

AFFECTO PLC

INTERIM REPORT

3 NOVEMBER 2010 at 9.30

AFFECTO PLC'S INTERIM REPORT 1-9/2010

GROUP KEY FIGURES

MEUR	7-9/10	7-9/09	1-9/10	1-9/09	2009
Net sales	23.9	21.6	78.0	75.3	103.0
Operational segment result	1.6	0.8	2.3	2.6	4.7
% of net sales	6.9	3.5	3.0	3.4	4.6
Operating profit/loss	1.1	0.2	0.9	-5.2	-3.6
% of net sales	4.8	1.0	1.1	-6.9	-3.5
Profit/loss before taxes	0.8	-0.2	-0.5	-7.7	-6.3
Profit/loss for the period	0.6	-0.3	-0.4	-7.4	-7.1
Equity ratio, %	45.4	43.5	45.4	43.5	42.9
Net gearing, %	54.0	46.4	54.0	46.4	39.1
Earnings per share, eur	0.03	-0.01	-0.02	-0.35	-0.33
Earnings per share (diluted), eur	0.03	-0.01	-0.02	-0.35	-0.33
Equity per share, eur	2.59	2.45	2.59	2.45	2.49

CEO Pekka Eloholma comments:

"Third quarter net sales continued on a clear growth path. Net sales grew 11% during the quarter, and there was growth in all areas except Sweden. The growth in Norway and Baltic was over 30%."

"The profitability improved substantially compared to the previous year. Despite the holiday period, the result also improved compared to the previous quarters this year. Profitability was excellent in Finland (16%), moderately good in Norway, Denmark and Baltic, but we still made a loss in Sweden."

"Affecto's order backlog was 43.6 MEUR, which is 24% higher than in Q3/2009 (35.2 MEUR) and is also higher than in Q3/2008 (40.9 MEUR). The order backlog and the good level of customer activity strengthen our belief in continuing positive development of business conditions."

"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. The last quarter is expected to be the best both regarding the net sales and profitability."

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

## INTERIM REPORT 1-9/2010

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 1-9/2010 were 78.0 MEUR (1-9/2009: 75.3 MEUR). Net sales in Finland were 33.4 MEUR (32.6 MEUR), in Norway 17.8 MEUR (14.4 MEUR), in Sweden 10.5 MEUR (11.7 MEUR), in Denmark 8.7 MEUR (8.8 MEUR) and 9.8 MEUR (9.0 MEUR) in Baltic.

During the third quarter the net sales increased clearly in all other areas except Sweden. The summer holidays decreased the net sales in the third quarter according to the normal seasonality. For the whole nine months, net sales have increased in Norway and Baltic, have been about flat on Finland and Denmark and have decreased in Sweden.

In the Nordic countries the business developed normally during the third quarter, and the market situation improved along the developments in the general economy. The Nordic BI market strengthened during the period.

The economic situation in the Baltic countries is stabilizing, but the local IT market has not yet recovered from the effects of the financial crisis, although the activity levels have improved.

## Net sales by reportable segments

Net sales, MEUR	7-9/10	7-9/09	1-9/10	1-9/09	2009
Finland	10.5	9.4	33.4	32.6	45.0
Norway	5.6	4.1	17.8	14.4	20.2
Sweden	2.8	3.4	10.5	11.7	15.8
Denmark	2.8	2.6	8.7	8.8	11.5
Baltic	2.8	2.1	9.8	9.0	12.2
Eliminations	-0.7	-0.1	-2.0	-1.2	-1.6
Group total	23.9	21.6	78.0	75.3	103.0

Net sales of Information Management Solutions business (previously BI and Operational solutions) in 1-9/2010 were 70.3 MEUR (68.7 MEUR) and net sales of Geographic Information Services were 8.0 MEUR (7.4 MEUR).

## PROFIT

Affecto's EBIT in 1-9/2010 was 0.9 MEUR (-5.2 MEUR) and the operational segment result was 2.3 MEUR (2.6 MEUR). Operational segment result was in Finland 3.3 MEUR (3.6 MEUR), in Norway 1.3 MEUR (1.6 MEUR), in Sweden -1.1 MEUR (0.8 MEUR), in Denmark 0.7 MEUR (0.5 MEUR) and in Baltic 0.2 MEUR (-2.9 MEUR).

Profitability in the third quarter was excellent in Finland (16%), moderately good in Norway, Denmark and Baltic, but we still made a loss in Sweden.

Operational segment result by reportable segments

Operational segment result, MEUR	7-9/10	7-9/09	1-9/10	1-9/09	2009
Finland	1.7	0.6	3.3	3.6	5.1
Norway	0.6	0.5	1.3	1.6	2.3
Sweden	-0.5	0.1	-1.1	0.8	0.9
Denmark	0.2	0.0	0.7	0.5	0.9
Baltic	0.3	-0.3	0.2	-2.9	-2.7
Other	-0.6	-0.2	-2.0	-1.0	-1.8
Operational segment result	1.6	0.8	2.3	2.6	4.7
IFRS3 Amortization	-0.5	-0.5	-1.5	-1.6	-2.1
Impairment of Goodwill	-	-	-	-6.2	-6.2
Operating profit/loss	1.1	0.2	0.9	-5.2	-3.6

According to IFRS3 requirements, 1-9/2010 EBIT includes 1.5 MEUR (1.6 MEUR) of amortization of intangible assets related to acquisitions. In year 2010 the IFRS3 amortization is estimated to total 2.0 MEUR and in 2011 approx. 2.0 MEUR. The second quarter EBIT included an approx. 0.6 MEUR non-recurring expense related to some changes in personnel.

R&D costs 1-9/2010 totaled 0.8 MEUR (0.3 MEUR), i.e. 1.0% of net sales (0.3%). The costs have been recognized as an expense in the income statement.

Taxes corresponding to the result for the review period have been entered as tax expense. Net profit for the period was -0.4 MEUR, while it was -7.4 MEUR last year.

The order backlog was approx. 44 MEUR at the end of the period, which is 2 MEUR lower than the previous quarter's backlog, but 8 MEUR higher than the Q3/2009 order backlog. 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 127.2 MEUR (12/2009: 136.3 MEUR). Equity ratio was 45.4% (12/2009: 42.9%) and net gearing was 54.0% (12/2009: 39.1%). Translation differences have increased the consolidated equity by 3.4 MEUR during 1-9/2010 due to the strengthening of the Norwegian and Swedish currencies.

The financial loans were 38.5 MEUR (12/2009: 40.4 MEUR) at the end of reporting period. The company's cash and liquid assets were 9.4 MEUR (12/2009: 19.5 MEUR). The interest-bearing net debt was 29.1 MEUR (12/2009: 20.9 MEUR). Affecto's bank loan has covenants based on net debt, result and cash flow. Loan covenants concerning the ratio of net debt and cash flow were breached due to negative changes in cash and working capital. Affecto has agreed with the bank about changes to the covenants and the bank has confirmed that they will not cancel the loan facility agreement. This arrangement will slightly increase finance costs in the last quarter.

Cash flow from operating activities for the reported period was -5.0 MEUR (-1.0 MEUR) and cash flow from investments was -1.0 MEUR (-0.7 MEUR). Investments in non-current assets excluding acquisitions were 1.1 MEUR (0.8 MEUR). Negative change in working capital is mainly caused by the positive growth in the net revenue and the growth of projects for public administration entities, which has impact to the receivables.

Based on decision by the Annual General Meeting held on 25 March 2010, Affecto has distributed dividends of 1.3 MEUR (previous year 3.0 MEUR). Dividend was paid on 13 April 2010.

## EMPLOYEES

The number of employees was 934 persons at the end of the reporting period (928). 382 employees were based in Finland, 130 in Norway, 100 in Sweden, 59 in Denmark and 263 in the Baltic countries. The average number of employees during the period was 912 (993).

Fredrik Prien was appointed as the country manager in Sweden and he started in March. Member of the executive management team, COO Åge Lønning left the company at the end of April. The Nordic country managers and the Baltic area manager joined the management team. The executive team comprises currently Pekka Eloholma, Satu Kankare, Jukka Nortio, Hilkkä Remes-Hyvärinen, Stig-Göran Sandberg, Ray Byman, Håvard Ellefsen, Claus Kruse, Rene Lykkeskov and Fredrik Prien. Jukka Nortio will leave Affecto group during the fourth quarter.

## 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.

## Finland

In 7-9/2010 net sales in Finland were 10.5 MEUR (9.4 MEUR). Operational segment result was 1.7 MEUR (0.6 MEUR). The business developed positively and net sales grew by 12% compared to previous year. Customers' activity level continued to improve. During the period new orders were received e.g. from Forest-Tapio, Nokia and Vaasa hospital district.

The growth of IT services market in Finland is forecast to be approx. 2% in 2010 (Marketvisio's estimate, April 2010). However, Affecto's focus segments are expected to experience a higher growth in software sales (BI 7%, ECM 6%).

## Norway

The net sales in 7-9/2010 were 5.6 MEUR (4.1 MEUR) and operational segment result was 0.6 MEUR (0.5 MEUR). The business developed well in Norway and grew by 37%. The growth in Euros was helped by the strengthening of the Norwegian krone (NOK), but also the organic growth was good. The business conditions in Norway have continued to develop positively. Due to expected growth in demand, the company has been active in hiring new employees, which has lowered profitability. New orders were received e.g. from Statoil, SEB Kort and Elkjöp.

## Sweden

In 7-9/2010 the net sales in Sweden were 2.8 MEUR (3.4 MEUR) and operational segment result -0.5 MEUR (0.1 MEUR). Fredrik Prien started as the new country manager in March and the local organization has been under development during the summer. The business was loss-making e.g. due to changes in personnel. Due to recruitments made, the amount of billable consultants is expected to return in a few months to the levels at early 2010. As a positive signal, Dataföreningen (Swedish Information Processing Society) gave Affecto the annual "Diamanten" award for the "IT company, who best understands the customer needs". New orders were received e.g. from Volvo Cars and Cardo.

## Denmark

The net sales in 7-9/2010 were 2.8 MEUR (2.6 MEUR) and operational segment result was 0.2 MEUR (0.0 MEUR). In Denmark, the net sales grew by 8% and the profitability improved clearly. The customers' activity remained on a good level and the market is expected to continue developing positively. New orders were received e.g. from Dong and Kombit.

Baltic (Lithuania, Latvia, Estonia, Poland)

The Baltic business mostly consists of projects related to large customer-specific systems. Public sector entities in the Baltic countries and insurance companies also outside Baltic area are significant customer segments.

In 7-9/2010 the Baltic net sales were 2.8 MEUR (2.1 MEUR). Operational segment result was 0.3 MEUR (-0.3 MEUR). Net sales grew by 31%. Kestutis Naujokaitis was appointed in August as the country manager for Lithuania. The local IT market in the Baltic countries has not yet recovered from the effects of the financial crisis, although the activity levels have improved. The price competition is tight. The development of the local business environment is uncertain, and the EU has great importance in financing both public and also private investments. GDP is estimated to slightly grow in most of the Baltic countries in 2010.

Some new projects were received during the period, mostly from public sector entities, including Lithuanian Ministry of Health Care.

Review by business lines

Information management solutions business contains the previously separately reported Business intelligence (BI) and Operational Solutions businesses. Reporting was changed in 2010 to match the current management model. The net sales of Information management solutions in 7-9/2010 were 21.4 MEUR (19.3 MEUR). The business developed positively during the period.

The demand for Business intelligence (BI) solutions develops positively along the general economy. 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.

The demand for ECM solutions in Finland was good. The net sales in Baltic increased clearly, as the business is recovering from the crisis in the previous year.

Net sales of the Geographic Information Services business in 7-9/2010 were 2.6 MEUR (2.5 MEUR). The GIS services business continued to develop favorably.

Affecto has decided to form a separate subsidiary company Karttakeskus Oy for conducting the Geographic Information Services (GIS) business in Finland. There will be a partial de-merger, where the current GIS services business is separated from Affecto Finland Ltd. Both Affecto Finland Ltd and the new Karttakeskus Oy will be wholly owned subsidiaries of the parent company Affecto Plc. The partial de-merger is expected to be completed in January 2011.

#### ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting of Affecto Plc, which was held on 25 March 2010, adopted the financial statements for 1.1.-31.12.2009 and discharged the members of the Board of Directors and the CEO from liability. Approximately 49 percent of Affecto's shares and votes were represented in the Meeting. The Annual General Meeting decided that a dividend of EUR 0.06 per share will be distributed for the year 2009.

In addition, the Meeting decided to amend Section "9 Notice of Meeting" of the Articles of Association, and decided to lower the share premium reserve of the parent company Affecto Plc by transferring the entire capital into the reserve of invested unrestricted equity. The lowering was implemented on 27 July 2010.

Aaro Cantell, Pyry Lautsuo, Heikki Lehmusto, Esko Rytönen and Haakon Skaarer were re-elected as members of the Board of Directors, and Jukka Ruuska was

elected as a new member. 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 and Jukka Ruuska as Vice-Chairman. The APA firm KPMG Oy Ab was elected auditor of the company.

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 25 March 2010.

The complete contents of the new authorizations given by the Annual General Meeting held on 25 March 2010 have been published in the stock exchange release regarding the Meetings' decisions.

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. Based on the authorization the company has acquired 26 474 own shares by 30 September 2010.

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. Based on the authorization, the company has conveyed all own shares held by the company, 63 212 shares, to Affecto Management Oy in August.

#### SHARES AND TRADING

The company has only one share series, and all shares have similar rights. As at 30 September 2010, Affecto Plc's share capital consisted of 21 516 468 shares including the shares owned by Affecto Management Oy. The company does not own treasury shares. Affecto Management Oy owns 823 000 shares.

In 1-9/2010, the highest share price was 2.70 euro, lowest price 2.02 euro, average price 2.41 euro and closing price 2.40 euro. Trading volume was 6.3 million shares, corresponding to 39% (annualized) of the number of shares at the end of period. The market value of shares was 51.6 MEUR at the end of the period.

#### SHAREHOLDERS

The company had a total of 1997 owners on 30 September 2010 and the foreign ownership was 33%. 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. 13.7% (13.1% shares and 0.6% options).

#### SHARE BASED INCENTIVE PLANS

The key personnel in Affecto received 377 500 series 2008C options during the review period.

The Board of Directors of Affecto decided in June to establish a new share-based incentive plan, when the company's management invests in Affecto shares through Affecto Management Oy, owned by the management. The purpose of the plan is to commit the Participants to the Company by encouraging them to acquire and hold the Company's shares, and this way increase the Company's shareholder value in the long run. The number of shares to be acquired is a maximum total of 870 000 shares. Affecto Management Oy will finance the acquisition by the managers' own capital investments and by a max. 1.6 MEUR interest-bearing loan provided by Affecto. The plan will be valid until the announcement of the Affecto's Q3/2013 interim report. By 30 September 2010, Affecto Management Oy has acquired 823 000 shares. Affecto Management Oy has been consolidated to the group balance sheet.

#### ASSESSMENT OF RISKS AND UNCERTAINTIES

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.

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 remained high 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 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.

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

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.

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.

#### 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. The last quarter is expected to be the best both regarding the net sales and profitability.

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 11.30 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)	7-9/10	7-9/09	1-9/10	1-9/09	2009
Net sales	23 877	21 570	78 032	75 270	103 006
Other operating income	9	0	23	16	27
Changes in inventories of finished goods and work in progress	-116	-135	-163	-225	-351
Materials and services	-4 621	-4 107	-15 082	-13 496	-19 775
Personnel expenses	-13 274	-12 715	-46 969	-45 298	-59 660
Other operating expenses	-3 901	-3 496	-12 471	-12 551	-16 983
Other depreciation and amortisation	-332	-360	-1 026	-1 129	-1 466
IFRS3 amortisation	-499	-533	-1 489	-1 577	-2 081
Impairment	-	-2	-	-6 210	-6 304
Operating profit/loss	1 143	221	853	-5 200	-3 587
Finance costs (net)	-295	-452	-1 357	-2 457	-2 684
Profit/loss before income tax	848	-231	-504	-7 657	-6 271
Income tax	-207	-20	88	237	-868
Profit/loss for the period	642	-251	-415	-7 419	-7 139
Profit/loss for the period attributable to:					
Equity holders of the Company	650	-251	-406	-7 419	-7 139
Non-controlling interest	-8	-	-10	-	-
Earnings per share (EUR per share):					
Basic	0.03	-0.01	-0.02	-0.35	-0.33
Diluted	0.03	-0.01	-0.02	-0.35	-0.33

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(1 000 EUR)	7-9/10	7-9/09	1-9/10	1-9/09	2009
Profit/loss for the period	642	-251	-415	-7 419	-7 139
Other comprehensive income:					
Translation difference	1 034	2 158	3 427	4 463	5 001
Total Comprehensive income for the period	1 676	1 907	3 012	-2 956	-2 138
Total Comprehensive income attributable to:					
Equity holders of the Company	1 684	1 907	3 021	-2 956	-2 138
Non-controlling interest	-8	-	-10	-	-

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	9/2010	9/2009	12/2009
<b>Non-current assets</b>			
Property, plant and equipment	2 058	2 362	2 102
Goodwill	72 169	69 058	69 415
Other intangible assets	8 498	10 026	9 585
Deferred tax assets	2 111	2 287	1 648
Available-for-sale financial assets	19	54	54
Derivative financial instruments	-	16	11
Trade and other receivables	86	178	175
	84 941	83 982	82 992
<b>Current assets</b>			
Inventories	505	870	685
Trade and other receivables	31 279	24 686	32 049
Current income tax receivables	1 080	1 212	1 047
Available-for-sale financial assets	-	-	-
Restricted cash and cash equivalents	-	376	-
Cash and cash equivalents	9 377	17 999	19 525
	42 242	45 144	53 306
<b>Total assets</b>	<b>127 183</b>	<b>129 125</b>	<b>136 298</b>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	5 105	5 105	5 105
Share premium	-	25 404	25 404
Reserve of invested non-restricted equity	46 591	21 188	21 188
Other reserves	379	213	264
Treasury shares	-1 996	-106	-106
Translation differences	-1 815	-5 780	-5 242
Retained earnings	5 244	6 674	6 955
	53 509	52 699	53 568
Non-controlling interest	393	-	-
<b>Total shareholders' equity</b>	<b>53 902</b>	<b>52 699</b>	<b>53 568</b>
<b>Non-current liabilities</b>			
Borrowings	-	38 439	36 444
Derivative financial instruments	879	811	252
Deferred tax liabilities	2 798	3 057	3 011
Trade and other payables	786	681	733
	4 463	42 987	40 440
<b>Current liabilities</b>			
Borrowings	38 458	4 000	4 000
Trade and other payables	28 705	28 118	37 058
Current income tax liabilities	1 139	890	487
Derivative financial instruments	-	99	408
Provisions	516	332	337
	68 818	33 439	42 290
<b>Total liabilities</b>	<b>73 281</b>	<b>76 427</b>	<b>82 730</b>
<b>Total shareholders' equity and liabilities</b>	<b>127 183</b>	<b>129 125</b>	<b>136 298</b>

CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	1-9/2010	1-9/2009	2009
Cash flows from operating activities			
Result for the period	-415	-7 419	-7 139
Adjustments to profit for the period	3 873	11 315	13 390
	3 457	3 896	6 251
Change in working capital	-7 265	-1 477	937
Interest and other finance cost paid	-1 152	-1 581	-2 160
Interest and other finance income received	104	146	251
Income taxes paid	-138	-2 021	-2 770
Net cash generated from operating activities	-4 993	-1 037	2 509
Cash flows from investing activities			
Purchases of tangible and intangible assets	-1 055	-810	-971
Proceeds from sale of tangible and intangible assets	6	80	87
Proceeds from sale of Available-for-sale financial assets	42	-	-
Net cash used in investing activities	-1 006	-731	-884
Cash flow from financing activities			
Share issue of Affecto Management Oy*	400	-	-
Repayments of borrowings	-2 000	-1 500	-3 500
Purchase and disposal of treasury shares**	- 1 799	-	-
Dividends paid to the company's shareholders	-1 289	-3 007	-3 007
Net cash generated in financing activities	-4 688	-4 507	-6 507
(Decrease)/increase in cash and cash equivalents	-10 688	-6 275	-4 883
Cash and cash equivalents at the beginning of the period	19 525	23 554	23 554
Foreign exchange effect on cash	541	720	854
Cash and cash equivalents at the end of the period	9 377	17 999	19 525

\* Affecto Group management's investment to incentive arrangement

\*\* Includes shares in Affecto Plc acquired by Affecto Management Oy.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Equity attributable to equity holders of the Company									
		Share capi- tal	Share premium	Reserve of investe d non- restric ted equity	Other reserv es	Trea- sury shares	Trans- lat. diff.	Ret. earn- ings	Minor ity inter est	Total equity	
(1 000 EUR)											
Shareholders ' equity 1											
January 2010	5 105	25 404	21 188	264	-106	-5 242	6 955	-	53 568		
Total compre- hensive income						3 427	-406	-10	3 012		
Share options				115					115		
Purchase and disposal of treasury shares					106		-16		90		
Decrease of share premium account		-25 404	25 404						-		
Dividends paid							-1 289		-1 289		
Management incentive plan*					-1 996			402	-1 594		
Shareholders ' equity 30 September 2010	5 105	-	46 591	378	-1 996	-1 815	5 244	393	53 902		

		Equity attributable to equity holders of the Company									
		Share capi- tal	Share premium	Reserve of investe d non- restric ted equity	Other reserv es	Trea- sury shares	Trans- lat. diff.	Ret. earn- ings	Minor ity inter est	Total equity	
(1 000 EUR)											
Shareholders ' equity 1											
January 2009	5 105	25 404	21 188	176	-106	-10 243	17 101	-	58 625		
Total compre- hensive income						4 463	-7 419		-2 956		
Share options				37					37		
Dividends paid							-3 007		-3 007		

Shareholders' equity 30 September 2009	5 105 25 404 21 188	213	-106 -5 780	6 674	- 52 699
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\* Group management's incentive plan (Affecto Management Oy).

## 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 2009. The non-controlling interest has been presented separately after net profit for the period and in total equity.

The group has adopted the following new and revised standards starting from 1 January 2010: Revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements. In other material respects, the same accounting policies have been applied as in the 2009 annual consolidated financial statements.

### 2.2. Segment information

Affecto's reporting segments are based on geographical locations and are Finland, Norway, Sweden, Denmark and Baltic.

#### Segment sales and result

(1 000 EUR)	7-9/10	7-9/09	1-9/10	1-9/09	2009
<b>Total sales</b>					
Finland	10 529	9 401	33 353	32 568	45 003
Norway	5 636	4 118	17 765	14 449	20 152
Sweden	2 845	3 398	10 462	11 679	15 823
Denmark	2 788	2 575	8 679	8 778	11 494
Baltic	2 822	2 149	9 791	9 023	12 163
Eliminations	-744	-71	-2 019	-1 227	-1 628
<b>Group total</b>	<b>23 877</b>	<b>21 570</b>	<b>78 032</b>	<b>75 270</b>	<b>103 006</b>
<b>Operational segment result</b>					
Finland	1 729	575	3 314	3 580	5 096
Norway	552	520	1 321	1 581	2 286
Sweden	-544	77	-1 092	774	887
Denmark	243	26	673	544	886
Baltic	268	-266	158	-2 889	-2 699
Other	-606	-178	-2 031	-1 006	-1 754
<b>Total operational segment result</b>	<b>1 642</b>	<b>754</b>	<b>2 343</b>	<b>2 584</b>	<b>4 702</b>
IFRS amortisation	-499	-533	-1 489	-1 577	-2 081
Impairment of Goodwill	-	-	-	-6 207	-6 207
<b>Operating profit/loss</b>	<b>1 143</b>	<b>221</b>	<b>853</b>	<b>-5 200</b>	<b>-3 587</b>

The impairment of Goodwill in 2009 was allocated to the assets of Baltic segment. The operational segment result of Baltic segment for period 1-9/2009 included a restructuring provision amounting to 1.4 MEUR. The result for year 2009 included 1.2 MEUR realized restructuring costs.

Business Intelligence and Operation Solutions business lines, previously reported as separate business lines, have been combined to a Information Management Solutions business line in the beginning of year 2010. Updated reportable business lines are in line with the current management model of Affecto Group.

Sales by business lines  
(1 000 EUR)

	7-9/10	7-9/09	1-9/10	1-9/09	2009
Information Management Solutions	21 402	19 287	70 315	68 745	93 147
Geographic Information Services	2 569	2 508	8 034	7 448	10 168
Eliminations	-94	-224	-316	-923	-308
<b>Group total</b>	<b>23 877</b>	<b>21 570</b>	<b>78 032</b>	<b>75 270</b>	<b>103 006</b>

### 2.3. Interest-bearing liabilities

1 000 EUR	30.9.2010	31.12.2009
Interest-bearing non-current liabilities		
Loans from financial institutions, non-current portion	-	36 444
Loans from financial institutions, current portion	38 458	4 000
	<b>38 458</b>	<b>40 444</b>

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. Loan covenants concerning the ratio of net debt and cash flow were breached due to negative changes in cash and working capital. The overall debt position has transferred in accordance with IFRS standards from long-term to short-term liabilities. Affecto has agreed with the bank about changes to the covenants and the bank has confirmed that they will not cancel the loan facility agreement. This arrangement will slightly increase finance costs in the last quarter. The covenants based on net debt and result will be measured quarterly, the covenant based on cash flow will be measured next time on June 2011. The inability to comply financial covenants did not result liquidity issue to the group and the interim report is prepared on a going concern basis.

### 2.4. Contingencies and commitments

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

1 000 EUR	30.9.2010	31.12.2009
Not later than one (1) year	2 793	3 013
Later than one (1) year, but not later than five (5) years	1 993	2 310
<b>Total</b>	<b>4 726</b>	<b>5 323</b>

Guarantees:

1 000 EUR	30.9.2010	31.12.2009
Debt secured by a mortgage		
Financial loans	38 500	40 500

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:	30.9.2010	31.12.2009
Pledges	83	241
Other guarantees	1 525	67

Pledges consist of current receivables.

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 directly to the customer.

## 2.5. Derivative contracts

1 000 EUR	30.9.2010	31.12.2009
Interest rate swaps:		
Nominal value	20 250	17 000
Fair value	-879	-659
Interest rate cap:		
Nominal value	-	8 000
Fair value	-	11

### 3. Key figures

	7-9/10	7-9/09	1-9/10	1-9/09	2009
Net sales, 1 000 eur	23 877	21 570	78 032	75 270	103 006
EBITDA, 1 000 eur	1 975	1 116	3 369	3 716	6 265
Operational segment result, 1 000 eur	1 642	754	2 343	2 584	4 702
Operating result, 1 000 eur	1 143	221	853	-5 200	-3 587
Result before taxes, 1 000 eur	848	-231	-504	-7 657	-6 271
Net income for equity holders of the parent company, 1 000 eur	650	-251	-406	-7 419	-7 139
EBITDA, %	8,3 %	5,2 %	4,3 %	4,9 %	6.1 %
Operational segment result, %	6,9 %	3,5 %	3,0 %	3,4 %	4.6 %
Operating result, %	4,8 %	1,0 %	1,1 %	-6,9 %	-3.5 %
Result before taxes, %	3,6 %	-1,1 %	-0,6 %	-10,2 %	-6.1 %
Net income for equity holders of the parent company, %	2,7 %	-1,2 %	-0,5 %	-9,9 %	-6.9 %
Equity ratio, %	45,4 %	43,5 %	45,4 %	43,5 %	42.9 %
Net gearing, %	54,0 %	46,4 %	54,0 %	46,4 %	39.1 %
Interest-bearing net debt, 1 000 eur	29 081	24 440	29 081	24 440	20 919
Gross investment in non-current assets (excl. acquisitions), 1 000 eur	469	188	1 055	810	971
Gross investments, % of sales	2,0 %	0,9 %	1,4 %	1,1 %	0.9 %
Research and development costs, 1 000 eur	279	118	816	252	433
R&D -costs, % of sales	1,2 %	0,5 %	1,0 %	0,3 %	0.4 %
Order backlog, 1 000 eur	43 638	35 228	43 638	35 228	41 108
Average number of employees	917	933	912	993	974
Earnings per share, eur	0,03	-0,01	-0,02	-0,35	-0.33
Earnings per share (diluted), eur	0,03	-0,01	-0,02	-0,35	-0.33
Equity per share, eur	2,59	2,45	2,59	2,45	2.49
Average number of shares, 1 000 shares	20 948	21 480	21 298	21 480	21 480
Number of shares at the end of period, 1 000 shares	20 693	21 480	20 693	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 company's own shares held by the company) x share price at closing date

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