

AFFECTO PLC

FINANCIAL STATEMENTS RELEASE

17 FEBRUARY 2010 at 11.00

AFFECTO PLC'S FINANCIAL STATEMENTS RELEASE 2009

GROUP KEY FIGURES

MEUR	10-12/09	10-12/08	2009	2008
Net sales	27,7	32,5	103,0	131,6
Operational segment result	2,1	2,5	4,7	14,5
% of net sales	7,6	7,8	4,6	11,0
Operating profit/loss	1,6	2,0	-3,6	11,8
% of net sales	5,8	6,2	-3,5	9,0
Profit/loss before taxes	1,4	2,3	-6,3	10,5
Profit/loss for the period	0,3	1,8	-7,1	8,5
Equity ratio, %	42,9	43,0	42,9	43,0
Net gearing, %	39,1	34,7	39,1	34,7
Earnings per share, eur	0,01	0,08	-0,33	0,40
Earnings per share (diluted), eur	0,01	0,08	-0,33	0,40
Equity per share, eur	2,49	2,73	2,49	2,73
Dividend proposal, eur/share			0,06	0,14

CEO Pekka Eloholma comments:

"Fourth quarter was the best quarter in 2009 regarding both net sales, EBIT and EBIT margin. Net sales were 27.7 MEUR, EBIT was 1.6 MEUR and EBIT margin was 6% of net sales."

"The early part of the year was characterized by the restructuring actions in the Baltic countries and by a weakened market in the Nordic countries. Towards the year-end we managed to stop the negative earnings development in Baltic. The Nordic markets seem to have recovered somewhat, although the situation in Sweden is still challenging."

"The customer activity increased clearly during the fourth quarter, and also the license sales recovered somewhat. Although the general economy is not yet at the normal level, the customers are again planning IT investments. This creates good chances for positive development in 2010."

"The order backlog was approx. 41 MEUR at the end of the period, which is 6 MEUR higher than the previous quarter's backlog of 35 MEUR. The order backlog is approximately at the same level as at the end of 2007, although slightly below yearend 2008."

"The net sales are estimated to grow in year 2010. The year 2010 will be clearly profitable and the profitability (EBIT margin) is estimated to improve during the year. However, the first quarter is estimated to be weak."

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This release is unaudited. The amounts in this report have been rounded from exact numbers.

#### BUSINESS DEVELOPMENT DURING 10-12/2009

Affecto's net sales in 10-12/2009 were 27.7 MEUR (10-12/2008: 32.5 MEUR). Net sales in Finland were 12.4 MEUR (13.0 MEUR), in Norway 5.7 MEUR (6.1 MEUR), in Sweden 4.1 MEUR (5.4 MEUR), in Denmark 2.7 MEUR (2.7 MEUR) and 3.1 MEUR (5.9 MEUR) in Baltic. Net sales decreased by 15% especially due to weak development in Baltic and Sweden.

In the Nordic countries the fourth quarter continued the trends of earlier quarters: the customers continue to have interest in Affecto's solutions, but decision making has slowed down and price pressure has grown. The sales of third-party licenses recovered somewhat during the quarter along the typical annual cycle. The general activity level of the customer seems to have grown during the autumn.

The economic situation in the Baltic countries has remained weak, which has negatively affected Affecto's business. The preliminary GDP information and forecasts for the Baltic countries suggest 15-20% decrease in GDP in 2009. The significant weakening of the Baltic economies combined with public sector's sizeable cost saving programs has clearly decreased the demand for IT services. The demand for TIA insurance solutions seems to be recovering somewhat and Affecto got new orders during the fourth quarter, e.g. from Dina Försäkringar in Sweden.

#### Net sales by reportable segments

Net sales, MEUR	10-12/09	10-12/08	2009	2008
Finland	12.4	13.0	45.0	46.4
Norway	5.7	6.1	20.2	29.6
Sweden	4.1	5.4	15.8	22.6
Denmark	2.7	2.7	11.5	10.6
Baltic	3.1	5.9	12.2	24.3
Eliminations	-0.4	-0.6	-1.6	-1.9
Group total	27.7	32.5	103.0	131.6

Net sales of BI business in 10-12/2009 were 18.0 MEUR (20.4 MEUR), Operational Solutions 7.4 MEUR (9.7 MEUR) and Geographic Information Services 2.7 MEUR (3.0 MEUR). The net sales of the BI business decreased slightly compared to last year, especially due to the weak development in Sweden. Operational solutions business continued to grow in Finland, but decreased significantly in Baltic.

Affecto's EBIT in 10-12/2009 was 1.6 MEUR (2.0 MEUR). Operational segment result was in Finland 1.5 MEUR (2.0 MEUR), in Norway 0.7 MEUR (0.3 MEUR), in Sweden 0.1 MEUR (0.8 MEUR), in Denmark 0.3 MEUR (0.4 MEUR) and in Baltic 0.2 MEUR (-0.2 MEUR).

Profitability was good in Finland, Norway and Denmark. The somewhat recovered license sales had a positive impact on profitability. Profitability weakened in Sweden. Profitability in Baltic improved thanks to the restructuring actions taken earlier.

#### Operational segment result by reportable segments

Operational segment result, MEUR	10-12/09	10-12/08	2009	2008
Finland	1.5	2.0	5.1	6.9
Norway	0.7	0.3	2.3	2.9
Sweden	0.1	0.8	0.9	2.9
Denmark	0.3	0.4	0.9	1.2
Baltic	0.2	-0.2	-2.7	3.2
Other	-0.7	-0.7	-1.8	-2.5
Operational segment result	2.1	2.5	4.7	14.5

IFRS3 Amortization	-0.5	-0.5	-2.1	-2.7
Impairment of Goodwill	-	-	-6.2	-
Operating profit/loss	1.6	2.0	-3.6	11.8

The restructuring costs 1.2 MEUR in Baltic in 1-12/2009 are included in the operational segment result of the Baltic segment (-1.7 MEUR in Q1, +0.4 MEUR in Q2 and +0.2 MEUR in Q4). The goodwill impairment of 6.2 MEUR is reported separately.

According to IFRS3 requirements, 10-12/2009 EBIT includes 0.5 MEUR (0.5 MEUR) of amortization of intangible assets related to acquisitions.

R&D costs 10-12/2009 totaled 0.2 MEUR (0.1 MEUR), i.e. 0.7% of net sales (0.3%). The costs have been recognized as an expense in the income statement.

Taxes for the period have been booked as taxes. Net profit for the period was 0.3 MEUR, while it was 1.8 MEUR last year. Tax expense in fourth quarter was increased by the effects of the changes in Lithuanian corporate income tax rate, decreasing the recognized deferred tax asset in the balance sheet.

## YEAR 2009

Affecto builds IT solutions that enable organisations to integrate strategic targets with their business management. Our business intelligence solutions utilise information generated by ERP and other IT systems and process it further. Affecto also delivers operational solutions for improving and simplifying processes at customer organizations and offers geographic information services.

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

## NET SALES

Affecto's net sales in 1-12/2009 were 103.0 MEUR (1-12/2008: 131.6 MEUR). Net sales in Finland were 45.0 MEUR (46.4 MEUR), in Norway 20.2 MEUR (29.6 MEUR), in Sweden 15.8 MEUR (22.6 MEUR), in Denmark 11.5 MEUR (10.6 MEUR) and 12.2 MEUR (24.3 MEUR) in Baltic. Net sales decreased by 22% especially due to weak development in Baltic and Sweden, the currency rates and also the divestment of Contempus in September 2008. The organic change in sales was approx. -17%, and -15% when assessed using fixed currency rates (NOK, SEK).

The past year was a period of uncertainty also for many of our Nordic customers, whose own businesses were affected by the recession. The general market situation was reflected as slow decision making and grown price pressure. After summer vacations, the business activity returned to the normal level more slowly than usually. Sales of consulting work developed moderately during the year, but the sales of third-party licenses were clearly lower than usually. In general, Affecto's business units in Finland, Norway and Denmark performed rather well, while Sweden clearly missed its targets.

The economic situation has weakened significantly in the Baltic countries, which has negatively affected Affecto's business. The preliminary GDP information for the Baltic countries suggest a 15-20% decrease in GDP in 2009. The significant weakening of the Baltic economies combined with public sector's sizeable cost saving programs has clearly decreased the local demand for IT services. Affecto reacted to the changing markets in April, when a major restructuring action was taken in Baltic.

Net sales of BI business in 1-12/2009 were 66.8 MEUR (77.6 MEUR), Operational Solutions 27.2 MEUR (44.6 MEUR) and Geographic Information Services 10.2 MEUR (11.8 MEUR). The BI business has experienced organic growth (measured in local currency) in Denmark, contracted somewhat in Finland and Norway, and contracted

substantially in Sweden. Operational solutions business continued to grow in Finland especially regarding ECM solutions, but decreased significantly in Baltic. The Contempus divestment in September 2008 has also contributed to decrease in net sales. The net sales of GIS services decreased, partially due to the focusing decisions made.

#### PROFIT

Affecto's EBIT in 1-12/2009 was -3.6 MEUR (11.8 MEUR). Operational segment result was in Finland 5.1 MEUR (6.9 MEUR), in Norway 2.3 MEUR (2.9 MEUR), in Sweden 0.9 MEUR (2.9 MEUR), in Denmark 0.9 MEUR (1.2 MEUR) and in Baltic -2.7 MEUR (3.2 MEUR). Profitability weakened in almost all segments, most in Baltic and Sweden. The result in Baltic includes 1.2 MEUR expenses related to restructuring. The goodwill impairment of 6.2 MEUR is reported separately.

According to IFRS3 requirements, 1-12/2009 EBIT includes 2.1 MEUR (2.7 MEUR) of amortization of intangible assets related to acquisitions. A significant part of the amortization is related to Sweden, Norway and Denmark segments. In year 2010 the IFRS3 amortization is estimated to total 1.9 MEUR and in 2011 approx. 1.9 MEUR based on currency exchange rates at the end of reporting period.

R&D costs totaled 0.4 MEUR (1.5 MEUR), i.e. 0.4% of net sales (1.1%). The costs have been recognized as an expense in income statement.

The fluctuation in financial costs is explained to a large extent by changes in the fair value of the interest swap taken, which changes have no effect on actual cash flow. The interest rate changes have caused 0.2 MEUR income in 1-12/2009. In addition, due to intra-group loans the first quarter result includes a foreign exchange loss of 0.9 MEUR, as the Norwegian krone (NOK) strengthened from the year-end's bottom level.

Taxes for the period have been booked as taxes. Net profit for the period was -7.1 MEUR, while it was 8.5 MEUR last year.

The order backlog was approx. 41 MEUR at the end of the period, which is 6 MEUR higher than the previous quarter's backlog of 35 MEUR. The order backlog is approximately at the same level as at the end of 2007, although somewhat below yearend 2008. Affecto has a well diversified customer base. The ten largest customers generated approx. 20% of group revenue in 2009 and the largest customer corresponded to 4% of net sales.

#### FINANCE AND INVESTMENTS

At the end of the reporting period, Affecto's balance sheet totaled 136.3 MEUR (12/2008: 146.6 MEUR). Equity ratio was 42.9% (12/2008: 43.0%) and net gearing was 39.1% (12/2008: 34.7%). Translation differences have increased the consolidated equity by 5.0 MEUR during 1-12/2009 mainly due to the strengthening of the Norwegian krone (NOK).

The financial loans were 40.4 MEUR (12/2008: 43.9 MEUR) as at 31 December 2009. The company's cash and liquid assets were 19.5 MEUR (12/2008: 23.6 MEUR). The interest-bearing net debt was 20.9 MEUR (12/2008: 20.4 MEUR). Affecto's bank loan has covenants based on net debt, result and cash flow, and Affecto has received a waiver from the bank although Affecto did not fulfill all the covenants in its year 2009 financial statements.

Cash flow from operating activities for the reported period was 2.5 MEUR (14.7 MEUR) and cash flow from investments was -0.9 MEUR (3.3 MEUR). Investments in non-current assets excluding acquisitions were 1.0 MEUR (2.7 MEUR) during the period.

Based on decision by the Annual General Meeting held on 3 April 2009, Affecto has distributed dividends of 3.0 MEUR (previous year 3.4 MEUR) from the profit of the year 2008. Dividend was paid on 21 April 2009.

## EMPLOYEES

The number of employees was 911 persons at the end of the reporting period (1079). Approx. 370 employees were based in Finland, 105 in Sweden, 110 in Norway, 60 in Denmark, and 270 in the Baltic countries. The average number of employees during the period was 974 (1 136).

Jukka Nortio was appointed in June as Affecto's Senior Vice President, Marketing & Communications. Åge Lønning was appointed in September as the acting managing director of Affecto's Swedish subsidiary. Ray Byman was appointed in October as the country manager for Finland.

The lower than normal utilization rate was also utilized e.g. for employees' competence development, both through self-service activities and through the competence development programme Affecto University.

## BUSINESS REVIEW BY AREAS

The group's business is managed through five country units. Finland, Norway, Sweden, Denmark and Baltic are also the reportable segments. The business in Nordic countries has mainly developed rather moderately, although the general economic environment and outlook has remained rather weak.

## Finland

In 1-12/2009 net sales in Finland were 45.0 MEUR (46.4 MEUR). Operational segment result was 5.1 MEUR (6.9 MEUR). Net sales of Operational solutions increased, but sales of BI and GIS services decreased.

During the early part of the year, customers were postponing decisions, and after the summer vacations the business activity returned to the normal level more slowly than usually. The customers' activity level is estimated to have grown during the late autumn. However, the decision making is still rather slow. The public sector seems to be active especially regarding ECM solutions. Examples of the largest customer agreements received in 2009: Affecto will build an IT system for the Academy of Finland (project value approx. 1.7 MEUR), and Affecto will build the new budgeting system for Finnish State (project value 1.5 MEUR + maintenance).

The growth of IT services market in Finland is forecast to be 2% in 2010 (Marketvisio's estimate, September 2009). However, Affecto's focus segments are expected to experience a higher growth in software sales (BI 5%, ECM 6%).

## Norway

The net sales in 1-12/2009 were 20.2 MEUR (29.6 MEUR) and operational segment result was 2.3 MEUR (2.9 MEUR). The decrease in net sales in euro was significantly impacted by the divestment of Contempus in late 2008 and the depreciation of the Norwegian krone (NOK) at end of 2008. The BI business in Norway decreased by only 5% if measured in local currency. Profitability has been good.

The business has mainly developed steadily, but still weaker than in the previous year. Sales of consulting work grew during the year despite the challenging environment, where uncertainty caused customers to slow down their IT investments. The weak general economy affected the sales of third party licenses, which remained below targets.

The largest agreement of the year was made with Norwegian government agency responsible for Labour and Welfare (NAV). Affecto will deliver the data warehouse and BI solution that will be used for statistics and management of the data related to the Norwegian pension system. The estimated value of the agreement is 1.3-1.9 MEUR.

## Sweden

In 1-12/2009 the net sales in Sweden were 15,8 MEUR (22.6 MEUR) and operational segment result 0.9 MEUR (2.9 MEUR). The strong depreciation of the Swedish krona (SEK) has had a major impact on euro-denominated figures. There have been no major changes in the business environment during the period, and the environment has been challenging the whole year. Investment decision making has slowed down and IT budgets are smaller than earlier. The increased price pressure has increased uncertainty regarding customer relationships. In addition, the competition in the tightened in the fragmented market.

The local management in Sweden was changed in September and Åge Lønning was appointed as the acting country manager. Fredrik Prien has been appointed as the country manager as of 1.3.2010.

## Denmark

The net sales in 1-12/2009 were 11.5 MEUR (10.6 MEUR) and operational segment result was 0.9 MEUR (1.2 MEUR). Net sales in Denmark grew compared to the last year, but the profit weakened. The business has developed along the weakened general economy: the customers' decision making has slowed down and price pressure has grown. The large BI project for Danish Tax Authority continued. The Danish market is estimated to have become more active during autumn 2009.

## Baltic (Lithuania, Latvia, Estonia, Poland)

The Baltic business mostly consists of projects related to large customer-specific systems. Projects may be larger and tender processes longer than in Finland or the other Nordic countries. The business is mostly classified as Operational solutions, but also includes BI solutions. Public sector entities in the Baltic countries and insurance companies also outside Baltic area are significant customer segments.

In 1-12/2009 the Baltic net sales were 12.2 MEUR (24.3 MEUR). Operational segment result was -2.7 MEUR (3.2 MEUR). The Baltic economies have suffered a lot from the economic crisis. The IT investments from the public sector have decreased due to government cost saving programs. The price competition has increased in the local markets in the Baltic countries.

Affecto published in April a goal to reduce the personnel in Baltic countries by some 130 employees. The business in Latvia and Poland was to be cut significantly, and to some extent also in Lithuania. For the costs of the actions a reserve of 1.7 MEUR was recognized in the first quarter result. The planned actions were mostly carried out during the second quarter. As one part of the actions, a part of Latvian business planned to be terminated was divested to Tieto in June. The total restructuring costs were approx. 1.2 MEUR and the unused amount of reserve has been reversed.

We estimate that the already taken actions enable profitable business in Baltic, assuming that the national economies continue at the current or improved level. GDP forecasts for the Baltic countries still indicate slight contracting in 2010, although the first positive estimates have already been published. The development of the local business environment is very uncertain, and the EU has great importance in financing both public and also private investments. Estonia's possible entrance to the Euro area at the end of 2010 may improve the market in Estonia. Also the market for TIA insurance solutions seems to be recovering.

## Review by business lines

Business intelligence (BI) net sales decreased by 14% to 66.8 MEUR (77.6 MEUR) in 1-12/2009. The weakened general economy has had limited impact on the BI business so far and the effects been largest in Sweden. There have been effects also in other countries, but to lesser extent. Slower investment

decisions and smaller IT budgets have led to growing price pressure from customers. The sales of third party software licenses have been lower than earlier.

Customers see BI solutions as tools for improving their own efficiency and controllability, which may maintain the interest to invest in BI solutions also during periods of weaker economic growth. However, the weakness in general economy may also affect the BI investments. Gartner has estimated the BI solutions continue to be one of the key IT investment areas and average annual global growth of BI and analytics software license markets to exceed 8% until year 2013. Gartner has also forecast that the Nordic BI/DW services market would annually grow 6-8% in 2010-2013.

Net sales of Operational Solutions in 1-12/2009 decreased by 39% to 27.2 MEUR (44.6 MEUR). The net sales in Baltic decreased significantly, as sales decreased both for the local projects and for insurance sector export projects. The Norwegian Contempus subsidiary was divested in September 2008, which has contributed to the decrease. In Finland, the business grew and especially the demand for ECM solutions was good.

Net sales of the Geographic Information Services business were 10.2 MEUR (11.8 MEUR) in 1-12/2009. The GIS services business developed well. The scope of offered services has also been widened to include GIS related consulting services. Net sales were also affected by the focus of travel, tourism and outdoors customer segments in the map and publishing business. The effects of the focusing and the streamlining activities done in 2008 led to improving profitability.

#### ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting of Affecto Plc, which was held on 3 April 2009, adopted the financial statements for 1.1.-31.12.2008 and discharged the members of the Board of Directors and the CEO from liability. Approximately 27 percent of Affecto's shares and votes were represented in the Meeting. The Annual General Meeting decided that a dividend of EUR 0.14 per share be distributed for the year 2008.

Aaro Cantell, Pyry Lautsuo, Heikki Lehmusto, Esko Rytönen and Haakon Skaarer were re-elected as members of the Board of Directors. Immediately after the Annual General Meeting the organization meeting of the Board of Directors was held and Aaro Cantell was re-elected Chairman of the Board. The APA firm KPMG Oy Ab was elected auditor of the company with Reino Tikkanen, APA, as auditor in charge.

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 AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

The Board did not use the authorizations given by the previous Annual General Meeting. Those authorizations ended on 3 April 2009.

The complete contents of the new authorizations given by the Annual General Meeting held on 3 April 2009 have been published in the stock exchange release regarding the Meetings' decisions. The Board did not use the authorizations.

The Annual General Meeting decided to authorize the Board of Directors to decide to issue new shares and to convey the company's own shares held by the company in one or more tranches. The share issue may be carried out as a share issue against 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. A maximum of 4 200 000 new shares may be issued. A maximum of 2 100 000 own shares held by the company may be conveyed. In addition, the authorization includes the right to decide on a share issue without consideration to the company itself so that the amount of own shares held by the company after the share issue is a maximum of one-tenth (1/10) of all shares in the company. The authorization shall be in force until the next Annual General Meeting.

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

#### SHARES AND TRADING

The company has only one share series, and all shares have similar rights. As at 31 December 2009, Affecto Plc's share capital consisted of 21 516 468 shares. The company owns 36 738 treasury shares, which corresponds to 0.2% of all shares.

In 1-12/2009, the highest share price was 2.67 euro, lowest price 1.82 euro, average price 2.15 euro and closing price 2.22 euro. Trading volume was 10.1 million shares, corresponding to 47% of the number of shares at the end of period. The market value of shares was 47.7 MEUR at the end of the period.

#### OPTIONS

During the review period, 306 132 options 2006C, 291 428 options 2008A and 340 000 options 2008B have been given to key personnel.

#### SHAREHOLDERS

The company had a total of 2283 owners on 31 December 2009 and the foreign ownership was 22%. The list of the largest owners can be viewed in the company's web site. Information about ownership structure and option programs is included as a separate section in the financial statements. The ownership of board members, CEO and their controlled corporations totaled approx. 9.9% (9.3% shares and 0.6% options).

#### ASSESSMENT OF RISKS AND UNCERTAINTIES

The changes in the general economic conditions and the operating environments of its customers have direct impact in Affecto's markets. The competition in the markets also tightens continuously. This could have a negative effect on the business, operating results and financial condition of Affecto.

The general economic downturn may decrease the overall customer demand for services, increase price pressure from customers and lengthen offer processes at customers. Also the competitors' eagerness to complain about public procurement decisions may increase, which may cause delays in projects or interrupt the project delivery work. The continuing downturn may lead into decrease in utilization rate of consultants.

The economic downturn may weaken customers' liquidity, also in the public sector. The risks related to receivables have grown especially in the Baltic countries.

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

Affecto's bank loan has covenants based on net debt, result and cash flow. Breach of covenant may lead to higher financing costs or even the termination of the loan. Affecto needs to refinance the loan latest in 2012, when the current loan comes due. It is not certain that a new loan facility can be received with the same or better conditions than the current loan.

Affecto's success depends also on good customer relationships. Affecto has a well diversified customer base. Although none of the customers is critically large for the whole group, there are large customers in various countries who are significant for local business in the country.

Affecto's order backlog has traditionally been only for a few months, which decreases the reliability of longer-term forecasts. Slower investment decision making, postponing or cancellation of customers' IT investments may have negative impact on Affecto's profitability.

Approx a half of Affecto's business is in Sweden, Norway and Denmark, thus the development of the currencies of these countries (SEK, NOK and DKK) may have impact on Affecto's profitability.

Affecto's continued success is very much dependent on its management team and personnel. The loss of the services of any member of its senior management or other key employee could have a negative impact on Affecto's business and the ability of the company to implement its strategy. In addition, Affecto's success depends on its ability to hire, develop, train, motivate and retain skilled professionals on its staff.

Affecto sells third party software licenses as part of its solutions. The license sales have most impact on the last month of each quarter and especially in the fourth quarter. This increases the fluctuation in sales between quarters and increases the difficulty of accurately forecasting the quarters. Affecto had license sales of approx. 8 MEUR in 2009.

The damage risks of Affecto are normally related to personnel, property, processes and data processing. The realization of these risks might lead to injuries of personnel, property damages or interruption of business. In the operations the target of Affecto is to prevent these risks to realize by quality operations and anticipatory risk management actions. The realization of such risks is mainly prevented by guidelines for occupational health, work safety and information security as well as emergency plan. The damage risks, which cannot be prevented by own actions, are covered with adequate insurances.

Currently, corporate tax rates in Latvia and Lithuania are below those of several other member states of the European Union, and therefore Latvia and Lithuania provide a favorable environment for commercial enterprises. Furthermore, the income tax regulation of Latvia and Lithuania allow for local businesses to structure their operations in a cost-efficient way. For example, certain software development activities are treated as so-called creative activities, which is cost beneficial for the enterprises. When joining the European Union on 1 May 2004, Latvia and Lithuania committed to the ongoing harmonization of the laws and regulations of the member states. At present, the European Union leaves regulation relating to taxation to the discretion of its member states. However, there can be no assurances that the European Union will not impose requirements on its member states to harmonize their taxation system which, in the case of Latvia and Lithuania, could result in an increase in corporate tax rates and restrictions on the opportunities of local business to structure their operations to the extent currently possible. Furthermore, there can be no assurances that Latvia and Lithuania will not independently decide to implement tax reforms or that the interpretation of current tax laws by courts or fiscal authorities will not be changed retroactively with similar effects. Harmonization imposed by the European Union or domestic tax reforms or changes in the interpretation of current tax laws by courts or fiscal authorities in Latvia and Lithuania could have a material adverse effect on the business, operating results and financial condition of Affecto.

In seeking future growth, the strategy of Affecto is partially based on expansion through acquisitions of other operators in the IT services market. The inability to find new target companies or the lower than expected profitability of acquisitions made, could have a material adverse effect on the business, operating results and financial condition of Affecto.

The board of directors and the audit committee is responsible for Affecto's internal control and risk management. Company's management is responsible for and performs practically the internal control and risk management.

#### EVENTS AFTER THE REVIEW PERIOD

UB Rahastoyhtiö Oy flagged on 12 January 2010 that its ownership in Affecto had decreased below 5%. CapMan Public Market fund flagged on 12 January 2010 that its ownership in Affecto had exceeded 10%.

Fredrik Prien was appointed as the country manager for Sweden as of 1 March 2010.

Group Executive Team was modified in February 2010.

#### DIVIDEND PROPOSAL

Distributable funds of the parent company of the group on 31 December 2009 are 40 293 931.53 euros. Board of Directors proposes that from the financial year 2009 a dividend of 0.06 euros per share will be paid, a total of 1 288 783.80 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

The net sales are estimated to grow in year 2010. The year 2010 will be clearly profitable and the profitability (EBIT margin) is estimated to improve during the year. However, the first quarter is estimated to be weak.

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

Affecto Plc  
Board of Directors

It is possible to order Affecto's stock exchange releases to be delivered automatically by e-mail. Please visit the Investors section of the company website: [www.affecto.com](http://www.affecto.com)

A briefing for analysts and media will be arranged at 12:00 at Restaurant Savoy, Eteläesplanadi 14, Helsinki.

[www.affecto.com](http://www.affecto.com)

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Financial information:

1. Consolidated income statement, consolidated comprehensive income statement, balance sheet, cash flow statement and statement of changes in shareholders' equity
2. Notes
3. Key figures

1. Consolidated income statement, consolidated comprehensive income statement, balance sheet, cash flow statement and statement of changes in shareholders' equity

CONSOLIDATED INCOME STATEMENT  
(1 000 EUR)

	10-12/09	10-12/08	2009	2008
Net sales	27 737	32 492	103 006	131 565
Other operating income	11	57	27	902
Changes in inventories of finished goods and work in progress	-126	-228	-351	-287
Materials and services	-6 278	-7 069	-19 775	-25 317
Personnel expenses	-14 362	-16 914	-59 660	-69 818
Other operating expenses	-4 433	-5 446	-16 983	-20 962
Other depreciation and amortisation	-338	-349	-1 466	-1 620
IFRS3 amortisation	-505	-538	-2 081	-2 653
Impairment	-94	-	-6 304	-
Operating profit/loss	1 613	2 005	-3 587	11 808
Finance costs (net)	-228	261	-2 684	-1 341
Profit/loss before income tax	1 385	2 266	-6 271	10 467
Income tax	-1 105	-473	-868	-1 963
Profit/loss for the period	280	1 793	-7 139	8 503
Profit/loss for the period attributable to:				
Equity holders of the Company	280	1 793	-7 139	8 503
Earnings per share (EUR per share):				
Basic	0,01	0.08	-0,33	0.40
Diluted	0,01	0.08	-0,33	0.40

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT  
(1 000 EUR)

	10-12/09	10-12/08	2009	2008
Profit/loss for the period	280	1 793	-7 139	8 503
Other comprehensive income:				
Available-for-sale financial assets	-	-16	-	-16
Translation difference	538	-6 227	5 001	-9 472
Total Comprehensive income for the period	818	-4 450	-2 138	-985
Total Comprehensive income attributable to:				
Equity holders of the Company	818	-4 450	-2 138	-985

CONSOLIDATED BALANCE SHEET

(1 000 EUR)

	12/2009	12/2008
<b>Non-current assets</b>		
Property, plant and equipment	2 102	2 715
Goodwill	69 415	72 614
Other intangible assets	9 585	11 093
Deferred tax assets	1 648	2 031
Available-for-sale financial assets	54	54
Derivative financial instruments	11	20
Trade and other receivables	175	220
	82 992	88 747
<b>Current assets</b>		
Inventories	685	1 148
Trade and other receivables	32 049	32 166
Current income tax receivables	1 047	206
Available-for-sale financial assets	-	295
Restricted cash and cash equivalents	-	518
Cash and cash equivalents	19 525	23 554
	53 306	57 886
<b>Total assets</b>	<b>136 298</b>	<b>146 633</b>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	5 105	5 105
Share premium	25 404	25 404
Reserve of invested non-restricted equity	21 188	21 188
Other reserves	264	176
Treasury shares	-106	-106
Translation differences	-5 242	-10 243
Retained earnings	6 955	17 101
<b>Total shareholders' equity</b>	<b>53 568</b>	<b>58 625</b>
<b>Non-current liabilities</b>		
Borrowings	36 444	40 424
Derivative financial instruments	252	715
Deferred tax liabilities	3 011	3 388
Trade and other payables	733	803
	40 440	45 330
<b>Current liabilities</b>		
Borrowings	4 000	3 500
Trade and other payables	37 058	37 556
Current income tax liabilities	487	1 442
Derivative financial instruments	408	179
Provisions	337	-
	42 290	42 677
<b>Total liabilities</b>	<b>82 730</b>	<b>88 007</b>
<b>Total shareholders' equity and liabilities</b>	<b>136 298</b>	<b>146 633</b>

CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	2009	2008
Cash flows from operating activities		
Result for the period	-7 139	8 503
Adjustments to profit for the period	13 390	7 077
	6 251	15 581
Change in working capital	937	4 198
Interest and other finance cost paid	-2 160	-2 812
Interest and other finance income received	251	651
Income taxes paid	-2 770	-2 968
Net cash generated from operating activities	2 509	14 651
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash	-	-3 925
Purchases of tangible and intangible assets	-971	-2 741
Proceeds from sale of tangible and intangible assets	87	1 665
Sale of business/subsidiaries, net of cash	-	8 346
Net cash used in investing activities	-884	3 345
Cash flow from financing activities		
Repayments of borrowings	-3 500	-3 000
Dividends paid to the company's shareholders	-3 007	-3 437
Net cash generated in financing activities	-6 507	-6 437
(Decrease)/increase in cash and cash equivalents	-4 883	11 559
Cash and cash equivalents at the beginning of the period	23 554	12 974
Foreign exchange effect on cash	854	-979
Cash and cash equivalents at the end of the period	19 525	23 554

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(1 000 EUR)	Share capital	Share premium	Reserve of invested non-restricted equity	Other reserves	Treasury shares	Trans-lat. diff.	Ret. earnings	Total equity *
Shareholders' equity 1 January 2009	5 105	25 404	21 188	176	-106	-10 243	17 101	58 625
Total comprehensive income						5 001	-7 139	-2 138
Share options				88				88
Dividends paid							-3 007	-3 007
Shareholders' equity 31 December 2009	5 105	25 404	21 188	264	-106	-5 242	6 955	53 568

(1 000 EUR)	Share capital	Share premium	Reserve of invested non-restricted equity	Other reserves	Treasury shares	Trans-lat. diff.	Ret. earnings	Total equity *
Shareholders' equity 1 January 2008	5 105	25 404	21 188	108	-106	-771	12 035	62 964
Total comprehensive income				-16		-9 472	8 503	-985
Share options				84				84
Dividends paid							-3 437	-3 437
Shareholders' equity 31 December 2008	5 105	25 404	21 188	176	-106	-10 243	17 101	58 625

\* Affecto has not had a minority share in 2008 or 2009.

## 2. Notes

### 2.1. Basis of preparation

This report has been prepared in accordance with the IFRS recognition and measurement principles. This report does not comply with all of the requirements of IAS 34 Interim Financial Reporting. The report should be read in conjunction with the annual financial statements for the year 2008.

The group has adopted the following new and revised standards starting from 1 January 2009: IFRS 8 Operating Segments and IAS 1 Presentation of Financial Statements. In other material respects, the same accounting policies have been applied as in the 2008 annual consolidated financial statements.

### 2.2. Segment information

Affecto has changed its internal reporting. Since the beginning of 2009 Affecto's reporting segments are based on geographical locations and are Finland, Norway, Sweden, Denmark and Baltic. Corresponding information for prior periods disclosed in this report has been restated.

#### Segment sales and result

(1 000 EUR)	10-12/09	10-12/08	2009	2008
<b>Total sales</b>				
Finland	12 435	13 000	45 003	46 432
Norway	5 703	6 081	20 152	29 597
Sweden	4 144	5 372	15 823	22 573
Denmark	2 716	2 687	11 494	10 564
Baltic	3 140	5 914	12 163	24 289
Eliminations	-402	-562	-1 628	-1 890
<b>Group total</b>	<b>27 737</b>	<b>32 492</b>	<b>103 006</b>	<b>131 565</b>
<b>Operational segment result</b>				
Finland	1 516	2 045	5 096	6 886
Norway	705	305	2 286	2 877
Sweden	113	757	887	2 890
Denmark	342	393	886	1 157
Baltic	190	-223	-2 699	3 151
Other	-749	-734	-1 754	-2 500
<b>Total operational segment result</b>	<b>2 117</b>	<b>2 543</b>	<b>4 702</b>	<b>14 461</b>
IFRS amortisation	-504	-538	-2 081	-2 653
Impairment of Goodwill	-	-	-6 207	-
<b>Operating profit/loss</b>	<b>1 613</b>	<b>2 005</b>	<b>-3 587</b>	<b>11 808</b>

The impairment of Goodwill is allocated to assets of Baltic segment. The operational segment result in Baltic includes 1.2 MEUR restructuring costs.

Segment assets (1 000 EUR)	12/2009	12/2008
Finland	40 751	39 806
Norway	23 176	24 027
Sweden	25 126	23 634
Denmark	16 210	14 785
Baltic	8 561	18 091
<u>Total segment assets</u>	<u>113 824</u>	<u>120 343</u>
Unallocated assets	22 474	26 291
<u>Total assets</u>	<u>136 298</u>	<u>146 633</u>

Sales by business lines (1 000 EUR)	10-12/09	10-12/08	2009	2008
BI	18 019	20 415	66 802	77 584
Operational Solutions Geographic Information Services	7 404	9 690	27 244	44 613
Eliminations	2 694	2 983	10 168	11 774
	-380	-596	-1 207	-2 406
<u>Group total</u>	<u>27 737</u>	<u>32 492</u>	<u>103 006</u>	<u>131 565</u>

### 2.3. Borrowings

1 000 EUR	31.12.2009	31.12.2008
Interest-bearing non-current liabilities		
Loans from financial institutions, non-current portion	36 444	40 424
Loans from financial institutions, current portion	4 000	3 500
	<u>40 444</u>	<u>43 924</u>

The facility agreement of the group includes financial covenants based on net debt, result and cash flow. Breach of covenants might lead to an increase in cost of debt or cancellation of the facility agreement. As at 31 December 2009, the group did not fulfill all the covenants. The group has received a waiver from the bank already during financial year 2009 regarding the possible breach of covenants as at 31 December 2009. Due to the waiver, the maturity of the loan has been presented based on the facility agreement.

### 2.4. Contingencies and commitments

The future aggregate minimum lease payments under non-cancelable operating leases:

1 000 EUR	31.12.2009	31.12.2008
Not later than one (1) year	3 013	2 832
Later than one (1) year, but not later than five (5) years	2 310	3 552
Later than five (5) years	-	-
<u>Total</u>	<u>5 323</u>	<u>6 384</u>

#### Guarantees:

1 000 EUR	31.12.2009	31.12.2008
Debt secured by a mortgage		
Financial loans	40 500	44 000

The above-mentioned debts are secured by bearer bonds with capital value of 52.5 million euro. The bonds are held by Nordea Pankki Suomi Oyj and 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 loans above.

Other securities given on own behalf:	31.12.2009	31.12.2008
Pledges	241	432
Other guarantees	67	56

Pledges consist of current receivables amounting to 98 TEUR and non-current receivables 143 TEUR.

## 2.5. Derivative contracts

1 000 EUR	31.12.2009	31.12.2008
Interest rate swaps:		
Nominal value	17 000	34 000
Fair value	-659	-894
Interest rate cap:		
Nominal value	8 000	8 000
Fair value	11	20

### 3. Key figures

	10-12/09	10-12/08	2009	2008
Net sales, 1 000 eur	27 737	32 492	103 006	131 565
EBITDA, 1 000 eur	2 549	2 892	6 265	16 081
Operational segment result, 1 000 eur	2 117	2 543	4 702	14 461
Operating result, 1 000 eur	1 613	2 005	-3 587	11 808
Result before taxes, 1 000 eur	1 385	2 266	-6 271	10 467
Net income for equity holders of the parent company, 1 000 eur	280	1 793	-7 139	8 503
EBITDA, %	9.2 %	8.9 %	6.1 %	12.2 %
Operational segment result, %	7.6 %	7.8 %	4.6 %	11.0 %
Operating result, %	5.8 %	6.2 %	-3.5 %	9.0 %
Result before taxes, %	5.0 %	7.0 %	-6.1 %	8.0 %
Net income for equity holders of the parent company, %	1.0 %	5.5 %	-6.9 %	6.5 %
Equity ratio, %	42.9 %	43.0 %	42.9 %	43.0 %
Net gearing, %	39.1 %	34.7 %	39.1 %	34.7 %
Interest-bearing net debt, 1 000 eur	20 919	20 371	20 919	20 371
Gross investment in non-current assets (excl. acquisitions), 1 000 eur	161	1 145	971	2 741
Gross investments, % of sales	0.6 %	3.5 %	0.9 %	2.1 %
Research and development costs, 1 000 eur	181	101	433	1 468
R&D -costs, % of sales	0.7 %	0.3 %	0.4 %	1.1 %
Order backlog, 1 000 eur	41 108	44 467	41 108	44 467
Average number of employees	918	1 097	974	1 136
Earnings per share, eur	0.01	0.08	-0.33	0.40
Earnings per share (diluted), eur	0.01	0.08	-0.33	0.40
Equity per share, eur	2.49	2.73	2.49	2.73
Average number of shares, 1 000 shares	21 480	21 480	21 480	21 480
Number of shares at the end of period, 1 000 shares	21 480	21 480	21 480	21 480

Calculation of key figures

EBITDA	= Earnings before interest, taxes, depreciation, amortization and impairment
Operational segment result	= Operating profit before amortisations on fair value adjustments due to business combinations (IFRS3) and Goodwill impairments
Equity ratio, %	= $\frac{\text{Shareholders' equity}}{\text{Total assets - advances received}} \times 100$
Gearing, %	= $\frac{\text{Interest-bearing liabilities - cash, bank receivables and securities held as financial asset}}{\text{Shareholders' equity}} \times 100$
Interest-bearing net debt	= Interest-bearing liabilities - cash and bank receivables
Earnings per share (EPS)	= $\frac{\text{Result for the period to equity holders of the Company}}{\text{Adjusted average number of shares during the period}}$
Equity per share	= $\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the period}}$
Market capitalization	= Number of shares at the end of period (excluding treasury shares) x share price at closing date

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