

Affecto

2015

*Financial Statements*



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# REPORT OF THE BOARD OF DIRECTORS

## NET SALES

Affecto's net sales in 2015 were 116.0 MEUR (2014: 122.7 MEUR). Net sales in Finland were 49.5 MEUR (50.6 MEUR), in Norway 21.1 MEUR (25.0 MEUR), in Sweden 18.2 MEUR (20.0 MEUR), in Denmark 11.3 MEUR (12.0 MEUR) and 20.1 MEUR (19.0 MEUR) in Baltic.

Net sales of Information Management Solutions business were 107.9 MEUR (114.0 MEUR) and net sales of Karttakeskus GIS business were 12.2 MEUR (11.9 MEUR). The order backlog increased to 50.7 MEUR (49.6 MEUR).

## PROFIT

Affecto's operating profit was 7.5 MEUR (0.8 MEUR) and the operational segment result was 7.5 MEUR (10.0 MEUR). Operational segment result was in Finland 3.5 MEUR (5.4 MEUR), in Norway 1.5 MEUR (2.0 MEUR), in Sweden 0.7 MEUR (0.3 MEUR), in Denmark 0.4 MEUR (0.9 MEUR) and in Baltic 3.9 MEUR (2.9 MEUR).

Operational segment result was 7.5 MEUR (10.0 MEUR). Profitability in Baltic was 20% (15%), Finland 7% (11%), Norway 7% (8%), Sweden 4% (2%) and Denmark 3% (7%). In Sweden the profitability improved towards the end of the year and in Baltic the high profitability was driven by high utilization. In Finland the profitability was impacted by the restructuring expense provision of approximately 0.8 MEUR with respect to the conclusion of the personnel negotiations in Q3. The Company's results were also negatively affected by the non-recurring item of 1.0 MEUR related to the fraud incident presented in the Other segment.

R&D costs totaled 0.5 MEUR (0.3 MEUR), i.e. 0.4% of net sales (0.3%). These costs have been recognized as an expense in the income statement.

Taxes corresponding to the profit of the period have been entered as tax expense. Net profit for the period was 5.9 MEUR, while it was -1.6 MEUR last year.

## FINANCE AND INVESTMENTS

At the end of the reporting period Affecto's balance sheet totaled 120.3 MEUR (12/2014: 124.8 MEUR). Equity ratio was 58.5% (54.6%) and net gearing was -6.2% (1.8%).

The financial loans were 18.5 MEUR (22.5 MEUR) at the end of reporting period. The Company's cash and liquid assets were 22.4 MEUR (21.4 MEUR). The interest-bearing net debt was -3.9 MEUR (1.1 MEUR).

At the end of the reporting period the Company had existing loans of 18.5 MEUR. The existing loans will be re-financed by the end of Q2/16.

Cash flow from operating activities for the reported period was 9.3 MEUR (8.3 MEUR) and cash flow from investing activities was -0.6 MEUR (-0.7 MEUR). Investments in tangible and intangible assets were 0.6 MEUR (0.7 MEUR).

The Annual General Meeting held in April 2015 decided to distribute a dividend of 3.5 MEUR (3.6 MEUR).

## EMPLOYEES

The number of employees was 985 (1 028) persons at the end of the reporting period. 398 (426) employees were based in Finland, 102 (93) in Norway, 106 (129) in Sweden, 64 (68) in Denmark and 315 (312) in the Baltic countries. The average number of employees during the period was 1010 (1041). Wages and salaries were 52.1 MEUR (54.1 MEUR in 2014, 59.1 MEUR in 2013).

Affecto concluded personnel negotiations in Finland with respect to Karttakeskus Oy and Affecto Finland Oy during the third quarter. As a conclusion of the employee negotiations Affecto reduced approximately 30 positions. In relation to the conclusion of the employee negotiations Affecto made restructuring expense provision of approximately 0.8 MEUR in Q3/2015.

## BUSINESS DEVELOPMENT ACTIONS

In February, Affecto published an update to its strategic direction and defined five themes to steer the direction of its business. This strategic direction is based on the observation that digital transformation is changing the world and that the line between the physical and digital worlds is blurring. Traditional industries and business models are challenged, as new entrants introduce novel digital business models or established entities cross over to new areas. Central to these changes is the progressively growing use of information and analytics to make better decisions and to automate decision making. Analytics is the home ground of Affecto.

Actions were taken during the H1 to convert the new direction into operational changes. Evolution meetings practice with employees were implemented in order to activate and continually involve everyone for being part of the change in line with the strategic direction. Recruitment of people with new business-technology-hybrid skills was performed both from inside and outside Affecto. Affecto received direct positive feedback from customers on the increased focus on industry knowledge and customer value oriented solutions created in the day-to-day services. Development of capabilities in design, user interface and usability solutions were intensified especially in the Nordic countries.

Affecto launched the Affecto Industrial growth program during the first quarter of 2015. The program focuses on developing IoT and analytics capabilities for manufacturing, technology, energy and process industries. During the second quarter the Company conducted discussions with new customers in Finland, Sweden and Denmark and in the third quarter established a team of professionals in the field of advanced analytics. During the third quarter the Company also started prototype services to concretize the applications of the Internet of Things, soft sensors and machine learning for the customers. Finally, in the fourth quarter Affecto started several new prototypes and delivered solutions leveraging real-time big data applications of augmented reality. The Company has also started addressing a wider market with the new capabilities. This has been well

received by markets in Finland, Denmark, Sweden and Lithuania. The new capabilities are also boosting Affecto's core business by creating new value and new services around the existing customer solutions. Value to Affecto's customers has been proven by prototypes while net sales from the growth program has been minor during 2015.

Affecto launched a B2C growth program during the third quarter of 2015. Under this program, the Company builds new business value for its customers through advanced behavioral & video analytics, machine learning and consumer 360° analytics capabilities. Focus industries are consumer goods, retail, media, telecoms, and healthcare. During the year 2015, the Company has produced prototypes validating the business value potential of emerging technologies such as video analytics in retail consumer context. During the fourth quarter Affecto developed and validated the business value proposition of behavioral analytics with retail industry customers. The value proposition includes video analytics, wifi analytics, and beacon technologies. Value to Affecto's customers is being verified by prototypes while net sales from the growth program has been minor during 2015.

## BUSINESS REVIEW BY AREAS

The group's business is managed through five reportable segments: Finland, Norway, Sweden, Denmark and Baltic.

The net sales in Finland decreased by 2% to 49.5 MEUR (50.6 MEUR). Operational segment result was 3.5 MEUR (5.4 MEUR) and profitability was 7% (11%). Declining sales trend impacted the utilization rate and thus the profitability in the beginning of the year. In Q3, sales focus actions were initiated and the restructuring actions were completed. In Q4, Affecto signed several new customer contracts, the major one with Finnish broadcasting company Yle with respect to the maintenance and development of Yle's Internet services. 2015 order intake decreased slightly and order backlog is below last year's level.

The net sales of Karttakeskus GIS business, reported as part of Finland, increased by 3% to 12.2 MEUR (11.9 MEUR). As a major Q3 win, Karttakeskus continues to operate the Land Parcel Authentication system in Finland for year 2016–2018. Karttakeskus also lost some important contracts during Q2 and Q3. During 2015, the focus area of Karttakeskus has been shifting more strongly to the location applications and to the digitalization of the traditional product business.

In Finland, the Company sees a growing market and increased competition in new business technology & analytics areas. New digital channels and sensor & cloud technologies, combined with increased awareness of the business potential in analytics, create a new type of business demand across industries. There is also slow development of demand in the traditional IT market and customers are more price sensitive as many established IT services and solutions are being commoditized.

The net sales in Norway were 21.1 MEUR (25.0 MEUR) and operational segment result was 1.5 MEUR (2.0 MEUR). Net sales decreased by 16% and profitability was 7% (8%). Affecto's net sales and order intake were negatively impacted by the weakening NOK. Postponed customer projects and investment into new skills in Q3 resulted into weak profitability. In Q4 the postponed customer projects were started which led into improved utilization and consulting revenue. However, at the same time the licence revenue weakened and the license sales in 2015 were weak as compared to 2014. The order intake weakened but the order backlog remains above last year's level.

The net sales in Sweden were 18.2 MEUR (20.0 MEUR) and operational segment result 0.7 MEUR (0.3 MEUR). Net sales decreased by 9% and the profitability was 4% (2%). Affecto conducted recovery actions in Sweden throughout the year 2015. High people churn in the beginning of the year as well as weak sales impacted the profitability in Q3. Continued recovery actions and improved sales in Q4 helped to improve the operational segment result compared to 2014. In Q4, Affecto signed several new customer contracts, the major ones with a Swedish Bank. Order intake was below and order backlog was above last year's level.

The net sales in Denmark were 11.3 MEUR (12.0 MEUR) and operational segment result was 0.4 MEUR (0.9 MEUR). Net sales decreased by 6%. Profitability decreased to 3% (7%). Weaker consulting revenue in the beginning of the year, combined with reduced license sales resulted into lower profitability in Q1–3. During the year Affecto started and progressed with recovery actions, including alignment of customer and industry focus. Improved sales performance in H2 resulted into higher revenue and profitability in Q4. In Q4, Affecto signed several new customer contracts, the major ones with a Danish Pharmaceutical company. Both order intake and order backlog were above last year's level.

Across the Scandinavian markets, the Company sees a growing interest in the new business technologies & analytics, as well as an improvement in demand for traditional BI solutions and Master Data Management.

The net sales in Baltic (Lithuania, Latvia, Estonia, Poland, South Africa) were 20.1 MEUR (19.0 MEUR). Operational segment result was 3.9 MEUR (2.9 MEUR). Net sales increased by 6% and profitability increased to 20% (15%). Key insurance business projects were completed during 2015 and the related revenue and profitability returned towards normalized level by the end of the year. Estonia performed well throughout the year and the good performance continued into Q4. Baltics based near-shoring business was increased across all markets. Order intake and order backlog were below last year's level.

The Company sees that Estonian market demand continues strong while Lithuanian market is neutral. Insurance market demand continues to be influenced by e.g. weakening ZAR in the South African part of business.

## ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting of Affecto Plc, held on 8 April 2015, adopted the financial statements for 1.1.–31.12.2014 and discharged the members of the Board of Directors and the CEO from liability. Approximately 48 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 2014.

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 elected Aaro Cantell as Chairman and Olof Sand as Vice-Chairman. Authorised Public Accountants Ernst & Young Oy was elected as the auditor of the Company with Mikko Järven-tausta, APA, as auditor in charge.

The Meeting approved the Board's proposal for appointing a Shareholders' Nomination Committee to prepare proposals concerning members of the Board of Directors and their remunerations for the following Annual General Meeting. The Nomination Committee consists 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. On 26 November 2015, the Company announced that 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 use its right to appoint a member.

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 the year 2015. The Corporate Governance Statement will be issued separately from the report of the board of directors and it will be available on the Company's website.

## THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The complete contents of the new authorizations given by the Annual General Meeting held on 8 April 2015 have been published by stock exchange release regarding the Meetings' decisions. Key facts about the authorizations:

The Annual General Meeting authorized 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 is in force until the next Annual General Meeting.

The Annual General Meeting authorized 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 is in force until the next Annual General Meeting. Based on the authorization a total of 20 984 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.

## SHARES AND TRADING

2013 options have been listed on NASDAQ Helsinki since 11 May 2015. During the review period no shares have been subscribed with the 2013 options.

On 13 August 2015 Affecto conducted a directed share issue of 20 984 shares to the board members. The directed share issue was conducted using the treasury shares and it was based on the resolution of the Annual General Meeting according to which 40 per cent of the annual Board remuneration will be paid in Company shares during August 2015.

The Company has one share series and all shares have similar rights. At the end of the review period the total number of shares was 22 450 745 shares. The Company held 846 235 shares in the treasury which represents approximately 3.8% of the total amount of the shares.

During the review period the highest share price was 3.84 euro, the lowest price 2.64 euro, the average price 3.14 euro and the closing price 2.95 euro. The trading volume was 4.3 million shares, corresponding to 20% (annualised) of the number of shares at the end of the period. The market value of shares was 63.7 MEUR at the end of the period excluding the treasury shares.

## SHAREHOLDERS

The Company had a total of 3 750 shareholders on 31 December 2015 and the foreign ownership was 14%. The list of the largest owners is available at the Company's web site. Information about the ownership structure and option programs is included as a separate section in the financial statements. The shareholding of the board members, CEO and their controlled corporations totaled approximately 10.7%.

## ASSESSMENT OF RISKS AND UNCERTAINTIES

The markets where Affecto operates are going through change. Historically, Affecto has concentrated on the traditional IT market solutions, demand for which has moderated. However, at the same time there is growing market in new business technology & analytics. There is a risk as well as an opportunity with respect to the speed of which Affecto is able to develop the new emerging areas in proportion to the traditional areas

Affecto's success depends also on good customer relationships. Affecto has a diverse customer base. In 2015, the largest customer generated approximately 2% and the 10 largest customers together approximately 18% of Affecto's net sales. Although none of the customers is critically large for the whole group, there are large customers in various countries that are significant for local business in the relevant country. On the other hand, the diverse customer base may decrease the effectiveness of the sales & delivery efforts and overall agility of the company.

Affecto also needs to be seen as an interesting employer in order to recruit and retain skilled employees. It is important for Affecto to be seen as an employer our employees can be proud of. High people churn may create inefficiencies in the business and temporarily decrease the utilization rate.

The changes in the general economic conditions and the operating environment of customers have direct impact on Affecto's markets. The uncertain economic outlook may affect Affecto's customers negatively. Slower IT investment decision making and uncertainty on new investments with respect to new business technology solutions may have negative impact on Affecto. Affecto's order backlog has traditionally been only a few months long. Slower decision making of the customers decreases the predictability of the business and may decrease the utilization rate.

Affecto sells third party software licenses and maintenance as part of its solutions. Typically, the license sales have the highest 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 approximately 7 MEUR in 2015.

The Company recognizes that the risks of frauds and cyber security threats have increased. The Company aims to mitigate the increased risks with internal controls, IT-security, training, awareness and security minded culture.

Approximately 35% of Affecto's net sales are generated in Sweden and Norway, thus the development of the currencies of these countries (SEK and NOK) may have an impact on Affecto's profitability. The main part of the companies' income and costs are within the same currency, which decreases the risks. In addition, the Company also has business in South Africa and therefore the development of the South African Rand (ZAR) may

also affect the business environment in South Africa and thus the Company's business.

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 the reported profit and value of assets.

## OTHER EVENTS

On 21 August 2015, Affecto announced that it has become a target of a fraud. The perpetrators committed an identity theft and managed to induce Affecto's subsidiary making an unwarranted payment of approximately 1.0 MEUR. The loss of 1.0 MEUR has been booked as a non-recurring item. The Company is not able to reclaim the lost amount via its insurance coverage.

## EVENTS AFTER THE REVIEW PERIOD

M.Sc. (Econ.) Martti Nurminen, 36, started as the Chief Financial Officer of Affecto and member of the Leadership Team in January 2016.

On 25 January 2016, the Company announced the proposals of Affecto Shareholders' Nomination Committee to the Annual General Meeting. According to the proposal, all the current Board members would continue in the Board of Directors and their remuneration would remain the same as in 2015.

## DIVIDEND PROPOSAL

Distributable funds of the group parent company on 31 December 2015 are 60 067 173.40 euros, of which the distributable profit is 16 559 615.51 euros. Board of Directors proposes that from the financial year 2015 a dividend of 0.16 euros per share will be paid, a total of 3 456 721.60 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

Affecto expects its net sales to stay at the same level or grow slightly and its operating profit to grow in 2016.

The company does not provide an exact quarterly guidance for revenue or operating profit 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	2011	2012	2013	2014	2015
Net sales	127 270	133 400	132 896	122 693	<b>116 026</b>
EBITDA	11 608	13 808	11 481	11 227	<b>8 565</b>
EBITDA, % of net sales	9.1	10.4	8.6	9.2	<b>7.4</b>
Operating profit	8 182	10 451	8 262	833	<b>7 475</b>
Operating profit, % of net sales	6.4	7.8	6.2	0.7	<b>6.4</b>
Profit before income taxes	7 087	10 042	7 973	270	<b>7 479</b>
Profit before income taxes, % of net sales	5.6	7.5	6.0	0.2	<b>6.4</b>
Profit attributable to owners of the parent company	5 328	7 552	5 493	-1 591	<b>5 894</b>
Profit attributable to owners of the parent company, % of net sales	4.2	5.7	4.1	-1.3	<b>5.1</b>
Return on equity, %	9.1	11.9	8.3	-2.5	<b>9.6</b>
Return on capital employed, %	7.5	9.1	6.4	-1.1	<b>7.6</b>
Equity ratio, %	46.1	50.6	53.0	54.6	<b>58.5</b>
Gross investment in non-current assets	1 416	1 008	1 566	740	<b>566</b>
Gross investment, % of net sales	1.1	0.8	1.2	0.6	<b>0.5</b>
Order backlog	57 110	61 359	48 682	49 645	<b>50 672</b>
Number of employees, average during the year	1 011	1 089	1 081	1 041	<b>1 010</b>
Gearing, %	27.1	15.8	7.4	1.8	<b>-6.2</b>
Interest-bearing net debt	16 391	10 621	4 950	1 071	<b>-3 891</b>
KEY RATIOS PER SHARE					
Earnings per share (EPS), basic	0.26	0.37	0.26	-0.07	<b>0.27</b>
Earnings per share, diluted	0.25	0.36	0.26	-0.07	<b>0.27</b>
Equity per share	2.91	3.24	3.14	2.80	<b>2.88</b>
Dividend per share	0.11	0.16	0.16	0.16	<b>0.16*</b>
Dividend per earnings, %	42.7	43.7	60.9	neg.	<b>58.6</b>
Effective yield, %	4.7	5.4	3.5	5.5	<b>5.4</b>
P/E ratio	9.2	8.1	17.4	neg.	<b>10.8</b>
Market capitalization	50 779	63 321	101 701	63 240	<b>63 733</b>
Share value, EUR					
Lowest price	2.00	2.39	2.98	2.80	<b>2.64</b>
Highest price	2.97	3.00	4.80	4.62	<b>3.84</b>
Average price	2.46	2.73	4.01	3.12	<b>3.14</b>
Closing price	2.36	2.95	4.57	2.93	<b>2.95</b>
Trading volume					
1000 shares	8 846	4 859	6 225	5 839	<b>4 304</b>
%	43	24	29	27	<b>20</b>
Weighted average numbers of shares	20 693 468	20 641 763	20 905 671	21 519 037	<b>21 591 632</b>
Number of shares at end of year	20 693 468	20 641 641	21 431 052	21 583 526	<b>21 604 510</b>

\*Board's proposal on 19.2.2016



# CONSOLIDATED INCOME STATEMENT

1 000 EUR	Note	1.1.–31.12.2015	1.1.–31.12.2014
<b>Net sales</b>	18	<b>116 026</b>	122 693
Other operating income	19	<b>22</b>	27
Changes in inventories of finished goods and work in progress		<b>-195</b>	-83
Materials and services	20	<b>-23 978</b>	-26 560
Personnel expenses	21	<b>-64 957</b>	-67 630
Depreciation and amortization	22	<b>-1 089</b>	-2 971
Impairment	22	<b>-</b>	-7 423
Other operating expenses	23	<b>-18 352</b>	-17 221
<b>Operating profit</b>		<b>7 475</b>	833
Financial income		<b>341</b>	68
Financial expenses		<b>-337</b>	-631
Net financial expenses	24	<b>4</b>	-563
<b>Profit before income tax</b>		<b>7 479</b>	270
Income tax expense	25	<b>-1 585</b>	-1 861
<b>Profit / loss for the year</b>		<b>5 894</b>	-1 591
<b>Attributable to:</b>			
Owners of the parent company		<b>5 894</b>	-1 591
<b>Earnings per share for profit / loss attributable to the owners of the parent company (euro per share)</b>			
Basic	26	<b>0.27</b>	-0.07
Diluted	26	<b>0.27</b>	-0.07

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
<b>Profit / loss for the year</b>	<b>5 894</b>	-1 591
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to the statement of income:		
Translation difference	<b>-649</b>	-2 141
<b>Total comprehensive income for the year</b>	<b>5 245</b>	-3 732
<b>Total comprehensive income attributable to</b>		
Owners of the parent company	<b>5 245</b>	-3 732

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



# CONSOLIDATED BALANCE SHEET

1 000 EUR	Note	31.12.2015	31.12.2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1 095	1 505
Goodwill	7	62 367	62 814
Other intangible assets	7	132	254
Deferred tax assets	15	976	1 263
Trade and other receivables	10	242	-
		<b>64 813</b>	65 836
<b>Current assets</b>			
Inventories	9	300	493
Trade and other receivables	10	32 067	36 736
Current income tax receivables		778	393
Cash and cash equivalents	11	22 375	21 380
		<b>55 520</b>	59 002
<b>Total assets</b>		<b>120 333</b>	124 838
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent company</b>			
Share capital	12	5 105	5 105
Reserve of invested non-restricted equity	12, 13	47 731	47 718
Other reserves	13	858	835
Treasury shares	12	-2 056	-2 111
Translation differences	12	-4 919	-4 269
Retained earnings		15 599	13 159
<b>Total equity</b>		<b>62 319</b>	60 437
<b>Non-current liabilities</b>			
Loans and borrowings	14	-	18 452
Deferred tax liabilities	15	177	190
		<b>177</b>	18 642
<b>Current liabilities</b>			
Loans and borrowings	14	18 484	4 000
Trade and other payables	16	38 476	40 254
Current income tax liabilities		420	927
Provisions	17	456	578
		<b>57 836</b>	45 759
<b>Total liabilities</b>		<b>58 013</b>	64 401
<b>Equity and liabilities</b>		<b>120 333</b>	124 838

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

# CONSOLIDATED CASH FLOW STATEMENT

1 000 EUR	Note	1.1.–31.12.2015	1.1.–31.12.2014
<b>Cash flows from operating activities</b>			
Profit /loss for the year		5 894	-1 591
Adjustments for:			
Taxes	25	1 585	1 861
Depreciation, amortization and impairment charges	22	1 089	10 394
Other non-cash income and expenses		-105	242
Financial income	24	-50	-68
Financial expense	24	337	450
Gain/loss on the sale of property, plant and equipment and intangible assets		-6	0
		8 744	11 287
Change in working capital			
Decrease (+)/ increase (-) in trade and other receivables		4 169	1 714
Decrease (+)/ increase (-) in inventories		193	129
Decrease (-)/ increase (+) in trade and other payables		-1 413	-1 495
Change in working capital		2 949	348
Interest and other financial cost paid		-305	-418
Interest and other financial income received		50	68
Income taxes paid		-2 107	-2 946
<b>Net cash from operating activities</b>		<b>9 332</b>	<b>8 339</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	6	-522	-582
Acquisition of intangible assets	7	-44	-157
Proceeds from sale of property, plant and equipment and intangible assets		6	1
<b>Net cash from investing activities</b>		<b>-561</b>	<b>-739</b>
<b>Cash flows from financing activities</b>			
Repayments of non-current borrowings	14	-4 000	-4 000
Proceeds from share options exercised	12	-	262
Dividends paid to the owners of the parent company	27	-3 453	-3 434
<b>Net cash from financing activities</b>		<b>-7 453</b>	<b>-7 172</b>
<b>Change in cash and cash equivalents</b>		<b>1 318</b>	<b>429</b>
Cash and cash equivalents at beginning of the year	11	21 380	21 469
Exchange rate differences		-324	-518
<b>Cash and cash equivalents at end of the year</b>	11	<b>22 375</b>	<b>21 380</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the parent company								
1 000 EUR	Note	Share capital	Other reserves	Reserve of invested non-restricted equity	Treasury shares	Translation difference	Retained earning	Total equity
<b>Equity at 1.1.2015</b>		<b>5 105</b>	<b>835</b>	<b>47 718</b>	<b>-2 111</b>	<b>-4 269</b>	<b>13 159</b>	<b>60 437</b>
Profit / loss for the year							5 894	5 894
Translation differences						-649		-649
<b>Total comprehensive income for the year</b>						<b>-649</b>	<b>5 894</b>	<b>5 245</b>
Share-based payments	13		23					23
Treasury shares as compensation to the Board of Directors	12			14	55			68
Dividends paid	27						-3 453	-3 453
<b>Equity at 31.12.2015</b>		<b>5 105</b>	<b>858</b>	<b>47 731</b>	<b>-2 056</b>	<b>-4 919</b>	<b>15 599</b>	<b>62 319</b>

Equity attributable to owners of the parent company								
1 000 EUR	Note	Share capital	Other reserves	Reserve of invested non-restricted equity	Treasury shares	Translation difference	Retained earning	Total equity
<b>Equity at 1.1.2014</b>		<b>5 105</b>	<b>763</b>	<b>47 448</b>	<b>-2 165</b>	<b>-2 128</b>	<b>18 184</b>	<b>67 207</b>
Profit / loss for the year							-1 591	-1 591
Translation differences						-2 141		-2 141
<b>Total comprehensive income for the year</b>						<b>-2 141</b>	<b>-1 591</b>	<b>-3 732</b>
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
<b>Equity at 31.12.2014</b>		<b>5 105</b>	<b>835</b>	<b>47 718</b>	<b>-2 111</b>	<b>-4 269</b>	<b>13 159</b>	<b>60 437</b>

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 values 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 approximately 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](http://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 19 February 2016. According to the Finnish Limited Liability Companies Act shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.

## 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 2015. 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 2015 the following new and amended standards that have come into effect 2015 .

- Annual improvements to IFRSs 2010–2012 cycle and 2011–2013 cycle (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. Their impacts vary standard by standard but have had no significant 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 2015 and 2014 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.

### 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 tan-

gible 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 (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).

In 2014 Intangible assets also included trademarks, customer relationships and cartographic content, which have been arisen from fair value adjustments made in business combinations. The amortizations ended during 2014.

## 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 2015 and 2014.

### Loans and receivables

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

## Impairment of financial assets

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

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

## CASH AND CASH EQUIVALENTS

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

## LOANS AND BORROWINGS

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

## DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The group does not apply the hedge accounting 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 derivative financial instruments at the balance sheet date 2015 and 2014.

## 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.

## 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 2016 or later. The group has not early adopted these standards. The group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018): New standard includes a five-step guidance for revenue recognition arising from contracts with customers and replaces existing IAS 18 Revenue, IAS 11 Construction Contracts standards and interpretations. The Group is currently assessing the impact of IFRS 15 to revenue recognition related to licenses and long-term contracts. The standard has not yet been endorsed for use by the European Union.
- IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018): New standard 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. The Group is assessing the impact of IFRS 9. The standard has not yet been endorsed for use by the European Union.
- New IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2019): IFRS 16 replaces the existing guidance in IAS 17 Leases. IFRS 16 requires lessees to recognise most leases on their balance sheet. The group assess that the standard will have a significant effect on the group's consolidated financial statements. 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.

- Amendment to IAS 1 *Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016). The amendments clarify existing requirements of IAS 1 regarding to materiality, aggregation and presentation of financial statements and disclosure requirements. 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 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.

#### Transaction risk

Transaction risk arises from cash flows that are denominated in currency that is not the entity's functional currency. The group is exposed to exchange risks through intra-company trade as well as through the funding of foreign subsidiaries. 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		2015			
		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	13 056	90	3 264	-60	-2 176
SEK/EUR	11 580	113	2 895	-75	-1 930

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

\* 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 18.5 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 215 thousand euro (pre-tax) in 2015. A respective decrease of 1 percentage point in the reference rate would have decreased the annual interest payment by 215 thousand euro (pre-tax) in 2015. According to the current terms, the loan from financial institution will be due in June 2016. The company has started the negotiations regarding to the loan renewal.

**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. The credit losses and reversals of previously recognised bad debts have been recognised as expense of 136 thousand euro (income of 18 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 2015. As at 31 December 2015 the group had cash and cash equivalents amounting to 22.4 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 31.12.2015**

1 000 EUR	1.1.-31.3. 2016	1.4.-31.12. 2016	2017	2018	After 2018
Loans from financial institutions (incl. interest)	46	18 546	-	-	-
Trade and other payables	13 849	-	-	-	-
	13 895	18 546	-	-	-

**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	-	-

**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	2015	2014
Loans and borrowings	14	18 484	22 452
Cash and cash equivalents	11	22 375	21 380
Net debt		-3 891	1 071
Equity total		62 319	60 437
Total capital		58 428	61 508

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 was 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. The group has not combined operating segments to form the reportable segments mentioned above. 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 2015

1 000 EUR	Finland	Norway	Sweden	Denmark	Baltic	Other	Total
Segment revenue	49 539	21 068	18 219	11 297	20 128	4 070	<b>124 322</b>
Inter-segment revenue	916	474	271	958	1 608	4 070	<b>8 296</b>
Revenue from external customers	48 624	20 593	17 948	10 340	18 520	-	<b>116 026</b>
Depreciation and amortization	-274	-66	-18	-94	-189	-449	<b>-1 089</b>
<b>Operational segment result</b>	<b>3 528</b>	<b>1 451</b>	<b>718</b>	<b>355</b>	<b>3 930</b>	<b>-2 507</b>	<b>7 475</b>
<b>Operating profit</b>							<b>7 475</b>
Total assets	38 392	17 464	18 615	14 322	6 908	503	<b>96 203</b>
Total assets include:							
Trade receivables from external customers	10 434	3 277	2 941	2 376	2 023	-	<b>21 050</b>
Cash and cash equivalents	7 306	4 407	2 960	1 692	5 347	664	<b>22 375</b>
Additions to non-current assets (other than financial instruments and deferred assets)	218	54	-	46	102	146	<b>566</b>

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

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 IFRS 3 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	2015	2014
Operational segment result	7 475	10 009
IFRS 3 amortization	-	-1 753
Impairment of goodwill	-	-7 423
Finance costs - net	4	-563
Profit before income tax	7 479	270

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	2015	2014
Segment assets for reportable segments	95 700	100 872
Other segments assets	503	930
Unallocated:		
Deferred tax	976	1 263
Current income tax receivable	778	393
Cash and cash equivalents	22 375	21 380
Total assets in the balance sheet	120 333	124 838

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	2015	2014
Information Management Solutions	107 887	114 008
Karttakeskus GIS business	12 201	11 868
Other	-4 062	-3 183
Total	116 026	122 693

**6. PROPERTY, PLANT AND EQUIPMENT**

1 000 EUR	Machinery and equipment	Other tangible assets	Total
Cost at 1 January 2015	8 942	109	9 051
Translation differences	-156	0	-157
Additions	522	-	522
Disposals	-524	-	-524
Cost at 31 December 2015	8 784	109	8 893
Accumulated depreciation and impairment at 1 January 2015	7 458	88	7 546
Translation differences	-149	0	-150
Disposals	-523	-	-523
Depreciation for the period	903	21	924
Accumulated depreciation and impairment at 31 December 2015	7 689	108	7 797
Carrying amount at 1 January 2015	1 484	21	1 505
Carrying amount at 31 December 2015	1 095	0	1 095

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

## 7. GOODWILL AND INTANGIBLE ASSETS

1 000 EUR	Goodwill	Customer relationship	Trademark *	Cartographic content *	Other	Total other intangible assets
Cost at 1 January 2015	76 211	12 297	554	1 532	1 537	15 921
Translation differences	-288	-109	-	-	0	-109
Additions	-	-	-	-	44	44
Disposals	-	-	-	-	-150	-150
Cost at 31 December 2015	75 923	12 189	554	1 532	1 431	15 706
Accumulated amortization and impairment at 1 January 2015	13 397	12 297	554	1 532	1 283	15 667
Translation differences	159	-109	-	-	0	-109
Disposals	-	-	-	-	-150	-150
Amortization for the period	0	-	-	-	166	166
Accumulated amortization and impairment at 31 December 2015	13 556	12 189	554	1 532	1 299	15 574
Carrying amount at 1 January 2015	62 814	-	-	-	254	254
Carrying amount at 31 December 2015	62 367	-	-	-	132	132
Goodwill	62 367					
Other intangible assets	132					
Total intangible assets at 31 December 2015	62 499					

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					

\* 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 considered to generate cash inflows independent of each other. The cash-generating units are: Finland Information Management Solutions, Finland Karttakeskus GIS business, Norway Information Management Solutions, Sweden Information Management Solutions, Denmark Information Management Solutions and Baltic Information Management Solutions.

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

1 000 EUR	Goodwill	
	2015	2014
<b>Finland</b>		
Information Management Solutions	18 286	18 286
Karttakeskus GIS business	5 807	5 807
<b>Baltic</b>		
Information Management Solutions	3 420	3 420
<b>Sweden</b>		
Information Management Solutions	13 049	12 766
<b>Norway</b>		
Information Management Solutions	11 374	12 079
<b>Denmark</b>		
Information Management Solutions	10 432	10 456
	62 367	62 814

## RECOGNISED IMPAIRMENT LOSSES

During 2015 no impairment losses were recognised on goodwill or intangible assets.

During the financial year 2014, an impairment of 7 423 thousand euro has been recognized on assets allocated to Sweden cash-generating unit, the impairment was fully recognized on goodwill. The impairment was derived from the changes in the estimates of revenue and profit taken into account historical track record in the business estimates.

## 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 forecasts for the subsequent five 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 forecasts 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 2015 (EXCEPT SWEDEN 31 DECEMBER 2015 AND  
DENMARK 31 DECEMBER 2015)**

1 000 EUR	Recoverable amount /Carrying amount	Test result
<b>Finland</b>		
Information Management Solutions	2.6	Substantially above
Karttakeskus GIS business	2.1	Substantially above
<b>Baltic</b>		
Information Management Solutions	5.5	Substantially above
<b>Sweden</b>		
Information Management Solutions	1.3	Test result 31 Dec 2015, Clearly above
<b>Norway</b>		
Information Management Solutions	2.2	Substantially above
<b>Denmark</b>		
Information Management Solutions	1.2	Test result 31 Dec 2015, Clearly 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
<b>Finland</b>		
Information Management Solutions	3.3	Substantially above
Karttakeskus GIS business	2.4	Substantially above
<b>Baltic</b>		
Information Management Solutions	3.9	Substantially above
<b>Sweden</b>		
Information Management Solutions	1.0	Test result 31 Dec 2014
<b>Norway</b>		
Information Management Solutions	3.0	Substantially above
<b>Denmark</b>		
Information Management Solutions	2.8	Substantially above

The discount rates used in the calculations are shown in the table below at 30 September 2015 (except Sweden 31 December 2015 and Denmark 31 December 2015) and at 30 September 2014 (except Sweden 31 December 2014).

Cash-generating unit	Discount rate (pre-tax)	
	30.9.2015	30.9.2014
<b>Finland</b>		
Information Management Solutions	10.0%	9.0%
Karttakeskus GIS business	10.1%	9.1%
<b>Baltic</b>		
Information Management Solutions	12.0%	12.5%
<b>Sweden</b>		
Information Management Solutions	10.3%	9.0%
<b>Norway</b>		
Information Management Solutions	11.9%	10.7%
<b>Denmark</b>		
Information Management Solutions	10.7%	9.3%

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 have been Information Management Solutions Sweden and Denmark. In these cash-generating units a reasonable possible change in a key assumption results in a situation where the carrying amount of the cash-generating unit exceeds its recoverable amount. The impairment test for the cash-generating unit of Information Management Solutions Sweden and Denmark have been performed also at 31 December 2015 and the recoverable amount has been compared with the carrying amount of the cash-generating unit. When assessing the magnitude of the required change in a key assumption, possible multiplicative effects on other assumptions affecting the recoverable amount or simultaneous changes in other assumptions have not been taken into account.

Cash-generating unit	Recoverable amount/ Carrying value	Key assumption	Required change in order for carrying amount to exceed the recoverable amount
Information Management Solutions, Sweden	1.3	- Discount rate (10.3%) - Long-term profitability will not be materially lower than the estimated level	-Discount rate 2.5 percentage points higher -Average long-term profitability in relation to the net sales 1.2 percentage points lower than forecast
Information Management Solutions, Denmark	1.2	- Discount rate (10.7%) - Long-term profitability will not be materially lower than the estimated level	-Discount rate 2.3 percentage points higher -Average long-term profitability in relation to the net sales 1.1 percentage points lower than forecast

## 8. VALUES OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

1 000 EUR	Note	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
31.12.2015					
Financial assets					
Trade receivables and other receivables	10	21 323	-	21 323	21 323
Cash and cash equivalents	11	22 375	-	22 375	22 375
Total financial assets		43 698	-	43 698	43 698
Financial liabilities					
Loans from financial institutions	14	-	18 484	18 484	18 484
Trade payables and other payables	16	-	13 849	13 849	13 849
Total financial liabilities		-	32 333	32 333	32 333

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

## FAIR VALUE ESTIMATION

### FINANCIAL ASSETS AND FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

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.

The financial assets and liabilities have been presented according to the following fair value measurement hierarchy if there will be such items:

- 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.

## 9. INVENTORIES

1 000 EUR	2015	2014
Materials and supplies	29	25
Work in progress	17	8
Finished goods	254	459
Total	300	493

In 2015, the group recognised 19 thousand euro as a write-down on inventories (45 thousand euro).

## 10. TRADE AND OTHER RECEIVABLES

1 000 EUR	2015	2014
Non-current		
Trade receivables	152	-
Other receivables	90	-
Total non-current	242	-
Current		
Trade receivables	20 898	25 490
Gross amount due from customers for contracts in progress	1 425	1 689
Prepayments	8 908	8 573
Accrued income	653	523
Other receivables	183	460
Total current	32 067	36 736
Total trade and other receivables	32 309	36 736

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	2015	2014
Not past due	17 445	19 859
Overdue between 1 and 30 days	3 368	4 350
Overdue between 31 and 120 days	218	818
Overdue more than 120 days	19	463
Total	21 050	25 490

## 11. CASH AND CASH EQUIVALENTS

1 000 EUR	2015	2014
Cash and cash equivalents	22 375	21 380
Total	22 375	21 380

The effective interest rate in cash and cash equivalents is 0.3% [0.4%].

## 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 2015	22 450 745	5 105	867 219	-2 111	47 718
Treasury shares as compensation to the Board of Directors	-	-	-20 984	55	14
31 December 2015	22 450 745	5 105	846 235	-2 056	47 731
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

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 2015 and 2014 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 2015 and 2014 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 2015 no share subscriptions made with the options. 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.

### TREASURY SHARES

In 2015 the company did not acquire any own shares. Based on the authorization of the Annual General Meeting 8 April 2015, the company has used 20 984 shares for the payment of Board members remuneration (2014: 20 333 shares). Treasury shares total 846 235 correspond to 3.8% 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 one valid share option programs: 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. There were no subscriptions with the 2008A option 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
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	2015	2014
Share options	23	73
Other share-based payments	-	-
Total expense	23	73

## THE MOVEMENTS IN THE NUMBER OF GRANTED OPTIONS

	2008C	2013	Total
Options outstanding 1 January 2015	-	219 000	219 000
Granted during the period	-	-	-
Forfeited during the period	-	12 500	12 500
Exercised during the period	-	-	-
Expired during the period	-	-	-
Options outstanding 31 December 2015	-	206 500	206 500
Options held by the company	-	193 500	193 500
Total number of options	-	400 000	400 000
Options exercisable 31 December 2015	-	206 500	206 500

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	-	-	-

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.

	2008C:1	2008C:2	2013:1	2013:2
Fair value of option at grant date	0.59	0.56	0.62	0.95
Grant date	31.8.2010	30.10.2012	6.8.2013	27.1.2014
Number of outstanding options at 31 December, 2015	-	-	198 500	8 000
Exercise price	1.93	1.93	3.45	3.45
Share price at grant date	2.37	2.67	3.90	4.50
Expected volatility, % *	36.0%	23.0%	25.0%	25.0%
Assumed forfeiture, %	10.0%	10.0%	5.0%	5.0%
Expected option life (years)	3.0	1.6	3.0	2.5
Risk-free interest rate, %	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	2015	2014
Loans and borrowings		
Loans from financial institutions, non-current portion	-	18 452
Loans from financial institutions, current portion	18 484	4 000
Total	18 484	22 452

## THE MATURITY OF NON-CURRENT INTEREST-BEARING LIABILITIES

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

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. According to the current terms, the loan from financial institution will be due in June 2016. The company has started the negotiations regarding to the loan renewal.

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

%	2015	2014
Loans from financial institutions	1.26	1.49

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 2015	Charged to income statement	Translation difference	31 December 2015
Deferred tax assets				
Differences in tax and accounting depreciation differences	89	32	-2	119
Tax losses carried forward	1 068	-279	6	795
Other timing differences	114	-52	0	62
Total deferred tax assets	1 271	-299	4	976
Deferred tax liabilities				
Fair value measurement (business combinations)	8	-8	-	0
Expected profit distribution	140	29	-	169
Other timing differences	50	-42	0	8
Total deferred tax liabilities	198	-21	0	177

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

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	2015	2014
Total deferred tax assets	976	1 271
Offset against deferred tax liabilities	-	-8
Deferred tax assets on the balance sheet	976	1 263
Total deferred tax liabilities	177	198
Offset against deferred tax assets	-	-8
Deferred tax liabilities on the balance sheet	177	190

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	2015	2014
Accumulated losses	515	705

Losses have incurred during 2011–2014 and mainly need to be utilized during the next five years (2016–2020).

**16. TRADE AND OTHER PAYABLES**

1 000 EUR	2015	2014
Current		
Financial liabilities carried at amortised acquisition cost		
Trade payables	8 583	8 148
Gross amount due to customers for contracts in progress	1 281	1 081
Advances received	12 454	13 034
Accrued expenses	10 892	12 110
Other liabilities	5 267	5 880
Total current	38 476	40 254
Total trade and other payables	38 476	40 254

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

**17. PROVISIONS**

1 000 EUR	Provisions
31 December 2014	578
Additions	504
Used during the year	-407
Reversed during the year	-219
31 December 2015	456

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	2015	2014
Contract revenue	13 515	14 766
Service revenue*	99 931	105 606
Revenue from sale of goods	2 580	2 321
Total	116 026	122 693

\* includes software revenue

For all contracts in progress at the end of financial year, the aggregate amount of costs incurred and recognised profits were 12.9 million euro (20.2 million euro). For all contracts in progress at the end of financial year, the advance payments were 12.8 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	2015	2014
Gains on disposal of non-current assets	6	0
Other	16	27
Total	22	27

There were no single material items in other operating income in 2015 and 2014.

**20. MATERIALS AND SERVICES**

1 000 EUR	2015	2014
Materials and services		
Purchases	5 990	8 218
Change in inventories	-4	44
External services	17 992	18 298
Total	23 978	26 560

External services comprise purchases from subcontractors and maintenance purchases.

**21. PERSONNEL EXPENSES**

1 000 EUR	2015	2014
Wages and salaries	52 141	54 052
Social security expenses	6 846	7 331
Pension expenses – Defined contribution plans	5 947	6 174
Share-based payments	23	73
Total	64 957	67 630

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**

	2015	2014
Finland	413	417
Norway	92	105
Sweden	115	136
Denmark	65	67
Baltic	316	305
Other	9	10
Total	1 010	1 041

**22. DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHANGES**

1 000 EUR	2015	2014
Depreciation of property, plant and equipment		
Machinery and equipment	903	983
Other tangible assets	21	21
	924	1 004
Amortization of intangible assets	-	891
Customer relationship	-	276
Trademark	-	587
Cartographic content	166	215
Other intangible assets	166	1 968
Total depreciation and amortization	1 089	2 971
Impairment		
Goodwill	-	7 423

During the financial year 2015 no impairment losses were recognised. See note 7. for more details on the impairment of goodwill in Sweden segment amounting to 7 423 thousand euro during to the financial year 2014.

**23. OTHER OPERATING EXPENSES**

1 000 EUR	2015	2014
Other personnel related expenses	6 315	6 686
Premises	5 195	5 437
IT	1 811	1 682
Professional services	2 038	1 442
Marketing	1 207	1 444
Other	1 786	530
Total	18 352	17 221

Research and development expenses of 502 thousand euro (331 thousand euro) are charged to the income statement.

During the financial year 2015, the group has received government grants from the EU amounting to 101 thousand euro (355 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	2015	2014
Financial income		
Interest income	50	68
Exchange gains	290	-
	341	68

Financial expenses		
Interest expenses on bank borrowings	270	380
Other financial expense	67	69
Exchange losses	-	181
	337	631

Net financial expenses	-4	563
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**THE AGGREGATE EXCHANGE RATE DIFFERENCES CHARGED/CREDITED TO THE INCOME STATEMENT**

1 000 EUR	2015	2014
Net sales	15	20
Materials and services	-140	-29
Other operating expenses	-21	-35
Financial items	290	-181
Total	146	-225

## 25. INCOME TAX EXPENSE

### COMPONENTS OF TAX EXPENSES

1 000 EUR	2015	2014
Current tax expense	1 344	1 944
Adjustments recognised for current tax of prior periods	-38	-80
Change in deferred taxes	278	-3
Total	1 585	1 861

### RECONCILIATION OF TAX EXPENSE

1 000 EUR	2015	2014
Profit before taxes	7 479	270
Tax calculated at 20%	1 496	54
Differences in tax rates in other countries	-68	8
Income not subject to tax	-	-14
Expense not deductible for tax purposes	49	276
Impairment of goodwill	-	1 485
Taxes paid on dividends	168	118
Unrecognised deferred tax assets on losses	-	1
Recognition of tax effect previously unrecognised tax losses	-47	-31
Change in deferred taxes, expected profit distribution	29	45
Effect of changes in tax rates	-4	-
Prior year tax expense	-38	-80
Income tax expense	1 585	1 861

Tax rate used in the calculation of deferred taxes changed in financial year 2015: Denmark from 23.5% to 22% and Norway from 27% to 25%.

## 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	2015	2014
Profit / loss attributable to owners of the parent company	5 894	-1 591
Weighted average number of ordinary shares in issue during financial year (thousands)	21 592	21 519
Basic earnings per share (euro per share)	0.27	-0.07

### 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 2015 and 2014 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	2015	2014
Profit / loss attributable to owners of the parent company	5 894	-1 591
Diluted weighted average number of ordinary shares in issue during financial year (thousands)	21 592	21 519
Diluted earnings per share (euro per share)	0.27	-0.07

## 27. DIVIDEND DISTRIBUTION

The dividends paid in 2015 were 3 453 thousand euro (0.16 euro per share). The dividends paid in 2014 were 3 434 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	2015	2014
Salaries and other short-term employee benefits	2 219	2 312
Post-employment benefits	268	283
Termination benefits	275	80
Share-based payments	1	3
Total	2 763	2 678

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

Number of options	2015	2014
2013	-	8 000

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	2015	2014
CEOs:		
Hakala Juko, CEO from 8 September 2014	297	236
Wahlström Lars, CEO from 1 January to 7 September 2014	-	165
Board of Directors:		
Cantell Aaro, Chairman of the Board	43	39
Persson Magdalena, Member of the Board	25	23
Ruuska Jukka, Member of the Board	25	31
Sand Olof, Member of the Board	34	22
Soanjärvi Tuija, Member of the Board	25	23
Wahlström Lars, Member of the Board	25	22
CEO and the Board of Directors	474	559

## 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 55 thousand euro in year 2015 (2014: 74 thousand euro).

### RELATED PARTY TRANSACTIONS

1 000 EUR	2015	2014
Purchases from the entity that are controlled by key management personnel of the group	289	3
Outstanding balance of purchases from the entity that are controlled by key management personnel of the group	36	-

## 29. AUDIT FEES

1 000 EUR	2015	2014
Ernst & Young		
Audit	127	-
Tax advisory	3	-
Other services	31	1
Total	160	1

KPMG		
Audit	24	135
Tax advisory	10	22
Other services	10	50
Total	44	207

Audit fees have been reported on an accrual basis.

## 30. SUBSIDIARIES AS AT 31 DECEMBER 2015

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

### 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 2015 includes office premise expenses of 3.5 million euro (3.5 million euro).

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

1 000 EUR	2015	2014
Not later than 1 year	3 167	3 333
Over 1 year and not later than 5 years	1 911	3 421
Over 5 years	-	-
Total	5 078	6 755

#### GUARANTEES GIVEN

1 000 EUR	2015	2014
Liabilities secured by a mortgage		
Bank borrowings	18 500	22 500

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	2015	2014
Pledges	36	33
Other guarantees	1 925	2 118

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

### 32. EVENTS AFTER THE BALANCE SHEET DATE

M.Sc. (Econ.) Martti Nurminen, 36, started as the Chief Financial Officer of Affecto and the member of the Leadership Team in January 2016.

### 33. PROPOSAL OF PROFIT DISTRIBUTION

Distributable funds of the group parent company on 31 December 2015 are 60 067 173.40 euros, of which the distributable profit is 16 559 615.51 euros. Board of Directors proposes to the Annual General Meeting that from the financial year 2015 a dividend of 0.16 euros per share will be paid, a total of 3 456 721.60 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	=	$\frac{\text{Earnings before interest, taxes, depreciation, amortization and impairment losses}}{\text{Net sales}} \times 100$	x 100
Operational segment result	=	Operating profit before amortizations on fair value adjustments due to business combinations (IFRS 3) and goodwill impairments	
Operating profit, % of net sales	=	$\frac{\text{Operating profit}}{\text{Net sales}} \times 100$	x 100
Profit before income taxes, % of net sales	=	$\frac{\text{Profit before income taxes}}{\text{Net sales}} \times 100$	x 100
Profit attributable to owners of the parent company, % of net sales	=	$\frac{\text{Profit attributable to owners of the parent company}}{\text{Net sales}} \times 100$	x 100
Return on equity, %	=	$\frac{\text{Profit}}{\text{Total equity}} \times 100$	x 100
Return on capital employed, %	=	$\frac{\text{Profit} + \text{interest expenses and other financial expenses}}{\text{Total assets} - \text{non-interest-bearing liabilities}} \times 100$	x 100
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Total assets} - \text{advance payments}} \times 100$	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	=	$\frac{\text{Gross investment}}{\text{Net sales}} \times 100$	x 100
Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents}}{\text{Total equity}} \times 100$	x 100
Interest-bearing net debt	=	Interest-bearing liabilities – cash and cash equivalents	
Earnings per share (EPS)	=	$\frac{\text{Profit attributable to owners of the parent company}}{\text{Weighted average number of ordinary shares in issue during the financial year}}$	
Equity per share	=	$\frac{\text{Total equity}}{\text{Adjusted number of the shares at the end of the financial year}}$	
Dividend per share	=	$\frac{\text{Dividend for the financial year}}{\text{Adjusted number of the shares at the end of the financial year}}$	
Dividend per earnings, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$	x 100
Effective yield, %	=	$\frac{\text{Adjusted dividend per share}}{\text{Adjusted share price at balance sheet date}} \times 100$	x 100
P/E ratio	=	$\frac{\text{Adjusted share price at balance sheet date}}{\text{Earnings per share}}$	
Market capitalization	=	Number of shares at year end (excluding company's own shares held by the company) x share price at balance sheet date	



# PARENT COMPANY INCOME STATEMENT

1 000 EUR	Note	1.1.-31.12.2015	1.1.-31.12.2014
<b>Net sales</b>	5	<b>5 856</b>	6 036
Other operating income		1	8
Material and services			
External services		1 768	2 241
		1 768	2 241
Personnel expenses			
Wages and salaries		1 270	1 426
Social security expenses			
Pension expenses		213	236
Other social security expenses		96	43
		1 579	1 704
Depreciation, amortization and impairment changes			
Depreciation and amortization according to plan	10	449	1 955
Other operating expenses		3 427	2 986
<b>Operating loss</b>		<b>-1 367</b>	-2 843
Financial income and expenses			
Dividend income		3 334	4 167
Interest income and other financial income		530	385
Impairment of financial assets		-	-10 908
Interest expenses and other financial expenses		-814	-960
		3 050	-7 316
<b>Profit / loss before extraordinary items</b>		<b>1 683</b>	-10 159
Extraordinary items			
Group contribution	9	1 300	4 100
<b>Profit / loss before appropriations and income tax</b>		<b>2 983</b>	-6 059
Income taxes	12	34	-450
<b>Profit / loss for the financial year</b>		<b>3 017</b>	-6 509

# PARENT COMPANY BALANCE SHEET

1 000 EUR	Note	31.12.2015	31.12.2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Intangible rights	13	78	168
Property, plant and equipment			
Machinery and equipment	13	249	462
Investments			
Shares in subsidiaries	14	89 897	89 897
<b>Total non-current assets</b>		<b>90 224</b>	<b>90 527</b>
<b>Current assets</b>			
Receivables			
Long-term			
Receivables from group companies, non-current		2 162	2 162
Deferred taxes		91	23
	15	2 252	2 184
Short-term			
Receivables from group companies	16	3 802	5 137
Other receivables		31	11
Prepaid expenses and accrued income	17	892	378
		4 725	5 526
Cash and cash equivalents		664	1 010
<b>Total current assets</b>		<b>7 641</b>	<b>8 720</b>
<b>Total assets</b>		<b>97 865</b>	<b>99 247</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		5 105	5 105
Reserve of invested non-restricted equity		43 508	43 494
Retained earnings		13 542	23 449
Profit for the year		3 017	-6 509
<b>Total equity</b>	18	<b>65 172</b>	<b>65 540</b>
<b>Liabilities</b>			
Non-current liabilities			
Loans from credit institutions	21	-	18 500
Current liabilities			
Loans from credit institutions	21	18 500	4 000
Trade payables		187	253
Payables to group companies	22	13 660	10 533
Other liabilities		35	41
Accrued expenses	23	311	380
		32 693	15 207
<b>Total liabilities</b>		<b>32 693</b>	<b>33 707</b>
<b>Total shareholders' equity and liabilities</b>		<b>97 865</b>	<b>99 247</b>

# PARENT COMPANY CASH FLOW STATEMENT

1 000 EUR	1.1.–31.12.2015	1.1.–31.12.2014
<b>Cash flows from operating activities</b>		
Profit/loss before extraordinary items	1 683	-10 159
Adjustments:		
Depreciation and amortisation	449	1 955
Unrealised foreign exchange wins and losses	-141	119
Impairment	-	10 908
Financial income and expenses	-2 909	-3 712
Other adjustments	68	-2
<b>Cash flow before change in working capital</b>	<b>-850</b>	<b>-891</b>
<b>Change in working capital:</b>		
Increase (-) / decrease (+) in current non interest-bearing receivables	212	-133
Increase (+) / decrease (-) in current non interest-bearing liabilities	-201	-112
<b>Cash flows from operating activities before financial items and taxes</b>	<b>-839</b>	<b>-1 136</b>
Interest paid and payments for other financial expenses, related to operations	-553	-607
Dividends received from operations	3 169	3 407
Interest received from operations	-	25
Income taxes paid	-663	-1 158
<b>Net cash generated from operating activities</b>	<b>1 114</b>	<b>531</b>
<b>Cash flows from investing activities</b>		
Investments in intangible assets and property, plant and equipment	-147	-296
Proceeds from sale of tangible assets	1	8
<b>Net cash generated from investing activities</b>	<b>-146</b>	<b>-288</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital against payments (share options)	-	262
Dividends paid	-3 453	-3 566
Repayment of current loan receivables	-2 873	-596
Proceeds from current borrowings	5 212	3 665
Repayment of non-current borrowings	-2 000	-4 000
Group contribution	1 800	3 600
<b>Net cash generated from financing activities</b>	<b>-1 314</b>	<b>-635</b>
<b>Change in cash and cash equivalents</b>	<b>-346</b>	<b>-392</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1 010</b>	<b>1 291</b>
<b>Change in cash (merger of Affecto Management)</b>	<b>-</b>	<b>111</b>
<b>Cash and cash equivalents at end of year</b>	<b>664</b>	<b>1 010</b>

# 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	2015	2014
Information Management Solutions, group companies	1 679	2 259
Intra group revenue	4 176	3 777
Total	5 856	6 036

## 6. AVERAGE NUMBER OF EMPLOYEES

	2015	2014
Full-time employees	9	10
Part-time employees	-	-
Total	9	10

## 7. NUMBER OF EMPLOYEES AT THE END OF YEAR

	2015	2014
Full-time employees	9	9
Part-time employees	-	-
Total	9	9

## 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	2015	2014
CEO	297	401
Members of the Board	177	158
CEO and the Board of Directors	474	559

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

Statutory pension arrangement

The CEO is subject to statutory pension arrangements, no supplementary pension arrangements. According to Employees Pension Act (TyEL, 395/2006), the pension expenses of CEO have been recognised on accrual basis 55 thousand euro in year 2015 (2014: 74 thousand euro).

## 9. EXTRAORDINARY ITEMS

A group contribution of 1 300 thousand euro (4 100 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	2015	2014
Intangible rights	123	180
Goodwill	-	1 470
Machinery and equipment	326	305
Total	449	1 955

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	2015	2014
Audit fee	29	21
Tax advisory	2	4
Other fees	40	11
Total	71	37

Audit fees have been reported on an accrual basis. Audit has been performed by Ernst & Young Oy. In 2014 audit has been performed by KPMG Oy Ab.

## 14. SHARES IN SUBSIDIARIES

1 000 EUR	Ownership	2015	2014	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	10 317	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%	600	600	Poland
Information Technology Solutions Affecto (PTY) Ltd	100%	0	0	South Africa
Affecto Latvia SIA	100%	796	796	Latvia
Affecto Estonia OÜ	100%	2 606	2 606	Estonia
Shares in subsidiaries total		89 897	89 897	

During the year 2015 no changes occurred in shares in subsidiaries.

In 2014, an impairment loss of 10 908 thousand euro was 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, merged into Affecto Plc on 31 December 2014.

## 12. INCOME TAXES

1 000 EUR	2015	2014
Tax on extraordinary items	260	820
Current tax	-260	-368
Adjustment to prior year taxes	4	-7
Change in untaxed reserves	-68	-7
Tax at source from foreign dividend	30	12
Total	-34	450

In 2015 tax losses have been recognized as a deferred tax asset.

## 13. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

1 000 EUR	2015	2014
Software		
Cost at 1 January	915	829
Additions	34	88
Disposals	-6	-1
Cost at 31 December	943	915
Accumulated amortisation at 1 January	748	569
Disposals	-6	-1
Amortisation for the year	123	180
Accumulated amortisation at 31 December	865	748
Carrying amount at 31 December	78	168

1 000 EUR	2015	2014
Machinery and equipment		
Cost at 1 January	1 211	1 033
Additions	113	208
Disposals	-54	-30
Cost at 31 December	1 270	1 211
Accumulated amortisation at 1 January	749	474
Disposals	-54	-30
Amortisation for the year	326	305
Accumulated amortisation at 31 December	1 021	749
Carrying amount at 31 December	249	462

## 15. NON-CURRENT RECEIVABLES

1 000 EUR	2015	2014
Loan receivables from group companies	2 162	2 162
Deferred taxes	91	23
Total	2 252	2 184

**16. RECEIVABLES FROM GROUP COMPANIES**

1 000 EUR	2015	2014
Trade receivables	174	261
Other receivables	3 628	4 876
Total	3 802	5 137

**17. PREPAID EXPENSES AND ACCRUED INCOME**

1 000 EUR	2015	2014
Receivables on personnel costs	2	1
Current income tax receivables	747	89
Advances on purchase invoices	142	289
Total	892	378

**18. CHANGES IN EQUITY**

1 000 EUR	2015	2014
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	43 494	43 224
Payments for share options	-	2
Exercise of share options	-	260
Treasury shares as compensation to the Board of Directors	14	8
Reserve of invested non-restricted equity at 31 December	43 508	43 494
Retained earnings at 1 January	16 941	28 957
Dividends paid	-3 453	-3 566
Acquisition of treasury shares	-	-1 996
Treasury shares as compensation to the Board of Directors	55	54
Retained earnings at 31 December	13 542	23 449
Profit / loss for the year	3 017	-6 509
Non-restricted equity at 31 December	60 067	60 435
Total equity at 31 December	65 172	65 540
	Number of shares	
1 January 2015	22 450 745	
31 December 2015	22 450 745	

In 2015 the company did not acquire any own shares. In 2014 Affecto Management Oy, a fully owned subsidiary of Affecto Plc, 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.

Based on the authorization of the Annual General Meeting the company has used 20 984 shares for the payment of Board mem-

bers remuneration in 2015 (2014: 20 333 shares). At the end of 2015 the company had 846 235 own shares. At the end of 2014 the company had 867 219 own shares.

During the financial year 2015 no share subscriptions were made with the options. In 2014 a total of 132 141 shares have been subscribed with the 2008C stock options.

**19. THE AUTHORISATION GIVEN TO THE BOARD OF DIRECTORS**

The Annual General Meeting held on 8 April 2015 authorised 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 programs. The shares may also be conveyed in a public trading. Shares may also be subscribed for or own shares may be conveyed against contribution in kind or by means of set-off.

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 10 April 2014. The authorisation shall be in force until the next Annual General Meeting, however, no longer than until 30 June 2016.

## 20. CALCULATION OF DISTRIBUTABLE FUNDS

Parent company's distributable funds are:

1 000 EUR	2015	2014
Retained earnings	13 542	23 449
Profit / loss for the year	3 017	-6 509
Reserve of invested non-restricted equity	43 508	43 494
Total distributable funds	60 067	60 435

## 21. LOANS FROM CREDIT INSTITUTIONS

1 000 EUR	2015	2014
Loans from credit institutions at 1 January	22 500	26 500
Changes during the year:		
Repayment of loans	-4 000	-4 000
Loans from credit institutions at 31 December	18 500	22 500

Repayment schedule:

Year 2015	-	4 000
Year 2016	18 500	18 500
Total	18 500	22 500

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. According to the current terms, the loan from financial institution will be due in June 2016. The company has started the negotiations regarding to the loan renewal.

## 22. PAYABLES TO GROUP COMPANIES

1 000 EUR	2015	2014
Trade payables	236	297
Other payables	13 424	10 236
Total	13 660	10 533

## 23. ACCRUED EXPENSES

1 000 EUR	2015	2014
Personnel costs	246	317
Other	65	64
Total	311	380

## 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	2015	2014
Not later than 1 year	65	49
Later than 1 year and not later than 5 years	48	44
Total	113	93

### GUARANTEES

1 000 EUR	2015	2014
Liabilities secured by a mortgage:		
Loans from financial institutions	18 500	22 500
Credit facility (5 000 000 euro), not used	-	-
Bank guarantee facility (2 500 000 euro)	144	232
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 Kiväärיתהדס	17
Vasakronan Fastigheter AB	54
PEDAB Group AB	1 088
LeasePlan Sverige AB	26

# 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 2015 the company's share capital was EUR 5 104 956.30 and the share capital consisted of 22 450 745 shares. The shares has no nominal value.

The company owns 846 235 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.

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 2015, the subscription price was 3.45 eur.

## THE AUTHORISATIONS GIVEN TO THE BOARD OF DIRECTORS

The Annual General Meeting decided to authorise the Board of Directors to decide upon the acquiring of the company's own shares with the company's distributable funds in one or more tranches on the terms set forth below. The acquisition of shares reduces the company's distributable non-restricted equity. The company's own shares may be acquired in order to

strengthen the company's capital structure, to be used as payment in mergers and 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, however, not longer than until 30 June 2016.

The Annual General Meeting 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. The shares may also be conveyed in a public trading. Shares may also be subscribed for or own shares may be conveyed against contribution in kind or by means of set-off. 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 shall be in force until the next Annual General Meeting, not longer than until 30 June 2016. Based on this authorisation, a total of 20 984 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 has total of 3 750 owners on 31 December 2015 and the foreign ownership was 14 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

Affecto Plc did not receive flagging announcements during the financial year 2015

Trading code (ticker)	AFE1V	
ISN-code	FI0009013312	
Highest price in 2015	3.84	eur
Lowest price in 2015	2.64	eur
Closing price at 31 Dec 2015	2.95	eur
Market capitalization 31 Dec 2015	63 733 305	eur
Trading volume 1 Jan -31 Dec 2015	13 504 869	shares
Average price 1 Jan -31 Dec 2015	3.14	eur
Trading volume, % of shares	20	%
Number of shares 31 Dec 2015	22 450 745	shares
Number of shares excl. the treasury shares	21 604 510	shares

Share price 2013–2015, eur



## Largest registered shareholders 31 December 2015

	Shares	%
1 Cantell Oy	2 283 176	10.2
2 Lombard International Assurance S.A.	1 453 400	6.5
3 Danske Invest Suomen Pieniyhtiöt Fund	1 447 422	6.4
4 Säästöpankki Kotimaa Fund	1 305 500	5.8
5 Evli Suomi Pieniyhtiöt Fund	1 095 287	4.9
6 OP-Suomi Pieniyhtiöt Fund	1 083 409	4.8
7 Ilmarinen Mutual Pension	888 461	4.0
8 OP-Suomi Arvo Fund	761 884	3.4
9 State Pension Fund	600 000	2.7
10 Taaleritehdas Arvo Markka Fund	595 723	2.7
11 4capes Oy	500 000	2.2
12 EQ Nordic Small Cap Fund	420 000	1.9
13 Nordea Bank	414 431	1.8
14 Säästöpankki Small Cap Fund	394 228	1.8
15 Arvo Finland Value Fund	365 673	1.6
16 Central Church Fund	333 440	1.5
17 Varma	310 000	1.4
18 OP-Delta Fund	193 650	0.9
19 Sandberg Stig-Göran	150 358	0.7
20 Oy Chemec Ab	148 000	0.7
Top 20 together	14 744 042	65.7
Nominee registered	1 129 322	5.0
Treasury shares	846 235	3.8
Other shareholders	5 731 146	25.5
Total number of shares	22 450 745	100.0

## Distribution of shares 31 December 2015

	Owners		Owners	
	No.	%	No.	%
1-100	531	14	34 232	0
101-500	1 484	40	456 955	2
501-1 000	739	20	613 020	3
1 001-5 000	793	21	1 757 964	8
5 001-10 000	99	3	714 136	3
10 001-50 000	72	2	1 524 271	7
50 001-100 000	7	0	503 329	2
100 001-500 000	13	0	3 700 219	16
500 001-1 000 000	6	0	4 478 425	20
1 000 001-	6	0	8 668 194	39
Total	3 750	100	22 450 745	100

## Owners by sectors 31 December 2015

	Owners		Owners	
	No.	%	No.	%
Non-financial corp. and housing corp.	174	5	7 306 314	33
Financial and insurance corporations	12	0	5 106 161	23
General government	4	0	1 829 961	8
Households	3 519	94	4 551 780	20
Non-profit institutions	10	0	438 428	2
Foreign owners (registered)	25	1	2 088 779	9
Nominee registered	6	0	1 129 322	5
Total	3 750	100	22 450 745	100

# BOARD'S DIVIDEND PROPOSAL

Distributable funds of the group parent company on 31 December 2015 are 60 067 173.40 euros, of which the distributable profit is 16 559 615.51 euros. Board of Directors proposes to the Annual General Meeting that from the financial year 2015 a dividend of 0.16 euros per share will be paid, a total of 3 456 721.60 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, 19. February 2016

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, 2015. 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, March 1, 2016

Ernst & Young Oy  
Authorized Public Accountant Firm

Mikko Järventausta  
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](http://www.affecto.com). Affecto's Board of Directors has reviewed this corporate governance statement. The auditor of the Company, 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 Plc 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 applicable regulation.

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

## DEPARTURES FROM INDIVIDUAL RECOMMENDATIONS

The Company complies with all the recommendations of the Finnish Corporate Governance Code with the exception of recommendation 26. According to the recommendation 26, the members of the audit committee shall be independent of the Company and at least one member shall be independent of significant shareholders. However, Lars Wahlström was a member of the Audit Committee in 2015 in spite he served as the Interim CEO of the Company in 2014 and is therefore, not independent of the Company. In the view of the Company the insight brought by Lars Wahlström is beneficial for the work of Audit Committee and two other members of the Committee including the Chairman are independent of both the Company and the significant shareholders. All in all, in the view of the Company, the benefits obtained from the arrangement contribute to good corporate governance of the Company in spite of the individual departure.

## 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 in South Africa.

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 2015.

## 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 2015 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 Shareholders' Nomination Committee consists 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 2015 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. In 2015, the Board convened a total of 15 times, and average attendance level was at 96 per cent.

The members' attendance in the Board Committee meetings in 2015 is shown in the table below:

	Position	Board	Audit committee	People, nomination and compensation committee
Aaro Cantell	chairman	15/15	1/1	3/3
Olof Sand	vice chairman	14/15	-	3/3
Magdalena Persson	member	14/15	1/1	3/3
Jukka Ruuska	member	13/15	3/3	-
Tuija Soanjärvi	member	14/15	4/4	-
Lars Wahlström	member	15/15	3/3	-

The Chairman of the Board of Directors have received a monthly remuneration of 3 500 euros, Vice-Chairman 2 750 euros and a member 2 000 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 2015 the Board of Directors comprised the following members: Aaro Cantell (chairman), Olof Sand (vice chairman), Magdalena Persson, Jukka Ruuska, 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. Aaro Cantell is considered dependent of major shareholders in accordance with the Finnish Corporate Governance Code while Magdalena Persson, Jukka Ruuska, Olof Sand, Tuija Soanjärvi and Lars Wahlström are independent of the major shareholders.

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.

Olof Sand (b.1963) is the vice chairman of the Board and a member of the Board of Directors since 2013. Sand was the CEO of Anticimex AB in 2015. 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).

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.

Jukka Ruuska (b. 1961) has been a member of the Board of Directors since 2010. Ruuska is the CEO of Asiakastiето Group Plc. 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 Kansallisoikeus-Pankki. Mr. Ruuska has LL.M. and MBA degrees.

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 Nixu Oyj, Basware Oyj, 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 neces-

sary 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 2015, attendance level was 100%.

Committee members until the Annual General Meeting 2015 were Tuija Soanjärvi (chairwoman), Aaro Cantell and Magdalena Persson.

After the Annual General Meeting 2015 the Committee members were Tuija Soanjärvi (chairwoman), Jukka Ruuska and Lars Wahlström.

#### 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

#### People, Nomination and Compensation Committee

The Company has a People, Nomination and Compensation Committee which is in charge of reviewing the procedures for remunerating employees as well as appointing the top management.

The committee will also review and recommend relevant strategies and procedures in relation to the employment, leadership and remuneration practices of the company to the Board for approval.

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

#### Nomination and Compensation

- 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

## People, Careers and Culture

- Review the development of key strategies aimed at developing the organisation's culture, people development, career growth and talent management practices
- Review the employee value proposition of the company to ensure the organisation attracts and retains appropriate people for specific roles at particular times
- Ensure the organisation has appropriate employee wellbeing strategies
- Review other strategic initiatives associated with people, careers and culture.

The Committee convened 3 times in 2015 and attendance percentage was 100%.

Committee members until the Annual General Meeting 2015 were Jukka Ruuska (chairman), Olof Sand and Lars Wahlström.

Committee members after the Annual General Meeting 2015 were Magdalena Persson (chairwoman), Aaro Cantell and Olof Sand.

## THE CEO AND THE LEADERSHIP TEAM OF AFFECTO PLC

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.

Juko Hakala has been 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 Leadership Team. The Leadership Team convenes at least once per month.

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

The Leadership Team assists the CEO in the management of the group. At the end of December 2015 the Leadership Team comprised the following members: Juko Hakala (Chief Executive Officer), Mikko Eerola, (Managing Director, B2C Industries, Brand & Market) Håvard Ellefsen (Managing Director, Scandinavia & Partners ), Julius Manni (Managing Director, Finland & Culture) ja Stig-Göran Sandberg (Managing Director, Eastern Europe, South Africa & Delivery). On 28 November 2015, the Company announced that Martti Nurminen will start as the Chief Financial Officer and a member of the Leadership Team in February 2016 at the latest.

The information with respect to the management shareholding is available at the Company's website <http://affecto.com/about/investors/share/insiders/>.

## INSIDERS

Affecto complies with the Guidelines for Insiders issued by NASDAQ Helsinki, the guidelines of the Finnish Financial Supervisory Authority both of which are supplemented by the Company's own

guidelines. According to Affecto's insider rules, public insiders are not allowed to trade in the Company's securities during a period of 4 weeks prior to each quarterly report.

The board members, the CEO and the auditor are permanent public insiders by law. In addition, the members of the Leadership Team 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 complete list of public insiders in addition to the information with respect to their holdings is available on Affecto's website at <http://affecto.com/about/investors/share/insiders/>.

## 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 the EU, the Securities Markets Acts as well as the appropriate Financial Supervision Authority Standards and NASDAQ 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 regular monitoring 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, operative segments' management prepares monthly a written report of activities within the period in a standard form. Group management and operative segment management have monthly meetings including a review of business operations and financial position.

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 the risk management pertaining to the financial reporting. The Group CEO and CFO are together responsible for implementing the internal control and risk management together with the Leadership Team, subsidiary management teams and finance managers.

### Risk management process

In Affecto's risk management process, operative segments and the Leadership Team identify, assess and manage business risks on an on-going basis. The most significant risks are reported to the Board of Directors.

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.

### 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 8 April 2015 the Annual General Meeting elected as auditor Ernst & Young Oy. Ernst & Young has served as auditor since 2015. The auditor with principal responsibility is APA Mikko Järventausta.

The 2015 consolidated financial statements include audit fees of 127 thousand Euros to Ernst & Young as well as 34 thousand Euros in advisory fees. In addition, the 2015 consolidated financial statements include audit fees of 24 thousand Euros and advisory fees of 20 thousand Euros to KPMG.

### COMPENSATION SYSTEM

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

#### Incentive schemes

Key personnel in the Company (including the Leadership Team) are covered by an incentive scheme which is based on the attainment of half-yearly set targets. The Board has set the targets of the CEO. The targets of the Leadership Team are set by the CEO based on the guidelines of the Board of Directors.

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 new orders, 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. The targets and the levels vary by person and the targets are based on the Company's long term financial targets set by the Board of Directors. The achievements of targets are reviewed half-yearly.

#### The remuneration of the CEO and the Leadership Team

The Board of Directors and the People, Nominations and Compensation Committee resolve on the remuneration of the Chief Executive Officer and the Leadership Team.

The remuneration of the CEO and the Leadership Team consists of non-variable salary and half-yearly additional incentive. The additional incentive is based on metrics related to the financial performance of the Company such as new orders, net sales or profit and, on the other hand, individual specific qualitative targets and the maximum additional incentive amounts vary. The Board of Directors determines the additional incentive principles.

#### 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. The CEO or the Leadership Team members have not received any share based remuneration during 2015.

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

**CEO remuneration**

EUR 1000	2015	2014*
Non-variable salary	270	248
Additional Incentives	13	0
Fringe benefits	14	3
Share based remuneration	0	0
Supplementary pension contribution	0	0
Other benefits	0	150
Severance packages	0	0
Total	297	401

\*In 2014 non-variable salary included Juko Hakala and Lars Wahlström and other benefits include Juko Hakala's signing fee 150 thousand euro.

**Leadership Team remuneration without the CEO**

EUR 1000	2015*	2014**
Non-variable salary	962	1070
Additional Incentives	236	238
Fringe benefits	47	62
Share based remuneration	0	0
Supplementary pension contribution	0	0
Other benefits	75	0
Severance packages	149	0
Total	1 469	1 371

\*In 2015, Group management team (excluding Group CEO) included Mikko Eerola, Håvard Ellefsen, Satu Kankare, Claus

Kruse, René Lykkeskov, Julius Manni, Stig-Göran Sandberg and Hellen Wohlin Lidgard.

\*\*In 2014, Group management team (excluding Group CEO) included Håvard Ellefsen, Satu Kankare, Claus Kruse, René Lykkeskov, Stig-Göran Sandberg and Hellen Wohlin Lidgard.

The total remuneration level of the Leadership Team rose slightly in 2015 as compared to 2014. The difference is mainly attributable to the costs related to certain Leadership Team members leaving the Company and other new members joining. At the end of 2015, the Leadership Team consisted of five persons in addition to the CEO while in accordance with the 2015 chart above, the Leadership Team consisted of eight persons in addition to the CEO. In addition to the Leadership Team at the end of 2015, the Company has announced that CFO Martti Nurminen will start in his position and as a member of the Leadership Team in February 2016 at the latest.

**Board remuneration**

The members of the Board of Directors receive the monthly fees decided in the Annual General Meeting: 3 500 euros/month for the chairman, 2 750 euros/month for the vice-chairman and 2 000 euros/month for board 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 2015 so that 60% of the remuneration were paid in cash and 40% were paid in the Company's shares by issuing 20 984 treasury shares to the Board members. The shares are not subject to any lock-up arrangements.

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

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

EUR 1000	2015		2014	
	Remuneration	Number of shares received*	Remuneration	Number of shares received*
Cantell Aaro, Chairman of the Board	43	5 154	39	5 044
Persson Magdalena, Member of the Board	25	2 945	23	2 837
Ruuska Jukka, Member of the Board	25	2 945	31	3 941
Sand Olof, Vice chairman of the Board	34	4 050	22	2 837
Soanjärvi Tuija, Member of the Board	25	2 945	23	2 837
Wahlström Lars, Member of the Board	25	2 945	22**	2 837
Total	177	20 984	160	20 333

\*The Euro amounts corresponding to the shares are included in the total compensation.

\*\*Does not include the CEO remuneration that Lars Wahlström received during his time as the interim CEO between 1 January 2014 and 7 September 2014.