, Finland and Area Director, Baltic & Executive Vice President with group-level responsibility for deliveries and delivery process) and Hellen Wohlin Lidgard (Country Manager, Sweden). Julius Manni (Country Manager, Finland and group-level responsibility for talent development) will start in the position latest during March 2015.

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 organization 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 and segment management have monthly meetings including a review of business operations and financial position.

Group management with the subsidiaries' management teams organise 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 10 April 2014 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 2014 consolidated financial statements include audit fees of 135 thousand Euros paid to KPMG as well as 72 thousand Euros in advisory fees.

Ernst & Young Oy will be proposed to be elected as auditor in the Annual General Meeting in April 2015.

COMPENSATION SYSTEM

Affecto Plc has prepared the Remuneration Statement in accordance with recommendation 47 of the Finnish Corporate Governance Code.

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 2014, the group paid approximately 5.1 million euros as performance-related salaries and bonuses to 753 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 sales, 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 Meeting held in 2013 has decided on option program for long-term binding and compensation. The option program is 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, and the group does not have supplementary pension agreements.

Notice period and termination payment
The CEO's employment contract prescribes a six month period of notice which applies to both parties. The CEO's employment contract does not contain any separate conditions relating to the payment of salary during the period of notice.

CEO's remuneration
Juko Hakala is the CEO since 8 September 2014. Hakala's salary and fringe benefits amounted to a total of 86 thousand euros and his bonus (signing fee) for year 2014 was 150 thousand euros. In 2015 the CEO's annual bonus will be dependent on the profit, growth and evolution of the group.

Lars Wahlström, a board member, served as the interim CEO during 1 January – 7 September 2014. His fixed salary was 20 000 euros per month and he had no variable salary component.

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 August 2014 so that 60% of the remuneration were paid in cash and 40% were paid in the company's shares by conveying 20 333 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:

1 000 EUR	2014	2013	2012
Eloholma Pekka, CEO until 31 December 2013	-	403*	314
Hakala Juko, CEO from 8 September 2014	236	-	-
Wahlström Lars, CEO from 1 January to 7 September 2014	165	-	-
Cantell Aaro, Chairman of the Board	39	40	51
Lehmusto Heikki, Member of the Board	-	-	30
Persson Magdalena, Member of the Board	23	22	-
Ruuska Jukka, vice chairman of the Board	31	31	41
Sand Olof, Member of the Board	22	22	-
Skaarer Haakon, Member of the Board	-	-	30
Soanjärvi Tuija, Member of the Board	23	23	30
Wahlström Lars, Member of the Board	22	23	29

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

Board of Directors

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: 2 300 414

Magdalena Persson

b. 1971, Lic.Econ.

Interflora AB, CEO

Board member since 2013
Shares: 4 773

Jukka Ruuska

b. 1961, LL.M., MBA

Asiaskastieto Oy, CEO

Vice-chairman of the Board,
Board member since 2010
Shares: 19 811

Olof Sand

b. 1963, engineer

Anticimex AB, CEO

Board member since 2013
Shares: 4 773

Tuija Soanjärvi

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

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

Board member since 2011
Shares: 7 783

Lars Wahlström

b. 1959, Bus.Adm.

Value Builder Europe AB, General partner
Interim CEO of Affecto Plc 1.1.-7.9.2014

Board member since 2011
Shares: 16 144

* Holdings of the shares and options on 31 December 2014. The figures include the holdings of their own, underage children and entities under their control.

Management

Juko Hakala

CEO 8.9.2014-
b. 1970, M.Sc.(Econ.)

Shares: 20 250
Options: -

Satu Kankare

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

Shares: -
Options: -

Håvard Ellefsen

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

Shares: 37 183
Options: -

Claus Kruse

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

Shares: 21 707
Options: -

René Lykkeskov

Chief Strategy Officer
b. 1964, GDBA

Shares: 16 712
Options: -

Julius Manni

Country Director, Finland
Group-level talent development
b. 1978, M.Sc.(Econ.)

Shares: -
Options: -

Stig-Göran Sandberg

Area Director, Baltic
Executive Vice President, Group-level deliveries and delivery processes
b. 1957, M.Sc.(Comp.Sci.)

Shares: 150 962
Options: -

Hellen Wohlin Lidgard

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

Shares: 19 300
Options: -

Hakala, Kankare, Ellefsen, Kruse, Lykkeskov, Manni, 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 Wednesday 8 April 2015 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 2014 and that dividend is paid on 20 April 2015.

DIVIDEND POLICY
Dividend policy is to pay approximately half of the profit as dividend. The company may deviate from this policy due to the needs of business development and growth.

FINANCIAL INFORMATION 2015
Interim reports will be published
January – March on 29 April 2015
January – June on 3 August 2015 and
January – September on 29 October 2015

INVESTOR RELATIONS
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Senior Vice President, M&A, IR
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