2008

Annual Report

Affecto

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Order backlog M€ 44
Net sales MEUR 132
Net sales grew by 35%
Personnel 31 Dec 1079

Year 2008

For Affecto, the year 2008 was successful in many ways. The business grew significantly and remained well profitable. Internally, the company focused on integrating and unifying the operations of the rapidly grown group.

- Net sales grew by 35%, rising to 132 million euros.
- Operating profit amounted to 11.8 million euros or 9% of net sales.
- The order backlog grew to 44 million euros during the year.
- Business was focused by divesting the Contempus subsidiary.
- The Affecto brand was adopted in all the Nordic and Baltic countries.
- Net debt decreased significantly.
- The economic climate weakened towards the year-end, affecting especially the business in the Baltic countries.

Key figures	2008	Change	2007
Net sales, M€	131.6	35%	97.5
Operating profit, M€	11.8	10%	10.8
Order backlog, M€	44.5	7%	41.6
Personnel at the year-end	1079	-4%	1129
Total shareholders' equity and liabilities, M€	146.6	-10%	162.1
Earnings/share, €	0.40	5%	0.38
Dividend/share, € *)	0.14	-	0.16
Equity ratio, %	43.0	-	41.9

*) Board's proposal

Affecto's operations

Affecto builds versatile IT solutions for companies and organisations to improve their efficiency in business and to support the related decision-making. With Affecto's Business Intelligence (BI) solutions organisations are able to link strategic targets and business management. Business Intelligence solutions enable the further processing and utilisation of information generated by ERP and other IT systems. The company also delivers operational IT solutions, such as Enterprise Content Management (ECM), for improving and simplifying processes at customer organisations. Affecto offers Business Intelligence solutions in its operating areas in the Nordic and Baltic countries. In Operational solutions, the company has a presence in Finland and in the Baltic region.

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

Operating profit MEUR 11.8

Operating profit 9%

Profit/share € 0.40

Dividend proposal € 0.14

Services by market areas

Vision

- In 2011, Affecto is the leading provider of Business Intelligence solutions in the Nordic and Baltic regions. The BI business has possibly expanded to other parts of the Northern Europe, too. Affecto is the most competent and quality-focused provider of operational IT solutions in selected industries and regions.
- We are one of the most profitable companies in the market area with net sales growth exceeding general market growth.
- Affecto constitutes the best investment that our stakeholders can make. For our employees, we represent the best employer in terms of enhancing competence and expertise. Our customers benefit from top-quality solutions and services, based on an in-depth understanding of the customer's needs. We offer our investors sustainable development of shareholder value.

Strategy

- Sustainable and profitable growth is at the core of our strategy.
- Our business is based on two areas of solid competence: the production of Business Intelligence solutions and operational IT solutions, e.g. Enterprise Content Management solutions (ECM).
- We utilise increasingly the Baltic resources in our Nordic service offering.
- We focus on developing our employees' skills and competence. We believe in an inspiring style of leadership and we reward success.

Aiming to improve competitiveness

The year 2008 was another year of success and strong growth for Affecto. Our positive growth trend continued, and we advanced towards our strategic goals. Net sales grew to 132 million euros and operating profit to 12 million euros. Internally, 2008 was a year of significant integration for Affecto. The company focused strongly on harmonising its procedures and processes.

The year saw further consolidation of our already good market standing. Business Intelligence solutions brought us marked success in Finland, Norway and Denmark, while our operational solutions proved to be a success story in the Finnish market.

Affecto's increased market recognition and our sales successes reflected as changes in our customer base. New customers included some major companies and organisations, and we reinforced our position as provider to the public sector. The average size of orders also grew. In November, we published details of the largest BI agreement concluded in the history of Affecto. Affecto will deliver an extensive BI project, lasting several years, to the Danish Tax Authority.

In line with our strategic plans, we continued to focus on our core business areas. With this in mind, during the autumn we divested the non-core Contempus AS, a by-product of our acquisition of Component Software. In the markets, there were further signs that BI and ECM solutions, in particular, are inching ever closer together.

The year 2008 will be remembered for the upheaval in the global economy. The increasingly gloomy economic circumstances unfolding towards the end of the year quickly evaporated the positive atmosphere that had prevailed at the beginning of 2008. The changed circumstances did not reflect on Affecto until the very end of the year. The development in the general economy affected especially the Baltic countries although all Affecto areas felt the consequences of the weakening market situation to some extend.

Despite the challenges in the international markets during the last part of 2008, Affecto was able to increase its order backlog compared to the previous year. This gave us a good start for the year 2009.

Sharpening our competitive edge by developing competence

In recent years, Affecto has grown and expanded apace following numerous acquisitions as well as strong organic growth. With each company acquisition the group has benefited from an influx of new experts, diverse competence and good practices. It is our intention to optimise the exploitation of the new potential in the development of our company.

The acquisition of Component Software in 2007 changed Affecto's corporate structure significantly and considerably increased its size. Consequently, in 2008 it became crucial to harmonise operating practices and processes throughout the group.

The most significant internal development projects concerned the development and sharing of our core competences between the different country units. During the year, we launched an extensive training programme, Affecto University, which we believe will evolve into a notable training tool that will serve to enhance our competence.

We are also involved in constructing a uniform model, based on best practices, for selling and implementing customer projects in the various Affecto countries. These measures will promote high-quality operation and underpin our competitiveness. Common operating practices will enable more effective resource utilisation and ensure that the best competence is exploited in each and every customer project.

We have made steady progress in promoting Affecto's market recognition. In 2008, the Affecto name and image was adopted by all the country units in the Nordic and Baltic countries.

New challenges in the new year

We believe that despite the economic slowdown, demand for Affecto's solution packages will remain relatively strong. Our solutions boost our customer organisations' operational efficiency. A BI solution

demands fairly limited investment, yet it is capable of quickly locating the most accurate and up-to-date data held in the organisation's existing IT systems. Because such data is vital in successful decision-making, the solution brings considerable business benefits. Operational solutions, for their part, directly boost the organisation's operations by streamlining business processes. In a challenging economic climate, this is invaluable to any organisation.

Our goal is to continue to grow and outperform the market. New challenges have emerged in our operating environment, not least in the Baltic region where prospects are significantly reduced due to the economic problems in the countries concerned. On the other hand, the more stable economic climate in the Nordic region signals continuing positive demand for Affecto's services. In our vision we have also stated that we consider expanding our operations to other parts of Northern Europe by the year 2011.

At the moment, however, growth can only be achieved through increased effort, and solid competence and expertise will be the keys to success. We will endeavour to bring our operation closer to the customer. In the future, understanding our customers' business areas will become an even more important competitive advantage and one that we will aim to enhance. We already have internationally competitive competence in delivering solutions for the insurance sector, but there are many other sectors which present opportunities for growth.

I would like to thank our customers, partners and shareholders for their trust in the company. Affecto's committed employees deserve a big 'thank you' for the successes of the past year. It is our goal to further develop our operation and continue to serve our various stakeholders to the best of our ability.

Pekka Eloholma
CEO

Towards a more unified Affecto

Affecto's IT services are based on two strong areas of expertise: Business Intelligence (BI) solutions and operational IT solutions. Affecto also provides geographic information services. Affecto's market area comprises Finland, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania and Poland.

Affecto is a leading provider of BI solutions in the Nordic region and has a good market standing in the Baltic countries, as well. The company occupies a good position in Finland as provider of operational IT solutions and has a particularly solid footing in the Baltic region. Affecto is the Finnish market leader in geographic information services. Affecto owes its success especially to its customer-oriented approach, solid expertise and long-term experience of project management.

Affecto's goal is to retain its leadership status in BI solutions in the Nordic region, consolidate its position in the Baltic countries and become the leading provider of operational solutions in selected sectors and markets. It is possible that the company will expand its operations to the Northern Europe by 2011. At the same time, the company aims to outgrow the market and be one of the most profitable publicly listed IT service providers in the Nordic region.

Mutually complementary services

Business Intelligence solutions produce information to support leadership and strategic planning, while operational solutions boost customers' operations and business processes. Increasingly, competence in BI solutions and in certain operational solutions, such as ECM or GIS, are merged and exploited in customer projects. Similarly, the BI and ECM technologies are inching closer to each other. This means that the company is able to market ever more extensive service packages. Instead of the earlier reporting solutions, which had limited content, customers are now more often demanding more comprehensive and complete solution packages. However, less weighty solutions with short lead times do remain popular.

BI solutions provide real-time information to support decision-making

Business Intelligence solutions provide companies and public sector organisations with information to support leadership and decision-making. With a BI solution, the information accrued from a customer's Enterprise Resource Planning (ERP) system, or perhaps from a separate sales, customer and financial system, can be collated and utilised effectively. A BI solution will collect data from disparate sources and merge them under a single umbrella application, which provides the organisation with a continuous, real-time and comprehensive view of its business. Because the decision-making process is supported by more reliable data, the company's or organisation's operational reporting and planning is simplified. Furthermore, BI solutions allow the data to be shared internally and even with external partners. The overall result is a more transparent operation.

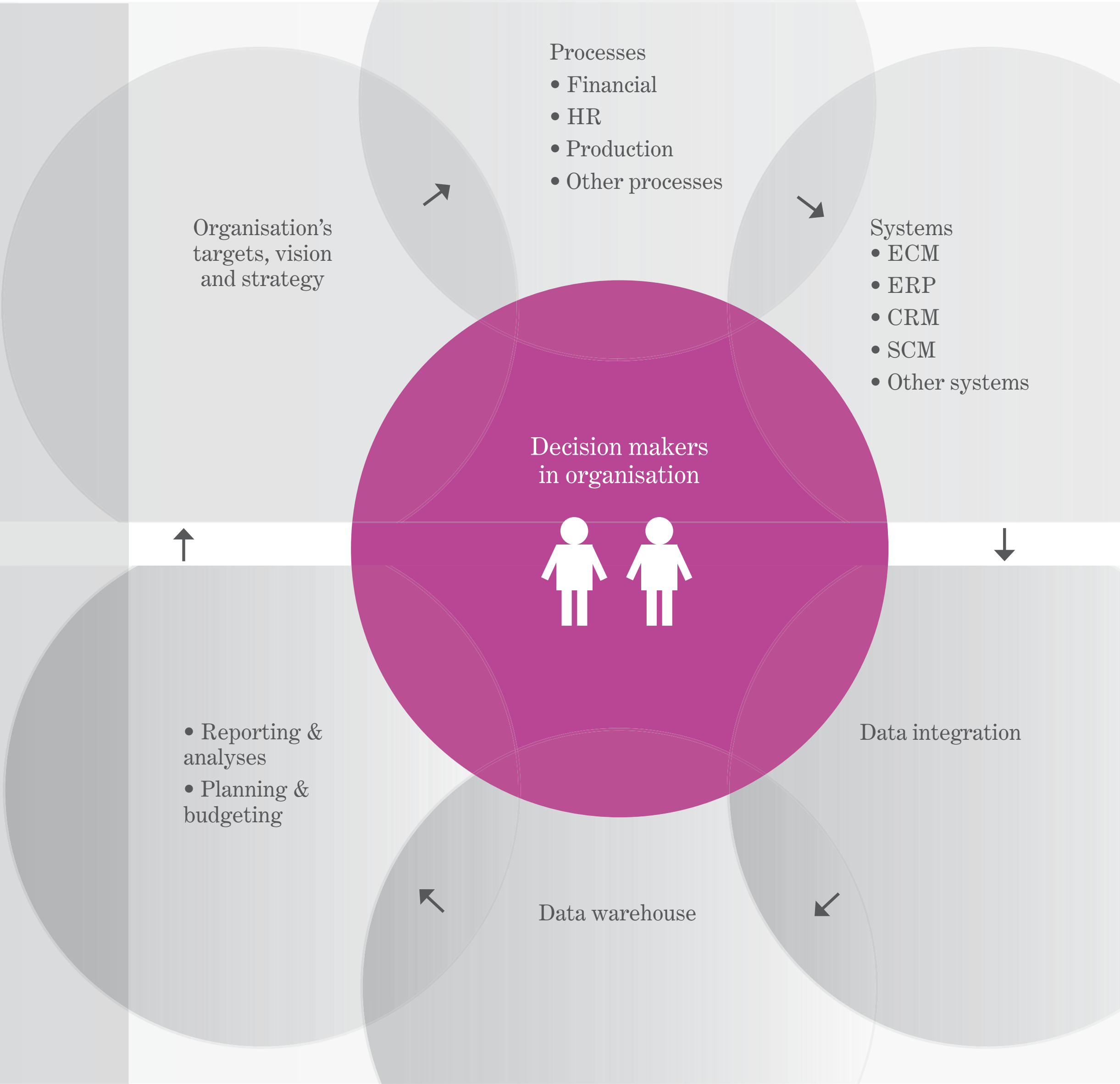
An essential part of a BI solution offering is a Corporate Performance Management (CPM) solution, which promotes the comprehensive management of business performance. A CPM solution allows the organisation to manage extensive functions, such as strategic planning, budgeting and analysis, more easily. BI solutions serve to tighten the link between various operational processes and the organisation's strategic goals.

BI solutions are always constructed in accordance with individual customer need and by deploying existing systems. The BI consultants create the solution in close cooperation with the customer and often in the customer's own premises. The solution is based on globally leading BI technologies and the software is selected in consultation with the customer.

Affecto's comprehensive service offering enables delivery of larger solutions than earlier.

Affecto's operational IT solutions improve and simplify processes and integrate systems at customer organisations.

Affecto's Business Intelligence solutions generate information to support management and link organisations' operational processes more closely with business strategy.



Tailored operational solutions boost operation

Affecto supplies customer-specific IT solutions to boost the operation of organisations. They include Enterprise Content Management (ECM) solutions, Geographic Information Systems (GIS), Enterprise Resource Planning systems as well as various operational applications and software services. Affecto's Enterprise Content Management services cover every stage of the document's life cycle, starting with document retrieval, content processing and document management right through to data storage. As part of its GIS solutions, Affecto also delivers digital geographic data content. The design of all the operational solutions and applications is based on customer requirements and the customer's existing IT infrastructure.

The insurance sector constitutes the most significant specific industry area for Affecto's operational solutions. Affecto has long-term and in-depth expertise in the supply of Enterprise Resource Planning systems for the insurance sector. Affecto is involved in the implementation of the Danish TIA (The Insurance Application) system at the global level.

Geographic information services bring cost savings to many industries

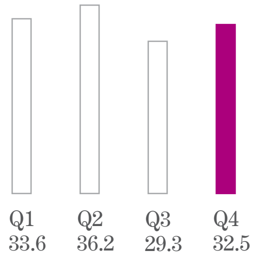
Affecto exploits its competence in Geographic Information Systems in solutions which serve to improve companies' operational efficiency and bring cost savings to operational processes. Geographic information is utilised typically in the following industries: transport and logistics, the forest industry, civil engineering, commerce and insurance and local government.
Affecto conducts its geographic information business under the name of Karttakeskus. It provides its clients with comprehensive geographic information services, covering software solutions, outsourcing services, digital geographic data material and cartographic material as well as an extensive range of Finnish and foreign map products and related commissions.

Uniformity in operation

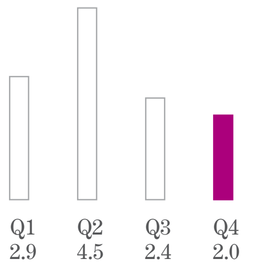
In 2008, Affecto focused on reinforcing the unity of a group that had seen numerous corporate restructurings due to several acquisitions. The Affecto name was adopted by all country units in the Nordic and Baltic countries and group structure was streamlined, in order to improve manageability. Affecto divested the non-core Norwegian software provider, Contempus AS. In Sweden, the business segments of Component Software and Affecto Sweden were merged, while in the Baltic region organisational streamlining was carried out by means of managerial reform. A single area manager is in charge of the entire Baltic region and each separate country unit also has a country manager.

Affecto's main objective in reinforcing unity is the introduction of uniform and more effective operating practices. Because quality solutions and competent personnel are Affecto's principal tools in the competition for market leadership, retaining the strong market position requires substantial commitment to developing competence. In 2008, Affecto perfected its own training programme, which became known as Affecto University. Affecto University is charged with safeguarding the sufficiency and competence of the human resources that are required in customer projects as well as expanding and deepening the skill and competence of Affecto's own specialists. The training programme makes it possible to share competence and apply resources across country divides. It also facilitates the introduction of group-wide best practices and uniform operating procedures.

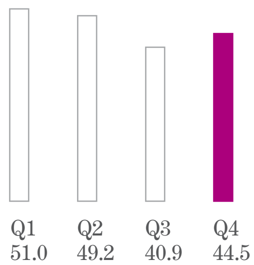
Net sales
quarterly, M€



Operating profit
quarterly, M€



Order backlog
quarterly, M€



Leader in quality

Affecto wants to provide the highest quality IT solutions within the company's areas of expertise. With this in mind, and in addition to the focus on training, the company is concentrating strongly on uniform operating models and the development of quality assurance systems. The Finnish country unit already implements the ISO 9001 quality management system, which facilitates the monitoring of customer projects. Affecto's other country units also apply models for project work and monitoring. In 2008, planning work was begun on compiling Affecto's country units' considerable wealth of experience in project management, with a view to creating a harmonised, group-wide project management model. It would be a means of ascertaining the content and safeguarding the quality of the solutions offered by Affecto and it would ensure that best practices are applied to the customers' benefit.

Closer to the customer

It is Affecto's goal to provide as comprehensive service to its customers as possible. In addition to smaller solutions with short lead times, customers are increasingly interested in more extensive packages, providing a more effective outcome than is the case with separate systems. There is also increased interest in solutions that are supplied as a service and in outsourcing. Furthermore, the provider must have a very good understanding of the customer's processes and field of operation if it is to create an effective data management system for the customer. It is due to these specific trends, that Affecto is bringing its operation closer to the customer and making its operating practices and organisation more customer-oriented.

Affecto has a good reputation among its customers. The latest customer surveys indicate that customer satisfaction continues to increase. Affecto's extensive and diverse customer base comprises enterprises operating in different sectors as well as public sector organisations, which in recent years have increased their share. Customer and project size have also increased, although typically BI projects remain fairly small. An example of the increase in project size is the BI project, which Affecto received from Denmark in November. Affecto will, as subcontractor to the KMD/CapGemini consortium, deliver a common debt collection IT system (EFI) to the Danish Tax Authority (SKAT). The project is the largest single BI project in Affecto's history, with a value of approximately 3 million euros. The anticipated duration of the project is to the beginning of 2011.

Most of the customer relationships are long-term and ongoing. Frequently, customer relationships become long-term due to further development of the supplied solution and the addition of ongoing maintenance services. As an alternative to a project agreement, the customer relationship may also be based on an agreement to provide the solution to the customer as a service (SAAS, Solutions as a Service).

Partner to leading technology providers

The IT markets are made up of hardware and software producers as well as IT service companies offering system integration services, such as Affecto. Affecto supplies technology-independent consultancy services. The solutions are based on technologies selected in cooperation with the customer that best match the customer's own IT architecture and needs. Because Affecto's customers use several different technologies in their businesses, Affecto also needs diverse technological competence. To this end, Affecto has resolutely developed and broadened its technological know-how and the company now has a solid base of competence in all the leading technologies.

Affecto's technology partners include e.g. SAP/Business Objects, IBM/Cognos, ESRI, Informatica, Lawson, MapInfo, Microsoft, OpenText, Oracle/Hyperion, SAS and TIA. In recent years, the industry has seen several company acquisitions where major global software companies have acquired smaller technology providers. This is evidence of increasing market interest in BI solutions. Affecto's standing as a significant provider of BI solutions is strengthened by the company's close cooperation with all the most prominent technology providers.

Increasing competition

Affecto competes with multinationals, such as Accenture and Fujitsu, as well as major Nordic providers of IT solutions and services, such as Tieto and Logica, whose service ranges include some of the same products as Affecto's. Furthermore, the market area accommodates small, local competitors that offer some of the same services as Affecto. Competition is therefore fairly dispersed, but definitely increasingly challenging. On the other hand, the competition for skilled professionals is easing in many of Affecto's geographical operating areas.

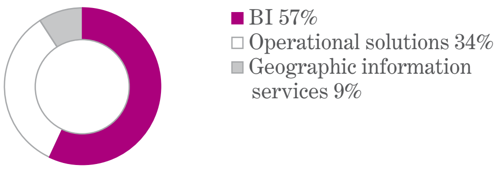
Growing need for efficiency-boosting solutions

The uncertainties in the global economy reflected as a slight decrease in the demand for Affecto's services towards the end of 2008, but on the whole the change was very moderate. The decrease was most marked in the Baltic countries, where the growth figures have been exceptionally high for the last five years. Public sector investment is expected to decrease significantly in particular in Latvia, but also in Lithuania and Estonia, due to the high level of public debt. In the Nordic region, however, growth is forecast to continue, but maybe at a slower pace than earlier.

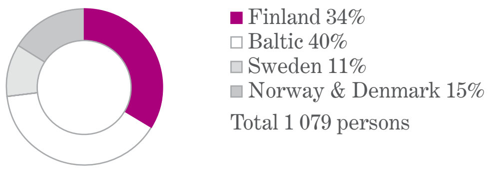
The global economic slowdown presents customers with additional challenges. Meeting these challenges requires ever more effective IT solutions. Because Affecto's operational solutions improve the efficiency of customers' business processes, they will offer an opportunity to boost profitability in the increasingly competitive markets. BI solutions, for their part, present customers with the most up-to-date data easily and quickly, which facilitates business management and the planning of future activities. Based on these factors, Affecto still expects to see continuing growth in information technology investments in 2009. The trend in the demand for geographic information services is also expected to be positive as companies experience a growing need for digital materials.

Net sales
by region

Net sales
by business segment



Personnel
by region



Strong focus on developing competence and promoting unity

Affecto is an industry leader in IT solutions as well as the employer of around 1 100 professionals in the sector. The company's goals are profitable growth that outperforms the market and consolidated core competence in BI and operational solutions. Affecto offers its employees challenging work in the design of customer solutions as well as the opportunity to develop their competence and skills together with other top professionals.

At the end of 2008, Affecto had 1 079 employees. Due to the sale of the Contempus business segment, the number of employees decreased by 55 persons. All the country units continued to recruit new skilled staff. In the first quarter of the year, in particular, the market was flooded with job vacancies in information technology, and consequently recruitment was a challenge. The downturn in the global economy towards the end of the year, however, balanced the employment scenario. Affecto's increased visibility and recognition and its stronger employer image boosted the company's position in the competition for the highest-skilled professionals.

Successful inauguration of Affecto University

In 2008, the strengthening of employees' core competence remained at the forefront. The most significant measure was the launch of an extensive internal development programme, Affecto University. The first training programmes got off the ground in the autumn. Affecto University's mission is to create in-depth and diverse competence and to promote group-wide sharing of cutting-edge skills. The training programme of Affecto University is largely based on the ideas of the group's own specialists, who also act as trainers and coaches in the development programmes.

Apart from investing in technological competence, in recent years Affecto has focused strongly on leadership skills. An extensive leadership training programme was brought to conclusion in Finland, while team and individual training projects have been implemented in other country units. The year saw the start of a project to design an electronic HR management system which will be deployed to underpin the management of human resources and competence and provide support for day-to-day management.

Personnel key player in developing corporate culture

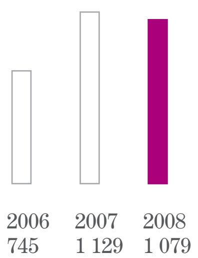
Affecto aspires to an open corporate culture and an informal work community. Job satisfaction is monitored and development measures are launched on the basis of results from surveys. In the last two years, Affecto has conducted group-wide job satisfaction surveys. Results indicate that job satisfaction has improved in all operating segments surveyed, thanks to targeted actions taken in country units.

It is Affecto's objective to encourage and reward success both by creating competitive compensation packages and by offering support for professional advancement towards more challenging duties. The reward systems are tailored to meet both local business targets and individual targets in different positions.

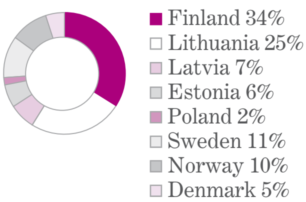
Ready for future challenges

The levelling of growth brought about by the economic downturn as well as the increased competition in information technology services pose new challenges. Affecto will continue to develop strongly its own operations as well as the competence of its personnel. In the current year 2009, business development focus will be on increasing customer-orientation and developing operating practices to allow the company to sell and implement ever more extensive solution packages. To achieve these objectives, Affecto's employees' specialist competence in and knowledge of their customers' business must be strengthened and new shared operating practices must be developed in cooperation across the country and unit divides.

Personnel
31 December



Personnel by country
31 December 2008



Affecto University's target is set to high-level competence

Developing employees' competence is one of the cornerstones of Affecto's success. Affecto University, operational from 2008, takes up the challenge by offering personnel the opportunity to improve their core competence, share information and form networks with colleagues working in other country units. Several experts from the different Affecto countries have been involved in the design and implementation of the training syllabus.

The first training modules were launched during the autumn and attracted around 50 participants from Affecto country units in Lithuania, Norway, Denmark, Sweden and Finland. The objective of the first modules is to introduce the participants to more in-depth BI consulting and project skills. At this initial stage, the training courses will concentrate on BI business skills, but the content will be widened to cover competencies in the Operational Solutions business line, as well. Different modes of study will be exploited, such as e-learning, training days, independent study, hands-on learning and mentoring. Experts from outside will be brought in to complement the training given by Affecto's own top industry professionals.

Very positive feedback has been received concerning the first training modules. The intention is to expand the training programme in line with business requirements and to eventually cater for all business areas and all personnel groups. Development programmes can be implemented at either group or local level.

Everyone who successfully completes a training module produced by Affecto University is presented with an Affecto Certificate. The ultimate aim is that the Affecto Certificate is seen by customers as an indication of the highest competence and quality.

THE AFFECTO UNIVERSITY Train-the-Trainer course was organised during autumn 2008 in collaboration with Mannaz, a Danish company focused on developing leadership skills. A large number of Affecto employees from Denmark, Finland, Norway and Sweden took part in the course. The participants will act as internal project management trainers in Affecto.

New customer relationships in Finland

Affecto's business in Finland developed steadily throughout 2008. Net sales increased to 46.2 million euros. Operating profit grew to 6.6 million euros. At the end of the year, the Finnish country unit employed 367 people.

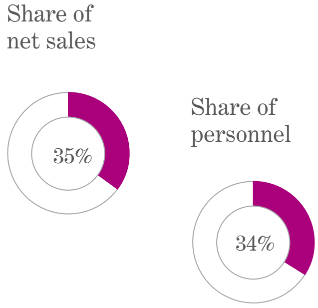
The growth in demand for information technology services as a whole was only a couple of percentage points in Finland. However, in Affecto's areas of competence, i.e. in BI solutions as well as in ECM solutions and customised application services – parts of operational solutions – the growth was more marked. Also the business of Karttakeskus, the business unit offering geographic information services in Finland, grew mostly thanks to digital services.

Affecto succeeded in winning many notable customer relationships and received many public sector projects during the year. Affecto concluded new agreements with, for example, Alko, Nokia, the Local Government Pensions Institution, the Energy Market Authority and the Ministry of Education as well as the Cities of Helsinki and Turku. The average size of projects also grew.

Improved profitability

More profitable pricing of the solutions sold by Affecto, an increase in the size of the solution packages sold and the efficiency measures implemented in the geographic information services all contributed to the positive trend in profitability. During the autumn, Affecto's Karttakeskus unit underwent efficiency measures and reorganisation, with the result that the operation now responds better to the current market situation.

Affecto is a market leader in Business Intelligence services as well as in many component parts



of operational solutions and in geographic information services. Affecto's market standing was strengthened in operational solutions, in particular as implementor of public sector solutions. There were no significant changes in the competitive circumstances. Despite this, there was a slight increase in the unit prices charged for consultancy work, after the decrease in 2007, to reflect for instance higher personnel costs. The availability of competent new recruits also improved somewhat during the year.

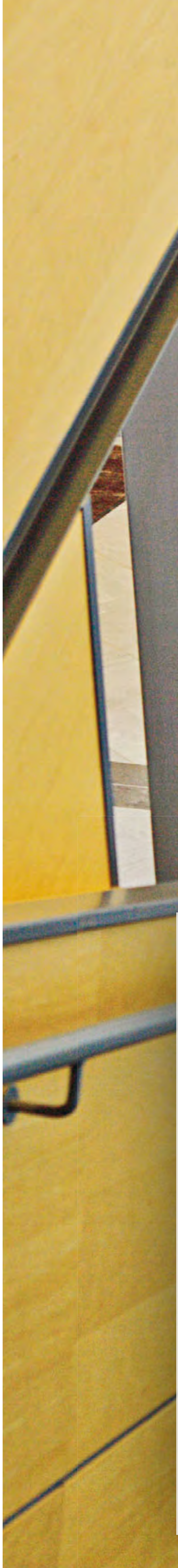
Affecto's goal is to supply the highest quality solutions within its areas of competence. The quality management system that is deployed in the Finnish country unit allows the company to monitor in detail project schedules and progress, while at the same time promoting a higher resource utilisation rate. Affecto has been awarded the ISO 9001 quality certificate for its project work.

Growth potential in many areas

Despite the subdued economic outlook, the market for IT solutions is still expected to grow moderately during 2009 in Finland. It is Affecto's goal to outgrow the market. Growth in Affecto's special areas of expertise, such as BI and ECM solutions, is forecast to exceed the average. Particular growth potential is evident in public sector projects and ECM solutions. Demand for geographic information services is expected to remain at the previous year's level.

Ray Byman
Senior Vice President,
Operational IT Solutions, Finland

"In a challenging economic environment, organisations' need to improve operational efficiency is highlighted. For Affecto, this means increased demand in particular for ECM solutions and various customised application services, because they streamline the processes that are critical in terms of effective operation."



Bioenergy and more precise analysis

Vapo Group is a Finnish company whose business idea is to produce renewable fuels as well as bioelectricity and bioheat. Vapo has been well-known in Finland for a long time for its pellets, peat, electricity and heat. Currently, the company also provides local fuels in Sweden, Estonia, Latvia, Poland, Russia and Denmark. Vapo is the leading provider of bioenergy in the Baltic Sea region. Group net sales in 2008 totalled 632 million euros, with almost half of the sales being generated abroad.

Success in the contested energy markets and supporting the company's strong international trend require access to accurate and real-time business data. Information system development is therefore an ongoing process at Vapo, and one in which Affecto plays a central role as BI partner. "When planning the BI solutions with Affecto, we focused on business profitability and the benefits that we would gain from managing and exploiting our business process data. We estimated that these factors would support profitable growth and boost our internationalisation process," says Asko Dahlbom, in charge of Vapo Group's administration.

Through several individual BI projects, Affecto's and Vapo's collaboration has expanded to become part of the company's organisation-wide Corporate Performance Management (CPM) programme. Vapo's aim is to create a common platform for Group reporting and performance measurement. "Our data warehouses are now complete, but the development process is an ongoing one, because our source systems and our needs are changing. The flow of new information, which we exploit in our decision-making processes, is continual," says Mr Dahlbom.

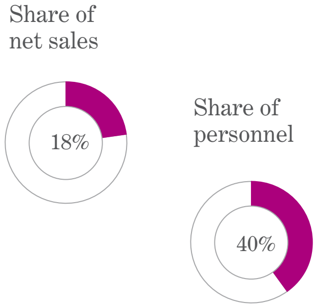
The ongoing and already completed projects for Vapo comprise primarily BI solutions that are charged with creating entirely new or replacing old reporting solutions. Some of the projects have also involved standardising business terminology and concepts, which will ultimately support the creation of a more comprehensive common reporting platform.

Affecto's diverse cooperation with Vapo concerns not only BI solutions, but also operational solutions. Affecto has provided Vapo with geographic information solutions, built on a database and applicable to Vapo's land acquisition and management tasks and to peatland management. Vapo also uses a cartographic solution developed by Affecto to prepare the annual peat production strategy and produce related environmental reports and reports to the authorities, as well as using the solution to monitor land use.

IN THE PICTURE Mikko Pöyhönen (left) from Affecto and Vapo's Asko Dahlbom.

A divided year in the Baltic region

Affecto's operating year in the Baltic region was divided into two halves. In the first months of the year, business showed positive growth, with the public sector in particular continuing to invest in information systems. Towards the end of the year, however, the economic outlook for the Baltic countries became much more sombre than the over-heated scenario at the start of the year. The economic turnaround was reflected in the levelling-out of the demand for IT solutions and in the increased availability of manpower.



Taken as a whole, Affecto's total 2008 business volume remained at the previous year's level, and net sales even increased by around 3% to 23.6 million euros. Operating profit was down on the previous year's outstanding figure, but was still 13% of net sales, totalling 3.1 million euros. The profitability weakened in the Baltic countries during the fourth quarter and the result of the last quarter was negative.

The IT sector experienced fierce competition for skilled professionals. Consequently, it is estimated that salary inflation was as much as 15%. This added to the cost constraints in the Baltic region. At the end of the year, the Baltic units employed 426 people.

Affecto brand adopted

Affecto's Baltic operating region covers Estonia, Latvia, Lithuania and Poland. The Baltic business comprises primarily operational solutions, involving relatively extensive and long-term information system projects, which Affecto delivers to the domestic markets. In the Baltic region, Affecto has high levels of competence and long-term experience of the global implementation of the TIA solution, developed for the insurance industry to assist in sales and claims handling. Demand for BI solutions is still limited in the Baltic region.

Affecto retained its strong market position in the Baltic region as supplier of operational solutions. It also reinforced its standing as information technology partner to the public sector. Examples of significant new projects include the provision of an information system to the Lithuanian Ministry of Education and Science for the operational enhancement of educational institutions and an EMCS system for the Latvian state revenue service.

The Affecto brand was adopted throughout the Baltic region in 2008. The Affecto name is now included in the business names of all the Baltic country units. In Poland, the name change is in progress, and the business is still run under the Mebius trading name. Organisational structure and management also underwent reform in the Baltic region.

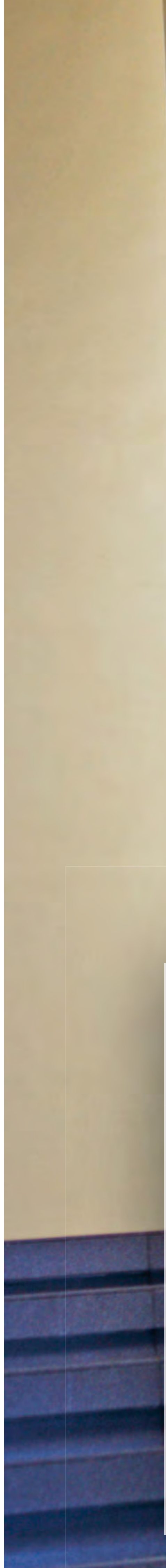
Stig-Göran Sanberg
Area Manager, Baltic countries

"The Baltic markets experienced a rapid change during the year. Business development continued on a positive trend for the first few months, but towards the end of the year the economic slowdown in the Baltic region started to reflect as a decline in IT investment."

Challenges ahead

The second half of 2008 saw a worrying degree of economic weakening in the Baltic countries. The Latvian economy, in particular, is facing major challenges, but there are also numerous factors indicating uncertainties in the Lithuanian and Estonian national economies. Budget cuts have been imposed not only in the corporate sector, but also in the public sector. Furthermore, global problems in the banking and insurance sectors may impact on their capacity to invest in information systems.

Affecto intends to retain its good market standing and to focus on sales of information systems to the insurance sector, principally in Europe but also globally. Long-term public sector projects as well as the existing order backlog assure a reasonable utilisation rate of resources in the first months of the year.



Lietuvos Draudimas updated its TIA system

At the start of this century, the Lithuanian insurance company Lietuvos Draudimas decided to adopt the TIA system, in order to enhance customer services and boost insurance sales and claims handling. The TIA (The Insurance Application) system is a standard software solution, developed for the insurance sector by the Danish company TIA Technology A/S. System implementation was entrusted to Affecto Lietuva. The TIA project was the first of its kind implemented by Affecto. The system came on stream at the end of 2002. In May 2003, thanks to the highly successful project, Affecto became an authorised partner of TIA Technology. Subsequently, Affecto has implemented numerous TIA solutions around the world, and competence in the TIA system has developed into a significant area of expertise for Affecto.

Lietuvos Draudimas is the market leader in the Lithuanian insurance sector as well as being the largest enterprise in the sector in the entire Baltic region. Its extensive network of offices serves around half a million private and corporate clients. During several years of TIA application, the company's product range and business processes have changed significantly.

Because the business operations of Lietuvos Draudimas have grown to a significant size over the years, it became apparent in 2006 that, despite enhancements made by the company itself to the first version of the TIA solution, it no longer supported all the business processes of Lietuvos Draudimas. As new software versions of the TIA solution, with extended features, had since been introduced to the market, Lietuvos Draudimas decided to adopt the latest version and consequently launched a project in spring 2008 with Affecto to update its TIA solution.

The new version provides Lietuvos Draudimas with easier maintenance and more effective operation. With the newest version providing all the functions required, the enhancements made by the company became obsolete. "Collaboration with Affecto has been very successful. We can rely on Affecto's strong commitment and on the competence of its over 20 certified TIA technology experts. Affecto's considerable experience, good international references and the systematic nature of its project implementation help us to uphold the high quality of our customer services", says Linas Šimelionis, IT & Operations Director of Lietuvos Draudimas.

IN THE PICTURE Linas Šimelionis from Lietuvos Draudimas (left) and Algimantas Greibus from Affecto Lietuva.

High utilisation rate in Sweden

Affecto was able to improve both its net sales and operating profit in 2008 in Sweden. Net sales increased to 22.3 million euros and operating profit to 1.8 million euros. At the end of the year, the Swedish organisation employed 115 people.

The year 2008 began on a note of steady development coupled with a growing demand for BI solutions. The Affecto brand was adopted and the merger of the Swedish operation of Component Software with the business of Affecto Sweden was completed at the beginning of the year. The growing economic instability, however, reversed the trend as autumn began. Customers became slightly less active, and there was an increase in the price competition in BI solutions. Some customer projects were postponed.

Fierce competition for skilled professionals

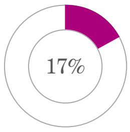
During the first months of the year, competition became fiercer for competent industry experts, and this was reflected as an increase in Affecto staff turnover. Towards the end of the year, the recruitment market levelled out. Throughout 2008, the utilisation rate was good and the new organisational structure improved operational efficiency. Operating profitability remained at a good level. Affecto retained its market leadership in Sweden in the provision of BI solutions. Third-party license sales grew considerably and a reasonable volume of new orders was placed. The diversity of the customer base compensated for the weak development trend in some sectors. New supply agreements concluded by Affecto in 2008 included e.g. Folksam, Astra Zeneca, Apoteket, ICA, Upplysningscentralen and Svenska Spel.

The fact that major software companies have acquired BI technology or BI software houses altered the market conditions also in Sweden in 2008. This reduced operators' market activity for a time and consequently had an impact on Affecto's operation also.

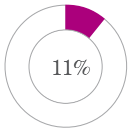
Martin Hultqvist
Country Manager, Sweden

"Affecto Sweden's capability to deliver complete BI solutions including all from management consulting services to leading technical expertise makes us unique."

Share of net sales



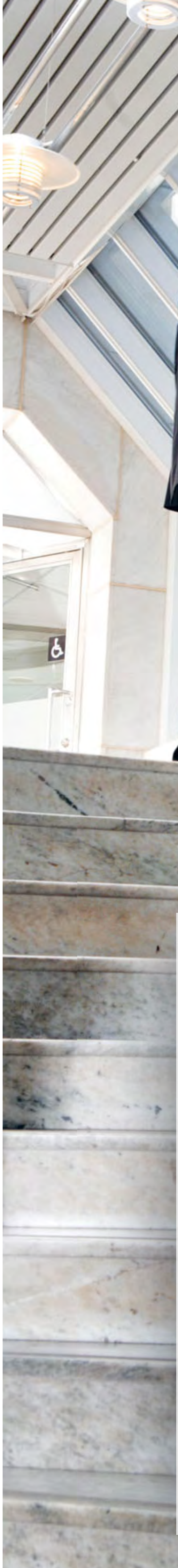
Share of personnel



Economic uncertainties

The Swedish markets appear somewhat challenging as we enter 2009. The negative economic indicators translate themselves into staff lay-offs amongst both customers and competitors. The banking and insurance sector, for example, has weakened considerably. Furthermore, project budgets are slightly smaller and price negotiations have become tougher. On the other hand, the need for BI solutions continues to grow as enterprises are increasing operational efficiency. The significant strong weakening of the Swedish krona may decrease net sales in Sweden measured in euros.

Affecto will work towards a stronger market position and aim to increase competence, in order to meet future demand. Existing employees will be offered the opportunity to broaden and enhance their competence, but Affecto will also continue to recruit new employees. Closer cooperation with customers will be promoted.



Folksam develops its Customer Relationship Management

The insurance sector is developing rapidly and it is becoming harder to maintain long-term customer relationships. The insurance provider must be able to respond to customers' wishes and offer them the most appropriate solutions for their needs by effectively exploiting multiple channels in real-time. The leading Swedish life and property insurer Folksam decided to respond to the market challenge by launching an extensive and sustained development project to shift its strategic and operational focus from pricing and products and become customer-oriented.

Folksam started the process of change with the operating models and supporting data systems deployed by personnel working at the customer interface. Folksam selected Affecto, thanks to its extensive competence, to act as its partner in the mobilisation and development of the customer-oriented business strategy. As the project got underway, Affecto advised Folksam in the specification of the processes required to support the new strategy and assisted in the selection of the most appropriate technologies. Affecto was also in charge of the construction of the central databank and the development and implementation of the real-time decision-making systems.

Folksam has 3.5 million customers and 3,300 employees. If the company is to provide individual service to each and every customer, customer service agents must have the essential data to hand. The new systems and modes of operation allow the customer service agent to view the customer's situation in real-time and pick the most appropriate solution from among Folksam's extensive product range. The different sales and service channels now exploit the harmonised processes which are based on customer requirements. Personnel at the customer interface are now able to focus on customers instead of searching for information.

Absorbing new modes of working is time consuming and requires an open mind and a willingness to learn. The success of the Folksam project owes much to strong support by the company's top management as well as the general acceptance throughout the organisation that the reform was a necessary one. Peter Mattes, Folksam's Manager of Customer Strategy, praises Affecto's outstanding ability to recognise the role of individuals in the successful implementation of solutions. The deliveries made so far already exceed the targets set for the project as a whole. Folksam will continue the development work in a spirit of positive collaboration with Affecto.

In the picture from left back Niklas Bredberg of Affecto, Peter Mattes of Folksam, Per Sundberg and Göran Fritz of Affecto.

Focus on BI solutions in Norway and Denmark

Affecto's business in Norway and Denmark developed very positively. Net sales totalled 39.5 million euros and operating profit was 2.9 million euros. Affecto has had an operational presence in Norway and Denmark ever since it acquired Component Software in September 2007.

There has been strong growth in demand for Business Intelligence solutions in both Norway and Denmark. In Norway software sales remained at a good level throughout the year. Demand for consultancy services waned somewhat during the autumn, but picked up again towards the end of the year. In Denmark, demand grew and the size of individual customer projects increased. A new regional office was established in Bergen in Norway. The sale of Contempus to Basware in autumn 2008 meant that the Norwegian country unit was now able to focus on its core business of BI solutions.

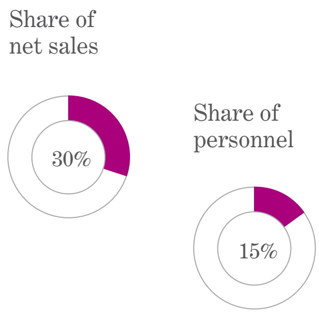
More in-depth competence

Operational development continued apace in both countries. The Affecto name and brand were adopted from the beginning of the year, and both countries participated in evolving harmonised operating models for Affecto project work.

Recruitment continued as before. At year end, Affecto employed 107 people in Norway and 57 people in Denmark. Competence was boosted by, for example, offering personnel the opportunity to expand and intensify their skills and expertise through training offered by the Affecto University programme. Stronger ties were forged with technology partners with the aim of widening the scope of service provision and enriching the competence base.

Håvard Ellefsen
Country Manager, Norway

"Today well-run companies increase investment in Business Intelligence. It's part of their survival strategy. Affecto is uniquely positioned to help. "



Major BI project

Affecto strengthened its market leadership as provider of BI solutions in both Norway and Denmark. In the autumn Affecto was awarded the largest individual contract in its history, namely an information system for the Danish Tax Authority, which Affecto will deliver as subcontractor to the KMD/GapGemini consortium. The debt collection solution is worth around 3 million euros, and the project is anticipated to run until the beginning of 2011. The Danish country unit has also been involved in an extensive Enterprise Data Warehouse test project for Kommune Holding. The objective of the project is to merge within a single Data Warehouse all the data held by the Danish municipalities. Other notable orders were received from Bank Santander, Kredittilsynet, Jyske Bank, EDB, Telenor and the Norwegian Directorate of Immigration.

Although economic growth is clearly weakening in both Denmark and Norway, demand for Affecto's services has remained positive. Affecto will continue on the path of profitable growth in both countries, while solidifying its market standing as leading expert in BI solutions and intensifying collaboration with customers.

Future-ready banking

In an uncertain world, banks rely increasingly on IT systems for managing their financial risk. IT providers must respond by offering easy-to-use platforms that can be adapted quickly to comply with changing legislation and customer demand.

The fast-growing Scandinavian Data Center A/S (SDC) provides IT services to more than 140 financial institutions in Denmark, Norway and Sweden. When information on the new Basel II international standards for capital adequacy was made public, SDC launched a product development project aimed at providing its customers with an advanced risk management platform that would let them analyse and report their financial data in compliance with future requirements.

The new platform is based on RiskPro software developed by the Swiss company Iris. It went live for Pillar 1 of Basel II in early 2008.

Affecto acted as partner to SDC in testing and adjusting the platform, adding not only great technical risk management expertise, but also a very practical understanding of how the Nordic banking industry works. "We were very impressed with the competence and professionalism of Affecto's consultants," says Area Director Klaus Laforce from SDC.

SDC's new platform is based on extensive data volumes and can be relatively easily adapted for any new risk management applications demanded by SDC's member banks or required by regulators. For that reason SDC can adapt the platform as early as 2009 to take into account Pillars 2 and 3 of Basel II, giving its member banks a competitive advantage over other financial institutions. "Nordic banks are prioritising risk management more than ever before. To be able to respond by offering them a platform this fast and flexible is extremely important to us," says Klaus Laforce. The platform helps to make SDC a more attractive IT partner for banks. As a result, the company is currently winning new banks as customers in Denmark, Norway and Sweden.

IN THE PICTURE Lene Krogh (left) and Klaus Laforce of SDC, Morten Bundgaard Jacobsen of Affecto.

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Report of the Board of Directors

BUSINESS

Affecto builds versatile IT solutions for companies and organisations to improve their efficiency in business and to support the related decision-making. With Affecto's Business Intelligence solutions organisations are able to integrate strategic targets with their business management. Business Intelligence solutions enable the further processing and utilisation of information generated by ERP and other IT systems. The company also delivers operational solutions, such as Enterprise Content Management (ECM), for improving and simplifying processes at customer organisations. Affecto offers Business Intelligence solutions in its operating areas in the Nordic and Baltic countries. In Operational solutions, the company has a presence in Finland and in the Baltic region.

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 2008 were 131.6 MEUR (2007: 97.5 MEUR). Net sales in Finland were 46.2 MEUR (41.7 MEUR), in Baltic area 23.6 MEUR (22.9 MEUR), 22.3 MEUR in Sweden (17.7 MEUR) and 39.5 MEUR (15.2 MEUR) in Norway & Denmark. Net sales grew by 35%. The organic sales growth was approx. 6%.

The sales growth was based on good demand for services in all our business areas during the early part of the year. The customers' decision making process slowed down in the last few months of the year, as the economic environment weakened, slowing down the sales growth. Net sales of BI segment in 2008 was 75.7 MEUR (48.1 MEUR), Operational Solutions 44.1 MEUR (39.9 MEUR) and Geographic Information Services 11.8 MEUR (9.5 MEUR). The Component Software acquisition done in 2007 has had impact mostly on the BI segment and to some extent also to Operational solutions. During 2008 the BI segment has experienced organic growth in all markets except Sweden, where mostly the local capacity restrained growth.

PROFIT

Affecto's EBIT in 2008 was 11.8 MEUR (10.8 MEUR). EBIT in Finland was 6.6 MEUR (4.4 MEUR), Baltic EBIT was 3.1 MEUR (5.4 MEUR), EBIT in Sweden was 1.8 MEUR (1.5 MEUR) and EBIT in Norway & Denmark was 2.9 MEUR (1.2 MEUR).

According to IFRS3 requirements, the 2008 EBIT includes 2.7 MEUR (2.5 MEUR) of amortization of intangible assets related to acquisitions. A significant part of the amortization is related to Sweden and Norway & Denmark segments. The divestment of Contempus lowered the amount of immaterial assets in balance sheet, which has decreased the estimated amortization by 0.4 MEUR per year in forthcoming years. In year 2009 the IFRS3 amortization is estimated to total 2.1 MEUR and in 2010 approx. 1.9 MEUR based on currency exchange rates in January 2009.

The profitability in Finland and in Norway & Denmark remained at a good level. The profitability in Baltic and Sweden weakened in the third quarter. The Swedish profitability recovered in the fourth quarter, but Baltic made loss in the fourth quarter due to rapid weakening of general economy and non-recurring costs.

Affecto sold its office in Vilnius, Lithuania at end of April for approx. 1.3 MEUR resulting in a capital gain of approx. 0.6 MEUR in Baltic segment in Q2. The change of Baltic management and combining the Vilnius office premises caused approx. 0.2 MEUR non-recurring costs in Q4.

R&D costs totaled 1.5 MEUR (0.9 MEUR), i.e. 1.1% of net sales (0.9%). The expenditure has been recognized in income statement, except in Contempus business, where 0.3 MEUR has been capitalized in balance sheet and approximately similar amount of earlier capitalizations has been amortized. As Contempus was sold on 29 September 2008, the group balance sheet does not contain capitalized R&D items at the end of the reporting period.

The financial costs have grown in 2008, as the interest bearing net debt has grown in 2007 due to the Component Software acquisition. Over half of the bank loan has been converted to a fixed-rate loan through an interest swap. The fluctuation in financial costs between quarters 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. As the interest rates decreased in Q1, rose in Q2 and decreased in Q3 and Q4, the change had a 0.2 MEUR cost impact in Q1, 0.6 MEUR profit in Q2, 0.3 MEUR loss in Q3 and 0.9 MEUR loss in Q4, i.e. net impact on profit before taxes was -0.9 MEUR in period 1-12/2008. In addition, due to intra-group loans the fourth quarter result includes a foreign exchange profit of 1.7 MEUR.

Taxes for the period have been booked as taxes. In addition, related to the divestment of Contempus a 0.6 MEUR positive tax item has been booked related to deferred taxes on purchase price allocations. The item has no impact on cash flow. Net profit for the period was 8.5 MEUR, while it was 7.0 MEUR last year.

Order backlog totaled approx. 44.5 MEUR at the end of period. The order backlog grew compared to previous year (41.6 MEUR) despite the divestment of Contempus. Affecto has a well diversified customer base. The ten largest customers generated approx. 20% of group revenue in 2008 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 146.6 MEUR (162.1 MEUR). Equity ratio was 43.0% (41.9%) and net gearing was 34.7% (53.9%). Translation differences has decreased the consolidated equity by 9.5 MEUR (-0.7 MEUR) during the financial period 2008 mainly due to the weakening of the Norwegian and Swedish currencies.

The additional consideration for Intellibis AB, acquired in 2006, was determined to be 3.9 MEUR and was paid during first quarter.

Affecto has sold its office in Vilnius, Lithuania in April for approx. 1.3 MEUR. The company has booked a capital gain of approx. 0.6 MEUR in second quarter results in Baltic segment. Since 31 December 2007, the property had been booked in the balance sheet under "Non-current assets held for sale". After the sale Affecto does not own real estate property.

Affecto sold Contempus AS to Basware on 29 September 2008. Contempus was part of Affecto's operations in Norway and provided software solutions for Enterprise Purchase to Payment and Enterprise Content Management solution areas. Contempus had developed its own Contempus software product range and in addition to the software sales it also implemented solutions based on that software. The product business of Contempus was not core business for Affecto. In Affecto's reporting, Contempus has been reported in the Operational Solutions and Norway&Denmark segments. The consideration, paid in cash, was approx. 10.0 MEUR. The divestment created a capital gain of 0.0 MEUR.

The financial loans were 43.9 MEUR (46.9 MEUR) as at 31 December 2008. The company's cash and liquid assets were 23.6 MEUR (13.0 MEUR). The interest-bearing net debt was 20.4 MEUR (33.9 MEUR).

Cash flow from operating activities for the reported period was 14.7 MEUR (10.4 MEUR) and cash flow from investments was +3.3 MEUR (-28.3 MEUR). Investments in non-current assets excluding acquisitions were 2.7 MEUR (1.4 MEUR) during the period.

Affecto has distributed dividends of 3.4 MEUR (previous year 1.7 MEUR) from the profit of the year 2007. Dividend was paid on 10 April 2008.

EMPLOYEES

The number of employees was 1079 persons at the end of the reporting period (1129). Approx. 370 employees were based in Finland, 120 in Sweden, 160 in Norway & Denmark, and 430 in the Baltic countries. The average number of employees during the period was 1136 (897). The divestment of Contempus reduced the number of employees by approx. 55 in Norway and Sweden.

Personnel turnover increased somewhat during the early 2008, but slowed down towards the year-end.

During 2008 the Affecto University training program was launched, the goal of which is to deepen and widen the skills of employees, and especially sharing the key knowledge and best practices.

BUSINESS REVIEW BY AREAS

2008 was a period of integration and internal development for Affecto. Affecto focused its operations in September by divesting Contempus, a non-core business. The business has mainly grown rather steadily, although the general economic outlook has clearly weakened during the autumn. The Baltic area has weakened the most of the group's operating areas. The customers' decision making seems to have slowed down towards the end of the year, which has resulted in lower order backlog compared to mid-2008.

The group's business is managed through four country units. Finland, Baltic, Sweden and Norway & Denmark are also the primary IFRS segments.

Finland

In 2008 net sales in Finland were 46.2 MEUR (41.7 MEUR). EBIT was 6.6 MEUR (4.4 MEUR). The year was excellent as a whole. The business developed rather steadily during the period and the demand for various services was reasonably good. Demand for BI services continued versatile. The customers' interest for ECM solutions, part of Operational solutions, seems have grown during the year especially in the public sector. The profitability of the Geographic Information Services was better than last year.

The growth of IT services market in Finland is rather moderate, but the growth of our focus segments like BI is expected to exceed the average market growth rate. The customers' activity has so far continued to be relatively good despite rapidly slowing economy. However, the decision making has slowed down and the price pressure has grown. In 2008, new orders were received from, among others, Ministry of Education, Finnish Defense Forces, Nokia, VR Group, City of Helsinki, KEVA Pension Insurance, Nokia Siemens Networks, Metso Automation, City of Turku, Stora Enso and Ramirent.

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 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 2008 the Baltic net sales were 23.6 MEUR (22.9 MEUR). Baltic EBIT was 3.1 MEUR (5.4 MEUR). The subsidiary in Poland, being in build-up phase, made minor loss and the profitability in Latvia was weaker than in the other countries. Towards the end of the year, profitability weakened also in Lithuania. In Latvia the company received a negative verdict from Supreme court in the litigation mentioned in our annual report 2007. The cost impact of approx. 0.1 MEUR was booked to Q1 result.

The year was twofold. The business developed favorably in the early part, and the resource utilization rate was good in all countries. The public sector entities in the Baltic countries continued to invest in IT systems. General wage inflation in the Baltic countries is estimated to have been up to 15%, which has also contributed to cost pressure. At the end of the year, the economic outlook in the Baltic countries clearly weakened compared to overheated situation in early 2008.

As examples of the most significant new projects in 2008, Affecto will deliver an IT solution to Lithuanian Ministry of Education to improve processes of education institutions and an EMCS system (Excise Movement and Control System) to Latvian State Revenue Service.

The order backlog offers resource utilization for the next few months, but the weakening of the bank and insurance sector and the public sector may decrease IT investments, which may have negative impact on new project sales. The governments are estimated to have decreased their IT investment plans as part of general expenditure cuts.

During the last quarter the management model in Baltic was streamlined and Mr. Stig-Göran Sandberg was appointed as the area manager for Baltic.

Sweden

In addition to Affecto's previous Swedish operations, the segment includes the Swedish BI operations of Component Software since September 2007.

In 2008 the net sales in Sweden were 22.3 MEUR (17.7 MEUR) and EBIT 1.8 MEUR (1.5 MEUR). The reported EBIT includes approx. 1.1 MEUR of IFRS3 amortization. The Affecto name has been adopted in Sweden in early 2008. The integration of Swedish operations and the adoption of the name "Affecto" is estimated to have caused approx. 0.2 MEUR costs in Q1. The integration work was finalized during the first quarter, when the BI units in Stockholm moved to common premises.

The business in Sweden has developed moderately well in 2008. The customers' activity has remained reasonable, with the exception of increased weakness in the finance sector. Slower investment decisions and smaller IT budgets have led to growing price pressure from customers.

During 2008 new orders were received from e.g. Folksam, Astra Zeneca, Apoteket, ICA, Upplysingscentralen and Svenska Spel.

Demand for experienced BI resources has been high in 2008, which has increased personnel turnover. Number of employees decreased during the year, partially due to issues related to the integration process in Sweden. In addition, the divestment of Contempus decreased headcount by 15.

Norway & Denmark

The net sales in 2008 were 39.5 MEUR (15.2 MEUR) and EBIT was 2.9 MEUR (1.2 MEUR). The reported EBIT was negatively affected by an IFRS3 amortization of 1.2 MEUR. Affecto had operations in Norway and Denmark only since beginning of September 2007 (four months).

Business Intelligence business developed positively and especially the growth of consulting services was good. The efforts to widen the service offering scope have continued, especially regarding Microsoft and SAP technologies. A new office was opened in Bergen in Norway during the autumn. The number of employees in BI business has grown modestly. The Affecto name has been adopted both in Denmark and Norway in early 2008. During the period, new orders were received from e.g. Danish Tax Authority, Bank Santander, Kredittillsynet, Kommuneholding, Jyske Bank, EDB, Telenor and Norwegian Directorate for Immigration.

The Contempus business, part of Operational Solutions, developed steadily and grew compared to previous year. Contempus was sold to Basware in September.

BUSINESS REVIEW BY SECONDARY SEGMENTS 2008

Business intelligence (BI) net sales grew by 57% to 75.7 MEUR (48.1 MEUR). The growth is explained to large extent by the acquisition of Component Software in late 2007, but also the organic growth has been good. The efforts to widen the service offering scope have continued, especially regarding Microsoft and SAP technologies in Norway. The weakened general economy did not yet affect the BI business very significantly, except in Sweden. Slower investment decisions and smaller IT budgets have led to growing price pressure from customers.

Customers see BI solutions as tools for improving their own efficiency and controllability, which may maintain the interest to invest in BI solution also during periods of weaker economic growth. However, the weakness in general economy may also slow the growth in BI investments. The most recent growth estimates for general IT services in Nordic countries in 2009 are about 3%. Gartner estimated in January 2009 the BI solutions to be one of the key investment areas and annual global BI license market average growth to exceed 7% until year 2012.

Net sales of Operational Solutions grew by 11% and was 44.1 MEUR (39.9 MEUR). The insurance solution projects in South Africa, Denmark and Poland continued, but neared completion. Affecto has established a subsidiary in Poland in order to be able to offer its insurance sector related services also there. In Finland, especially the demand for ECM solutions was good and the utilization rate of project resources was good. The Norwegian Contempus subsidiary was divested at end of September.

Net sales of the Geographic Information Services business were 11.8 MEUR (9.5 MEUR). The sale of digital geographic content and related services grew. Co-operation negotiations with employees were initiated in September for improving the efficiency of the unit, and 6 employees were fired as the result.

CHANGES IN GROUP STRUCTURE

Affecto sold Contempus AS with its subsidiaries on 29 September 2008 to Basware.

In 2008 the Affecto subsidiary companies in Nordic countries have been organized so that in each country there is one operational company, owned by the group parent company.

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting of Affecto Plc, which was held on March 31, 2008, adopted the financial statements for 1.1.–31.12.2007 and discharged the members of the Board of Directors and the CEO from liability. Approximately 31 percent of Affecto's shares and votes were represented in the Meeting. The Annual General Meeting decided that a dividend of EUR 0.16 per share be distributed for the year 2007.

Aaro Cantell, Pyry Lautsuo, Heikki Lehmusto, Esko Rytkönen 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 PricewaterhouseCoopers Oy was re-elected auditor of the company with Merja Lindh, APA, as auditor in charge.

The Annual General Meeting accepted the Board's proposals for issuing stock options (Stock options 2008) and for changing the terms of the Stock options 2006. The Annual General Meeting accepted the Board's proposals for the authorisations given to the Board of Directors.

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

Mr. Darius Lazauskas has been appointed as a member of the group management team in February. Stig-Göran Sandberg was appointed as the manager responsible for Baltic business in October, when Kestutis Uzpalis and Darius Lazauskas retired from Affecto. In October, Affecto's executive management team was announced to comprise Pekka Eloholma, Satu Kankare, Åge Lönning and Hannu Nyman.

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 31 March 2008.

The complete contents of the new authorizations given by the Annual General Meeting held on 31 March 2008 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 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.

The board has not used the authorizations by 31 December 2008.

SHARES AND TRADING

The company has only one share series, and all shares have similar rights. As at 31 December 2008, 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 1-12/2008, the highest share price was 4.33 euro, lowest price 2.00 euro, average price 3.32 euro and closing price 2.13 euro. Trading volume was 8.2 million shares, corresponding to 38% of the number of shares at the end of period. The market value of shares was 45.8 MEUR at the end of the period.

SHAREHOLDERS

Arendals Fossekompani ASA flagged on 24 June 2008 and 23 October 2008 that its direct holdings will increase to approximately 5.53% due to subsidiary mergers. The total ownership of Arendals Fossekompani group (5.53%) has not changed since the flagging notice of 27 August 2007.

Case Asset Management AB flagged on 11 September 2008 that the holdings of funds managed by it, had exceeded 5%.

The company had a total of 1266 owners on 31 December 2008 and the foreign ownership was 29%. The list of the largest owners can be viewed in the company's web site. Information about ownership structure and option program is included as a separate section in the financial statements. The ownership of board members, CEO and their controlled corporations totaled approx. 6.0% (5.7% shares and 0.3% options).

ASSESSMENT OF RISKS AND UNCERTAINTIES

Affecto operates in markets that are directly affected by changes in the general economic conditions and the operating environments of its customers. The competition in the market tightens continuously. Inflation has picked up in all Affecto's countries especially regarding salaries, which has increased the challenge of maintaining good profitability. This could have a negative effect on the business, operating results and financial condition of Affecto.

The general economic downturn may lead to a decrease in 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 project starts or interrupt the project delivery work. The economic downturn may weaken customers' liquidity, also in the public sector.

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.

Acquisition of Component Software in 2007 has increased the amount of (third party) licenses sold and their relative share of Affecto's net sales. This will increase the fluctuation in sales between quarters and will increase the difficulty of accurately forecasting the quarters. Affecto had license sales of approx. 12 MEUR in 2008. The license sales have most impact on the last month of each quarter and especially in the fourth quarter.

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 can not 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.

DIVIDEND PROPOSAL

Distributable funds of the parent company of the group on 31 December 2008 are 32 960 860.03 euros. Board of Directors proposes that from the financial year 2008 a dividend of 0.14 euros per share will be paid, a total of 3 007 162.20 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 weakened economic environment makes reliable forecasting more difficult. Due to the Contempus divestment and the weakened general economy, the net sales in year 2009 are expected to remain below the level in 2008. The profitability (EBIT margin) of the whole year 2009 is expected to be below the profitability in 2008.

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.

Income statement

1 000 EUR	Note	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Net sales	22	131 565	97 474
Other operating income	23	902	80
Changes in inventories of finished goods and work in progress		-287	109
Materials and services	24	-25 317	-19 851
Personnel expenses	25	-69 818	-48 635
Depreciation and amortisation charges	26	-4 266	-3 767
Impairment charges	26	-8	-
Other operating expenses	27	-20 962	-14 651
Operating profit		11 808	10 758
Financial income		2 398	368
Financial expenses		-3 739	-1 668
Financial expenses (net)	28	-1 341	-1 300
Profit before income tax		10 467	9 458
Income tax expense	29	-1 963	-2 477
Profit for the period		8 503	6 981
Attributable to			
Equity holders of the company		8 503	6 981
Minority interest		-	-
		8 503	6 981
Earnings per share for profit attributable to the equity holders of the Company (EUR per share)			
Basic	30	0.40	0.38
Diluted	30	0.40	0.38

The notes are an integral part of these consolidated financial statements

Balance sheet

1 000 EUR	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Non-current assets			
Property, plant and equipment	8	2 715	1 939
Goodwill	9	72 614	84 196
Other intangible assets	9	11 093	18 249
Deferred tax assets	20	2 031	2 297
Available-for-sale financial assets	11	54	64
Derivative financial instruments	14	20	35
Trade and other receivables	13	220	190
		88 747	106 970
Current assets			
Inventories	12	1 148	1 792
Trade and other receivables	13	32 166	38 724
Current income tax receivables		206	166
Available-for-sale financial assets	11	295	106
Restricted cash and cash equivalents	15	518	659
Cash and cash equivalents	16	23 554	12 974
		57 886	54 421
Non-current assets held for sale	8	-	679
Total assets		146 633	162 070
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Equity attributable to equity holders of the company			
Share capital	17	5 105	5 105
Share premium	17	25 404	25 404
Reserve of invested non-restricted equity	17	21 188	21 188
Other reserves		176	108
Treasury shares	17	-106	-106
Translation differences		-10 243	-771
Retained earnings		17 101	12 035
		58 625	62 964
Minority interest		-	-
Total shareholders’ equity		58 625	62 964
Non-current liabilities			
Borrowings	19	40 424	43 906
Derivative financial instruments	14	715	-
Deferred tax liabilities	20	3 388	5 159
Trade and other payables	21	803	532
		45 330	49 597
Current liabilities			
Borrowings	19	3 500	3 000
Trade and other payables	21	37 556	45 103
Current income tax liabilities		1 442	1 407
Derivative financial instruments	14	179	-
		42 677	49 510
Total liabilities		88 007	99 107
Total shareholders’ equity and liabilities		146 633	162 070

Changes in presentation of the previous period’s accounts have been made to make the information comparable with the current reporting period.
The notes are an integral part of these consolidated financial statements

Cash flow statement

1 000 EUR	Note	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flows from operating activities			
Profit for the period		8 503	6 981
Adjustments for			
Taxes	29	1 963	2 477
Depreciation, amortisation and impairment charges	26	4 274	3 767
Other non-cash income and expenses		401	411
Financial income	28	-2 398	-356
Financial expense	28	3 739	1 611
Profit/loss on the sale of tangible assets and businesses	23	-902	-69
		15 581	14 822
Change in working capital			
Decrease (+)/ increase (-) in trade and other receivables		1 529	-15 826
Decrease (+)/ increase (-) in inventories		644	303
Decrease (-)/ increase (+) in trade and other payables		2 025	14 211
Change in working capital		4 198	-1 312
Interest and other finance cost paid		-2 812	-1 689
Interest and other finance income received		651	364
Income taxes paid		-2 968	-1 751
Net cash generated from operating activities		14 651	10 434
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash	7	-3 925	-26 967
Purchases of tangible assets	8	-2 044	-1 221
Purchases of intangible assets	9	-697	-189
Proceeds from sale of tangible assets	7	1 665	35
Sale of business/subsidiaries, net of cash	7	8 346	44
Net cash used in investing activities		3 345	-28 299
Cash flow from financing activities			
Paid expenses on issue of share capital		-	-777
Proceeds from borrowings	19	-	48 400
Repayments of borrowings	19	-3 000	-20 531
Dividends paid to the company's shareholders	31	-3 437	-1 698
Net cash generated from financing activities		-6 437	25 394
Change in cash and cash equivalents		11 559	7 530
Cash and cash equivalents at beginning of the year	16	12 974	5 485
Exchange rate differences		-979	-42
Cash and cash equivalents at end of the year	16	23 554	12 974
		11 559	7 530

The notes are an integral part of these consolidated financial statements

Statement of changes in shareholders' equity

1 000 EUR	Note	Share capital	Share premium	Other reserves	Reserve of invested non-restricted equity	Treasury shares	Translation differences	Retained earnings	Total	Minority interest	Total equity
		Shareholders' equity attributable to equity holders of the company									
Shareholders' equity 1 January 2007		5 105	25 404	11	1 960	-106	-35	6 752	39 092	-	39 092
Translation differences		-	-	-	-	-	-736	-	-736	-	-736
Available-for-sale financial assets	11	-	-	9	-	-	-	-	9	-	9
Profit for the period		-	-	-	-	-	-	6 981	6 981	-	6 981
Total Income and expenses recognised for the period		-	-	9	-	-	-736	6 981	6 254	-	6 254
Stock options	18	-	-	88	-	-	-	-	88	-	88
Dividends paid	31	-	-	-	-	-	-	-1 698	-1 698	-	-1 698
Issue of share capital	17	-	-	-	19 228	-	-	-	19 228	-	19 228
Shareholders' equity 31 December 2007		5 105	25 404	108	21 188	-106	-771	12 035	62 964	-	62 964

1 000 EUR	Note	Share capital	Share premium	Other reserves	Reserve of invested non-restricted equity	Treasury shares	Translation differences	Retained earnings	Total	Minority interest	Total equity
		Shareholders' equity attributable to equity holders of the company									
Shareholders' equity 1 January 2008		5 105	25 404	108	21 188	-106	-771	12 035	62 964	-	62 964
Translation differences		-	-	-	-	-	-9 472	-	-9 472	-	-9 472
Available-for-sale financial assets	11	-	-	-16	-	-	-	-	-16	-	-16
Profit for the period		-	-	-	-	-	-	8 503	8 503	-	8 503
Total Income and expenses recognised for the period		-	-	-16	-	-	-9 472	8 503	-985	-	-985
Stock options	18	-	-	84	-	-	-	-	84	-	84
Dividends paid	31	-	-	-	-	-	-	-3 437	-3 437	-	-3 437
Shareholders' equity 31 December 2008		5 105	25 404	176	21 188	-106	-10 243	17 101	58 625	-	58 625

The notes are an integral part of these consolidated financial statements

Notes to the consolidated accounts

1. General information

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

Affecto builds versatile IT solutions for companies and organisations to improve their efficiency in business and to support the related decision-making. With Affecto's Business Intelligence solutions organisations are able to integrate strategic targets with their business management. Business Intelligence solutions enable the further processing and utilisation of information generated by ERP and other IT systems. The company also delivers operational solutions, such as Enterprise Content Management (ECM), for improving and simplifying processes at customer organisations. Affecto offers Business Intelligence solutions in its operating areas in the Nordic and Baltic countries. In Operational solutions, the company has a presence in Finland and in the Baltic region.

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

These consolidated financial statements have been approved for issue by the Board of Directors on 12 February 2009.

2. Accounting policies for the consolidated financial statements

Basis of preparation

The financial statements of the group have been prepared in accordance with the International Financial Reporting Standards (IFRS). These financial statements have been prepared in accordance with the IFRS and IAS standards and SIC and IFRIC interpretations effective at 31 December 2008. The term "IFRS" refers to the standards and interpretations, which have been adopted by the EU. The notes to the consolidated financial statements have been prepared also in conformity with the Finnish Accounting Legislation and Companies Act.

The consolidated financial statements have been prepared under the historical cost convention, except available-for-sale financial assets, derivatives and cash-settled share-based payments, which have been valued at fair value. The financial statements are presented in thousand euro 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 "Critical accounting estimates and judgements".

New and amended standards and interpretation that are effective in 2008, but not relevant to the group's financial statements

- IAS 39 (Amendment) and IFRS 7 (Amendment), 'Reclassification of financial assets'. The amendment permits an entity to reclassify non-derivative financial assets out of the held for trading category and from the available-for-sale category in particular circumstances and with certain criteria. In case of reclassification additional disclosures are required. The amendment is effective from 1 July 2008. The group has not applied the treatment allowed by the amendment during the financial year.

Consolidation principles

Subsidiaries

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

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill.

All inter-company transactions, receivables and liabilities, unrealised gains and inter-company distribution of profit are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated, if they are caused by impairment of assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Allocation of profit for the period between the equity holders of the parent company and minority interest is disclosed on the face of the income statement and equity attributable to minority interest is presented separately as a part of shareholders' equity on the balance sheet.

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. 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 sales, materials and services or under financial income and expenses based on the nature of transaction.

Income statements and cash flows of foreign entities are translated into the group's reporting currency at the average exchange rates for the year and balance sheets are translated at the exchange rates on the balance sheet date. Different exchange rates used to translate the profit of the year in income statement and in balance sheet results an exchange rate difference that is recognised in equity.

Exchange rate differences arising from the translation of the net investment in foreign entities are recognized to shareholders' equity. When a foreign operation is sold, exchange rate differences that were recorded in equity, are recognised in the income statement as part of the gain or loss on sale.

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

Tangible assets

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

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

Buildings	40 years
Machinery and equipment	3 to 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 amount. These are included in other operating income or expenses.

Intangible assets

Goodwill

Goodwill, arising from the acquisitions after 1 January 2004, represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired entity at the date of acquisition. 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 tested annually for impairment and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. (Details in Note 9 Goodwill and other intangible assets). Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and development

Research expenditure is recognised as an expense as incurred. Development expenditure is capitalised when the criteria listed in IAS 38 are met. Other development expenditure is recognised as an expense when incurred. Expenditure that has been initially recognised as an expense will not be capitalised at a later date. After initial recognition, the capitalised development expenditure is measured at its cost less accumulated amortisation and accumulated impairment losses. Unfinished intangible assets are tested for impairment annually in accordance with IAS 36.

Other intangible assets

Intangible assets include technology, a trademark, customer relationships, cartographic content and contract based intangibles, which mostly arise from business combinations and are recognised at fair value at the acquisition date. The trademark, which is considered to have indefinite useful life, is not amortized but tested for impairment annually. Technology, customer relationships and cartographic content are amortized over their estimated useful life (3 to 15 years). The contact based intangibles are amortised during the duration of the contract. The amortization period for contract based intangibles varies from 2 months to 4 years.

Intangible assets, other than those explained above (including mainly computer software), are carried at cost less amortisation less any impairment loss. These are amortized over their estimated useful life (3 to 5 years).

Impairment of tangible and intangible assets

Goodwill, other assets and intangible assets that have an indefinite useful life are tested annually for impairment. Also unfinished intangible assets are tested for impairment annually in accordance with IAS 36.

With regard to assets that are subject to amortisation, the group assesses at each balance sheet date, whether there are indications that the carrying amount may not be recoverable. If the carrying amount exceeds recoverable amount, an impairment loss is being recognised to income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is determined by reference to discounted future cash flows expected to be generated by the asset or cash generating unit. The discount rate used is determined pre-tax, which reflects the time value of the currency and asset specific risks.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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 of goodwill is not reversed.

Financial assets

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Purchases and sales are recognised on the trade date.

Financial assets are derecognised when the rights to receive cash flows from investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purposes of selling in the short term. Derivatives are classified as held for trading unless they are designed for hedges in accordance with IAS 39. The assets in this category are carried at fair value. Changes in fair value, both realised and unrealised, are recognised in the income statement in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are included in non-current assets unless they are intended to be disposed of within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fair value or, when it is not possible to determine the fair value reliably, at cost. All unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised net of tax in fair value reserve in equity. The accumulated fair value adjustments are included in the income statement in financial income and expenses, when financial assets classified as available-for-sale are sold or permanently impaired.

Loans and other 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 amortised cost and included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

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 assets is impaired. In case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of the assets below their cost is considered as an indicator that the assets are impaired. If any such evidence exists, the cumulative loss is removed from fair value reserve and recognised in the income statement.

Impairment on trade 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 receivables. Significant financial difficulties of the debtor, entering into business restructuring proceedings or probability that the debtor will enter bankruptcy are considered indicators that the trade receivable is impaired. Subsequent recoveries of 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, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Borrowings

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

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The group does not apply the hedge accounting under IAS 39 and thus the changes in fair value of derivative financial instruments are booked in financial items in profit and loss statement.

Leasing contracts, group as a lessee

Leases where a significant portion of 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 realisable value. Net realisable value is the estimated selling price in the ordinary course of business less transaction costs. Self-manufactured products are valued at manufacturing cost including raw materials, direct labour, other direct costs and related purchase and production overheads based on normal operating capacity. Cost is determined using the weighted average cost method.

Share capital

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 attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration deducted with directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the company's equity holders.

Deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax that relates to items recognised directly in equity is also recognised in equity.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income 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 income tax is provided on 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 in consolidated accounts are related to tangible assets, appropriations, accumulated tax losses and financial assets and liabilities.

Employee benefits

Pension obligations

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

Defined contribution plan is a pension 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 group has also compensation plans, which are defined as cash-settled share-based payment transactions.

The compensation plans, which will be settled in equity instruments, are valued at fair value at grant date and recognised as an expense over the vesting period. The expense determined at the grant date is based on the group's estimate of the number of options that will be vest 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 net of any direct transaction costs will be credited to share capital (nominal value) and reserve of invested non-restricted equity when the options are exercised.

Cash-settled share-based payment transactions are valued at fair value and recognised as an expense and as an increase of liability over the vesting period. At each balance sheet date, the group revises its estimates of the fair value. Changes in fair value are recognised in income statement.

Government grants

Grants from the government are recognised at their fair value where 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 research and development expenses in the income statement. Government grants relating to the purchase of tangible assets are presented by deducting the grant in arriving at the carrying amounts of the assets and are credited to the income statement in the form of lower depreciation over the estimated useful lives of the related assets. Other government grants are credited against the expenses during the period when 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 time value of money is material, the amount of the provision is discounted. Currently the group has no provisions.

Revenue recognition

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

Sales of goods/licenses:

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.

Construction contracts:

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

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

Contract costs are recognised when incurred. When the outcome of a construction 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 construction 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 incurrent 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 accounting period 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.

Segment information

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of units operating in other economic environments.

The group's primary segment reporting is based on geographical segments and secondary segment reporting on business segments.

Application of new and amended IFRS standards and IFRIC interpretations

The IASB has published the following standards and interpretations whose application will be mandatory in 2009 or later. The group has not early adopted these standards, but will adopt them in later periods.

The following standards and interpretations will be adopted by the group in 2009:

- IAS 1 (Revised), 'Presentation of Financial Statements'. The revised standard is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. Non-owner changed in equity will be presented in the statement of comprehensive income. It is likely that the group will in the future present the statement of comprehensive income in which is included the changes independent from owners.
- IFRS 8, 'Operating Segments'. The new standard replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. From the beginning of 2009 the segments will be reported based on the geographical location, i.e. Finland, Sweden, Norway, Denmark, and Baltic. The manner, in which the segments are reported, will change slightly to be consistent with the internal reporting.
- Amendments to IAS 32, 'Financial Instruments: Presentation' and IAS 1, 'Presentation of Financial Statements' — Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments require some puttable financial instruments and some financial instruments that impose on the entity an obligation

to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. Management is assessing the impact of this revision on the financial statements of the group.

- Amendment to IFRS 2, 'Share-based payment', clarifies that only service conditions and performance conditions are vesting conditions. All other features need to be included in the grant date fair value and do not impact the number of awards expected to vest or the valuation subsequent to grant date. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is not expected to have an impact on the group's financial statements.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. The interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The interpretation will not have a material impact on the group's financial statements.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'. IFRIC 16 clarifies the accounting treatment in respect of a hedge of a net investment in a foreign operation. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency. In addition hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. Management is assessing the impact of this revision on the financial statements of the group.**

IASB published changes to 34 standards in May 2008 as part of the annual Improvements to IFRSs project. The following presentation includes those changes, that the group will adopt in 2009 and where the management assesses that the change may have an impact on the group's financial statements:

- IAS 1 (Amendment), 'Presentation of financial statements'. The amendment clarifies that some rather than all financial assets classified as held for trading in accordance with IAS 39 are current assets. Management assesses that the amendment will not have a material impact on the financial statements of the group.
- IAS 23 (Amendment), 'Borrowing costs'. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39. Management assesses that the amendment will not have a material impact on the financial statements of the group.

The following new standards and interpretations effective in 2009 are not relevant to the financial statements of the group:

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements'). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment does not have an impact on the group's financial statements, and the group companies are not applying IFRS in their stand alone financial statements.
- Amendment to IAS 23, 'Borrowing Costs'. The amended standard requires an entity to capitalise borrowing costs directly attributable to a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.
- IFRIC 13, 'Customer Loyalty Programmes'. The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. The interpretation is applied to post-employment defined benefit plans and other long-term defined benefit plans under IAS 19, if the plan includes minimum funding requirements. The interpretation also clarifies the criteria for recognition of an asset on future refunds or reductions in future contributions.
- IFRIC 15, 'Agreements for the Construction of Real Estate'. The interpretation clarifies whether an agreement for the construction of real estate is within the scope of IAS 11, 'Construction Contracts', or IAS 18, 'Revenue', and when revenue from such construction projects can be recognised on a percentage of completion basis.**

The following standards and interpretations published by the IASB will be adopted by the group in 2010:

- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. Management is assessing the impact of this revision on the financial statements of the group.**
- IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. Management is assessing the impact of this revision on the financial statements of the group. **
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement – Eligible Hedged Items'. The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. This amendment does not have an impact on the group's financial statements.**
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. Management is assessing the impact of this revision on the financial statements of the group.**
- IFRIC 17, 'Distributions of non-cash assets to owners'. The interpretation clarifies how an entity should measure distributions of assets other than cash made as a dividend to its owners. Management is assessing the impact of this interpretation on the financial statements of the group.**

The following new standards and interpretations effective in 2010 are not relevant to the financial statements of the group:

- IFRIC 12, 'Service Concession Arrangements'. The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.* *

** The standard/ interpretation is still subject to endorsement 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 minimise the impact of unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the group.

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

Foreign exchange risk

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

Transaction risk

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

Translation risk

Translation risk arises from investments in foreign subsidiaries. Translation risks are realised when income statements and balance sheets are converted to euro. The group has not hedged the exchange risk associated with the shareholders' equity of foreign subsidiaries at the report date.

Sensitivity analyses on translation risk arising from converting income statements and balance sheets of 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 compare to rates used in reporting period. The impact on income statement and equity is presented post tax. The most material translation risk exposures are disclosed in the table below.

1 000 EUR	2008			
	Change in exchange rate +20%		Change in exchange rate -20 %	
	Impact on result	Impact on other components of equity	Impact on result	Impact on other components of equity
NOK/EUR	449	6 633	-299	-4 422
SEK/EUR	431	5 543	-287	-3 696
DKK/EUR	233	3 214	-155	-2 143
LTL/EUR	529	4 175	-352	-2 784

1 000 EUR	2007			
	Change in exchange rate +20%		Change in exchange rate -20 %	
	Impact on result	Impact on other components of equity	Impact on result	Impact on other components of equity
NOK/EUR	43	8 574	-29	-5 716
SEK/EUR	328	6 288	-219	-4 192
DKK/EUR	108	3 102	-72	-2 068
LTL/EUR	803	4 222	-535	-2 815

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 long-term and short-term loans as borrowings are issued at variable interest rate. The borrowings of the group, nominal value of 44 million euro, have a variable interest rate. To decrease the risk relating to possible rise in the interest rate level, the group has entered into an interest swap agreement. By that agreement, 34 million euro of a variable interest rate loan has been converted to fixed interest loan. In addition to that group has acquired an interest cap agreement for loan capital of 8 million euro. The company does not apply the hedge accounting under IAS 39 and therefore the changes in fair value of interest rate swap has been recognised in financial items in income statement. This has an impact on consolidated financial expenses when the market interest rates fluctuate. Change in the fair value of interest rate swap and interest cap amounting to -909 thousand euro in 2008 has been recognised as an expense in consolidated income statement but it has not had any effect on group's cash flow. An increase of 1 percentage unit in the reference interest rate of the loan agreement would increase the annual interest payment by 235 thousand euro pre-tax. A decrease of 1 percentage unit in the reference interest rate of the loan would decrease the annual interest payment by approx. 235 thousand euro.

Credit risk

The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Inspections are selectively made to customers' credit history. The group does not have material trade receivables from one customer. Also advance payments relating to projects are used to decrease the credit risk. The amount of bad debts recognised during the financial year was 3 thousand euro (19 thousand euro). The maximum credit risk exposure is equivalent to carrying value of financial asset as the balance sheet date. The aging of trade receivables is disclosed on note 13.

Liquidity risk

In order to ensure sufficient amount of liquid funds to finance working capital and loan repayments, the liquidity is monitored continuously. The adequacy and flexibility of liquid funds is managed by using credit facilities. As at 31 December 2008 the group had cash and cash equivalents amounting to 23.6 million euro, current investments amounting to 0.3 million euro and undrawn credit facility amounting to 3.0 million euro. 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 December 2008

1 000 EUR	1 January– 31 March 2009	1 April– 31 December 2009	2010	2011	After 2011
Borrowings (incl. interest)	546	5 138	5 989	5 787	34 090
Trade and other payables	27 168	-	-	803	-
	27 714	5 138	5 989	6 590	34 090

Maturities of financial liabilities as at 31 December 2007

1 000 EUR	1 January– 31 March 2008	1 April– 31 December 2008	2009	2010	After 2010
Borrowings (incl. interest)	693	5 042	6 058	6 336	40 467
Trade and other payables	32 670	-	49	-	483
	33 363	5 042	6 107	6 336	40 950

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.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capitalisation of the Group consists of equity and net debt

1 000 EUR	Note	2008	2007
Borrowings	19	43 924	46 906
Cash	16	23 554	12 974
Net debt		20 370	33 933
Equity total		58 625	62 964
Total capitalisation		78 995	96 897

The capital risk management of the group is not based on any single key figure. Due to the growth strategy of Affecto that is partly based on intention to acquire other IT-service companies, the capital risk management has to be considered based on multiple variables. 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 facility agreement of the group includes financial covenants. Breach of covenants might lead to a cancellation of the facility agreement. The covenants set limits to EBITDA to total cash net interest costs, total net debt to EBITDA and cash flow to total debt service ratios. During the financial year 2008 Group has complied with all covenants after each quarter.

Fair value estimation

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

The fair value of financial instruments that are not traded in active market, is determined by using valuation techniques. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

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

4. Critical accounting estimates and judgements

Estimates and judgment are based on historical experience and other factors, including expectations of future events. Estimates and judgment are regularly evaluated. The most critical accounting estimates and judgment are discussed below.

Fair value of acquired assets

IFRS 3 requires the acquirer to recognise separately an intangible asset of the acquiree if the recognition criteria are met. The recognition of intangible assets at their fair value requires management's estimates of future cash flows. When feasible, the management has used as a basis for such allocations the readily available market values to determine the fair value. However, when this has not been possible, as often is the case especially with intangible assets, the valuation has been based on past performance of such asset and its intended future use in our business. The valuations, which have been based on discounted cash flows, estimated selling prices or replacement costs, require management to make estimates and assumptions of the future use of those assets and the their impact on the group's financial position. Any change in the group's future business priorities and orientations may affect the planned outcome of initial valuations.

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 assumptions are appropriate, the estimated recoverable amounts can differ materially from what will actually occur in the future.

Revenue recognition

The group uses the percentage of completion method for long-term contracts. The percentage of completion method relies on estimates of total expected contract revenue and costs, as well as 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 estimable.

Inventory valuation

Management's policy is to maintain an allowance for slow moving and obsolete inventory based on the management's best estimate of the amounts that are potentially uncollectible at the balance sheet date. Management bases its estimate on a systematic, on-going review and evaluation.

5. Segment information

Primary reporting format – geographical segments

Affecto's operations are organised through four country units: Finland, Baltic, Sweden and Norway & Denmark. Finland comprises the business areas BI solutions, Operational solutions and Geographic Information Services (previously Cartographic solutions). Baltic provides BI solutions and Operational solutions. The business in Sweden comprises of BI solutions. The segment of Norway & Denmark previously comprised BI solutions and Operational solutions. As a result of Contempus divestment the segment comprises currently only BI solutions.

In segment reporting geographical segment is defined as the primary and business segment as a secondary segment format. Segment reporting reflects the group's internal organisational and management structure. The reportable geographical segments are Finland, Baltic, Sweden and Norway & Denmark. Geographical segments are presented based on the location of assets.

Segment results for the year ended 31 December 2008

1 000 EUR	Finland	Baltic	Norway & Denmark	Sweden	Unal-located	Group
Total segment revenue	46 432	23 700	39 922	22 671	-	132 725
Inter-segment revenue	-198	-86	-467	-409	-	-1 160
Revenue	46 234	23 614	39 455	22 262	-	131 565
Operating profit	6 574	3 092	2 850	1 792	-2 500	11 808
Finance income and expenses						-1 341
Profit before taxes						10 467
Taxes						-1 963
Profit for the period						8 503

Unallocated costs represent general administrative expenses, head-office expenses and other expenses that arise at the entity level and relate to the entity as a whole.

Inter-segment transfers and transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated parties. All inter-segment sales are eliminated in consolidation.

Non-cash expenses included in the income statement for the year ended 31 December 2008

1 000 EUR	Finland	Baltic	Norway & Denmark	Sweden	Unal-located	Group
Depreciation, amortisation and impairment	1 037	500	1 553	1 150	33	4 274
Stock options	41	0	-	22	22	84
Credit losses	3	-	-	-	-	3
Total	1 082	500	1 553	1 172	55	4 362

Segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended

1 000 EUR	Finland	Baltic	Norway & Denmark	Sweden	Unal-located	Group
Assets	39 868	18 129	38 917	23 660	26 058	146 633
Liabilities	12 049	6 087	13 978	4 254	51 639	88 007
Capital expenditure (including business combi-nations)	770	1 289	563	18	100	2 741

Segment assets consist primarily of tangible assets, intangible assets, inventories and receivables. They exclude tax assets, financial assets (including cash) and assets relating to corporate function. Segment liabilities comprise operating liabilities such as trade and other payables, accrued liabilities and customer advances. They exclude items such as taxation, borrowings and impact of derivatives.

Segment results for the year ended 31 December 2007

1 000 EUR	Finland	Baltic	Norway & Denmark	Sweden	Unal-located	Group
Total segment revenue	41 750	22 933	15 206	17 716	-	97 604
Inter-segment revenue	-43	-14	-12	-60	-	-130
Revenue	41 707	22 918	15 195	17 654	-	97 474
Operating profit	4 406	5 390	1 199	1 468	-1 705	10 758
Finance income and expenses						-1 300
Profit before taxes						9 458
Taxes						-2 477
Profit for the period						6 981

Non-cash expenses included in the income statement for the year ended 31 December 2007

1 000 EUR	Finland	Baltic	Norway & Denmark	Sweden	Unal-located	Group
Depreciation, amortisation and impairment	1 096	413	1 014	1 223	21	3 767
Stock options	48	26	-	14	-	88
Total	1 144	439	1 014	1 237	21	3 855

Segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended

1 000 EUR	Finland	Baltic	Norway & Denmark	Sweden	Unal-located	Group
Assets	40 803	19 065	54 370	31 223	16 609	162 070
Liabilities	11 040	5 551	18 536	5 282	58 698	99 107
Capital expenditure (including business combi-nations)	786	398	42 047	10 689	3	53 922

Secondary reporting format – business segments

BI: With Business Intelligence solutions organisations are able to integrate strategic targets with their business management. Business Intelligence solutions enable the further processing and utilisation of information generated by ERP and other IT systems. This means an add in process on top of the ERP to consolidate, analyse and visualise the digital information gathered from multiple sources.

Operational Solutions: Operational solutions are versatile solutions that help organisations to boost their operations. Affecto's operational solutions include, e.g. enterprise content management (ECM) solutions and other operational applications used in specific areas like insurance, human resources and logistics.

Geographic Information Services (previously Cartographic solutions): The unit includes both the management of the digital geographic information database and publishing, retail and distribution of maps, atlases and related products.

Segment revenue, assets and capital expenditure for the year ended 31 December 2008

1 000 EUR	BI	Operational Solutions	Geographic Information Services	Unallo-cated	Group
Sales	75 665	44 125	11 774	-	131 565
Assets	76 354	32 512	11 708	26 058	146 633
Capital expenditure	695	1 747	200	100	2 741

Segment revenue, assets and capital expenditure for the year ended 31 December 2007

1 000 EUR	BI	Operational Solutions	Geographic Information Services	Unallo-cated	Group
Sales	48 093	39 900	9 481	-	97 474
Assets	85 275	48 184	12 002	16 609	162 070
Capital expenditure	42 119	11 642	158	3	53 922

6. Business acquisitions

In 2008 no acquisitions were made.

Acquisitions of 2007

Component Software Group ASA

Affecto published on 11 June 2007 that the company had made a combination agreement with Component Software and had intention to make a public tender offer for Component Software's shareholders. The public tender offer period began on 25 July 2007 and ended on 22 August 2007. Affecto's board of directors decided on 27 August 2007 to complete the tender offer. As a consequence of the tender offer, the number of Component Software shares transferred to Affecto at completion of the tender offer represented about 95.3% of all issued shares in Component Software. In accordance with the terms and conditions of the public tender offer, the consideration for one Component Software share was NOK 40.03 in cash and 0.81063 new Affecto shares. A total of 4 499 947 new Affecto shares were issued. Oslo Börs approved the offer document related to the mandatory offer and the compulsory acquisition on 19 September 2007. The mandatory offer period began on 19 September 2007 and ended on 17 October 2007. The trading with the share in Oslo Börs ended on 19 September 2007, when all shares were transferred to Affecto.

Component Software is one of the leading Business Intelligence solution providers in Scandinavia, offering both software and related services. Component Software is active in two areas: Business Intelligence (BI) and Enterprise Content Management. The company both delivers and implements leading BI solutions to its customers. The acquired business contributed revenues of 19.7 million euro and operating profit of 1.4 million euro to the group for the period it was consolidated.

The accounting for Component Software has been determined provisionally as at 31 December 2007. The initial accounting has been completed during the year 2008. Completion of the initial accounting did not change the provisional allocation of the business combination's cost to the assets and liabilities acquired and there was no change in the total amount of goodwill reported provisionally.

Details of net assets acquired and goodwill

1 000 EUR	
Purchase consideration:	
Cash paid	31 382
Paid in new shares (1)	20 005
Direct costs relating to the acquisition	1 125
Total purchase consideration	52 511
Fair value of net assets acquired	13 935
Goodwill	38 577

(1) The value of shares (4.4455 euro/share) was determined by the fair value of the emission date

The acquisition of Component Software opened Norwegian and Danish BI market to Affecto and makes the presence stronger in Sweden. The acquisition also enables better service for Nordic customers. In addition, the assembled and skilled workforce has impacted to the amount of goodwill.

The assets and liabilities arising from the acquisition

1 000 EUR	Fair value	Acquiree's carrying amount
Non-current assets		
Intangible assets		
Customer relationships	11 469	-
Contract based intangibles	737	-
Technology	1 180	506
Tangible assets	288	288
Deferred tax asset	1 960	1 960
Currents assets		
Trade and other receivables	7 812	7 812
Cash and cash equivalents	6 314	6 314
Total assets	29 761	16 880
Non-current liabilities	-	-
Deferred tax liability	3 606	-
Current liabilities		
Trade and other payables	12 220	11 599
Total liabilities	15 826	11 599
Net assets	13 935	5 281
Purchase consideration settled in cash		-32 507
Cash and cash equivalents in subsidiary acquired		6 314
Cash outflow (net) on acquisition		-26 193

Impact of acquisition made in 2007, if it would have been made as at 1 January 2007

If the 2007 acquisition of Component Software had occurred on 1 January 2007, the revenue and operating profit of the Group would have increased by 29.4 million euro and 0.7 million euro respectively.

7. Notes to the cash flow statement

Acquired and sold subsidiaries

In 2008 no acquisitions were made. The acquisitions in 2007 and their impact on the cash flow are stated in the note 6.

In 2006 Affecto acquired 100% of the share capital and voting rights of Intellibis Ab. As agreed in the share purchase agreement, an earn-out 3.9 million euro based on the financial performance was paid during the year 2008.

In September 2008 Affecto sold Contempus AS and its' subsidiaries. The disposal generated a capital gain of 609 thousands euro after taxes. The disposal is not classified as discontinued operation.

Net assets and liabilities of disposal

1 000 EUR	2008	2007
Cash and cash equivalents	1 221	-
Tangible assets	64	-
Goodwill	5 813	-
Other intangible assets	2 819	-
Receivables	2 651	-
Deferred tax liability	-615	
Liabilities	-2 873	-
Translation difference	-202	
Gain on disposal after tax	609	-
Total consideration	9 487	-
Paid cash and cash equivalents	9 487	-
Cash and cash equivalents in subsidiary disposed	1 221	-
Net cash inflow arising from disposals	8 266	-

In addition, Affecto received an earn-out 79 thousand euro (44 thousand euro) based on the financial performance from acquisition that occurred in previous financial year.

Capital gains on disposal of non-current assets

At the end of April, Affecto sold office premises located in Vilnius, Lithuania. The sales price totaled 1.3 million euro of which the company recognised 0.6 million euro gain in 2008. Since 31 December 2007 the premise had been recognised as Non-current assets held for sale.

8. Tangible assets

1 000 EUR	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 January 2008	-	7 502	5	7 507
Translation differences	-	-505	-	-505
Additions	-	2 043	-	2 043
Disposal of subsidiaries	-	-175	-	-175
Disposals	-	-299	-	-299
Acquisition cost 31 December 2008	-	8 567	5	8 572
Accumulated depreciation and impairment 1 January 2008	-	5 569	-	5 569
Translation differences	-	-449	-	-449
Disposal of subsidiaries	-	-111	-	-111
Disposals	-	-265	-	-265
Depreciation for the period	-	1 105	-	1 105
Impairment	-	7	-	7
Accumulated depreciation and impairment 31 December 2008	-	5 857	-	5 857
Carrying amount 1 January 2008	-	1 933	5	1 939
Carrying amount 31 January 2008	-	2 710	5	2 715

1 000 EUR	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 January 2007	748	3 516	5	4 269
Translation differencies	-	-2	-	-2
Acquired subsidiaries	-	2 867	-	2 867
Reallocation	-748	-	-	-748
Additions	-	1 221	-	1 221
Disposals	-	-101	-	-101
Acquisition cost 31 December 2007	-	7 502	5	7 507
Accumulated depreciation and impairment 1 January 2007	46	2 113	-	2 159
Translation differencies	-	31	-	31
Acquired subsidiaries	-	2 579	-	2 579
Reallocation	-68	-	-	-68
Disposals	-	-91	-	-91
Depreciation for the period	22	936	-	958
Accumulated depreciation and impairment 31 December 2007	-	5 569	-	5 569
Carrying value 1 January 2007	702	1 403	5	2 110
Carrying value 31 December 2007	-	1 933	5	1 939

Non-current assets held for sale

1 000 EUR	2008	2007
Non-current assets held for sale	-	679

Assets held for sale as at 31 December 2007 consists of premises owned by the group in Vilnius, Lithuania. The assets are included in Baltic segment. The impact on the result and cash flow of the sale is stated in the note 7.

9. Goodwill and other intangible assets

1 000 EUR	Goodwill	Other intangible assets: Technology	Customer relationship	Trademark *	Carto-graphic content	Contract based intagibles	Other	Total other intangible assets
Acquisition cost 1 January 2008	84 196	768	15 593	676	1 532	1 990	1 713	22 272
Translation differencies	-5 682	-22	-2 174	-	-	-246	-21	-2 463
Reallocations	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-5 813	-651	-1 956	-	-	-78	-837	-3 522
Additions	-	-	-	-	-	-	697	697
Disposals	-87	-	-34	-	-	-	-	-34
Acquisition cost 31 December 2008	72 614	95	11 429	676	1 532	1 665	1 551	16 948
Accumulated amortisation 1 January 2008	-	111	1 323	52	332	1 340	866	4 025
Translation differencies	-	-1	-394	-	-	-215	-10	-620
Disposal of subsidiaries	-	-130	-280	-	-	-78	-216	-704
Disposals	-	-	-7	-	-	-	-	-7
Amortisation for the period	-	116	2 056	31	102	379	479	3 163
Impairment	-	-	-	-	-	-	-	-
Accumulated amortisation 31 December 2008	-	95	2 698	83	434	1 425	1 120	5 855
Carrying value 1 January 2008	84 196	657	14 270	624	1 200	650	847	18 249
Carrying value 31 December 2008	72 614	0	8 731	593	1 098	240	431	11 093
Goodwill	72 614							
Other intangible assets	11 093							
Total intangible assets 31 December 2008	83 707							
Acquisition cost 1 January 2007	43 579	95	4 271	676	1 532	1 296	928	8 798
Translation differencies	-481	-7	-247	-	-	-50	-	-304
Reallocations	-	-	-	-	-	-	-	-
Acquired subsidiaries	41 098	680	11 569	-	-	743	596	13 589
Additions	-	-	-	-	-	-	189	189
Disposals	-	-	-	-	-	-	-	-
Acquisition cost 31 December 2007	84 196	768	15 593	676	1 532	1 990	1 713	22 272
Accumulated amortisation 1 January 2007	-	34	206	21	230	135	622	1 249
Translation differencies	-	-	-16	-	-	-18	-	-33
Acquired subsidiaries	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Amortisation for the period	-	77	1 133	31	102	1 223	244	2 810
Impairment	-	-	-	-	-	-	-	-
Accumulated amortisation 31 December 2007	-	111	1 323	52	332	1 340	866	4 025
Carrying value 1 January 2007	43 579	61	4 065	655	1 302	1 161	306	7 550
Carrying value 31 December 2007	84 196	657	14 270	624	1 200	650	847	18 249
Goodwill	84 196							
Other intangible assets	18 249							
Total intangible assets 31 December 2007	102 445							

* Trademark identified in the purchase price allocation of Genimap International Oy (currently Affecto Finland Oy) (EUR 551 thousand) is treated as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. Therefore, the trademark is not amortised until its useful life is determined to be finite.

Impairment test for goodwill

At each balance sheet date, the group assesses whether there are indications that the value 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-generated units (CGUs), 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. Goodwill has been allocated to the CGUs based on the segment reports of the group's business activities.

The recoverable amount of a CGU is determined based on value-in-use calculations. Cash flow projections used in the calculations are based on financial budgets and forecasts approved by management covering five year period. Cash flows beyond the five-year-period are based on a 2 per cent fixed annual growth rate, which corresponds to the expected long term inflation. The growth rate does not exceed the long-term average actual growth rate within the business sector.

The management has based its cash flow projections for the period covered by most recent budgets to 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.

Tests have shown that the profitability and the discount rate are the most sensitive parameters in the value-in-use calculations. The discount rates used in the calculations are shown in the table below.

CGU	Pre-tax discount rate
Finland	
Business Intelligence	11.38%
Operational Solutions	11.65%
Geographic Information Services	9.72%
Baltic	
Operational Solutions	12.17%
Sweden	
Business Intelligence	11.37%
Norway & Denmark	
Business Intelligence	11.63%

The goodwill impairment test results are evaluated by comparing the recoverable amount with the carrying amount of the CGU as follows:

Recoverable amount / Carrying amount	Test result
Less than 1.00	Impairment
1.00–1.20	Slightly above
1.20–1.50	Clearly above
Over 1.50	Substantially above

The CGUs of Affecto Group, the goodwill allocated to them as of 31 December 2008 and their testing result as of 30 September 2008.

1 000 EUR	Goodwill	Test result
Finland		
Business Intelligence	7 589	Substantially above
Operational Solutions	10 698	Substantially above
Geographic Information Services	5 807	Clearly above
Baltic		
Operational Solutions	9 627	Slightly above
Sweden		
Business Intelligence	17 243	Clearly above
Norway & Denmark		
Business Intelligence	21 651	Substantially above
	72 614	

Trademark (EUR 551 thousand in 2008 and 2007), which has an indefinite useful life, has been allocated to the Geographic Information Services, Finland cash-generating unit.

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

Cash Generating Unit (CGU)	Recoverable amount / Carrying amount	Key assumption	Required change in order for carrying amount to exceed the recoverable amount
Operational Solutions, Baltic	1.09	- Discount rate based on interest rates at the time of testing - Projections of a macroeconomic development in Baltic countries will not decrease remarkably - Business will be conformed to the changing macroeconomic situation of Baltic Countries during 2009 and 2010	- Discount rate 0.89 percentage points higher - Slightly small change in the estimated economic situation - Long term profitability in relation to the turnover 0.58 percentage points lower than expected
Geographic Information Services, Finland	1.35	- Discount rate based on interest rates at the time of testing - Long term profitability will remain at the current level	- Discount rate 3.16 percentage points higher - Long term profitability in relation to the turnover 1.97 percentage points lower than expected
Business Intelligence, Sweden	1.37	- Discount rate based on interest rates at the time of testing - Long term profitability will remain at the current level	- Discount rate 3.65 percentage points higher - Long term profitability in relation to the turnover 2.87 percentage points lower than expected

10. Values of financial assets and liabilities by categories

1 000 EUR	Note	Loans and other receivables	Financial assets at fair value through profit and loss	Available-for-sale	Other financial liabilities	Total book value
31 December 2008						
Balance sheet item						
Financial assets						
Available-for-sale financial assets	11	-	-	349	-	349
Derivative financial instruments	14	-	20	-	-	20
Trade receivables and other receivables excluding prepayments	13	27 222	-	-	-	27 222
Restricted cash and cash equivalents	15	518	-	-	-	518
Cash and cash equivalents	16	23 554	-	-	-	23 554
Total financial assets		51 294	20	349	-	51 663
Financial liabilities						
Borrowings	19	-	-	-	43 924	43 924
Derivative financial instruments	14	-	894	-	-	894
Trade payables and other payables excluding prepayments received	21	-	-	-	27 971	27 971
Total financial liabilities		-	894	-	71 895	72 789
31 December 2007						
Balance sheet item						
Financial assets						
Available-for-sale financial assets	11	-	-	170	-	170
Derivative financial instruments	14	-	35	-	-	35
Trade receivables and other receivables excluding prepayments	13	33 334	-	-	-	33 334
Restricted cash and cash equivalents	15	659	-	-	-	659
Cash and cash equivalents	16	12 974	-	-	-	12 974
Total financial assets		46 967	35	170	-	47 172
Financial liabilities						
Borrowings	19	-	-	-	46 906	46 906
Trade payables and other payables excluding prepayments received	21	-	-	-	33 202	33 202
Total financial liabilities		-	-	-	80 108	80 108

11. Available-for-sale financial assets

Available-for-sale financial assets

1 000 EUR	2008	2007
At 1 January	170	635
Translation differences	-8	-
Subsidiaries acquired	-	10
Additions	203	-
Disposals	-	-484
Net gains/losses transfer to equity	-16	9
At 31 December	349	170
Non-current	54	64
Current	295	106
	349	170

Available-for-sale financial assets include the following:

1 000 EUR	2008	2007
Unlisted shares	54	64
Bonds	203	-
Capital guaranteed bonds	92	106
	349	170

12. Inventories

1 000 EUR	2008	2007
Materials and supplies	191	1
Work in progress	141	171
Finished goods	815	1 620
	1 148	1 792

In 2008, the group recognised 151 thousand euro (186 thousand euro) as write-down of inventories.

13. Trade and other receivables

1 000 EUR	2008	2007
Non-Current		
Prepayments	20	0
Other receivables	200	190
Total non-current	220	190
Current		
Trade receivables	23 427	28 848
Prepayments	5 143	5 580
Accrued receivables	3 466	3 316
Other receivables	129	980
Total current	32 166	38 724
Total trade and other receivables	32 386	38 914

The carrying amount of trade and other receivables approximate their fair value.

Ageing of trade receivables

1 000 EUR	2008	2007
Not due	17 987	20 675
Overdue by between 1 and 30 days	4 061	5 973
Overdue by between 31 and 120 days	933	1 747
Overdue by more than 120 days	448	453
	23 427	28 848

14. Derivative financial instruments

Derivatives that do not fulfil the hedge accounting requirements, are classified as financial assets at fair value through profit or loss.

1 000 EUR	2008 Nominal value	2008 Fair value	2007 Nominal value	2007 Fair value
Interest rate swaps	34 000	-894	23 500	35
Interest rate cap	8 000	20	-	-

Changes in fair values of financial assets, -909 thousand euro in 2008 (11 thousand euro) are recognised in finance items in income statement.

15. Restricted cash

1 000 EUR	2008	2007
Restricted cash	518	659

Restricted cash include deposits set as guarantees for customer projects and lease guarantees.

16. Cash and cash equivalents

1 000 EUR	2008	2007
Cash at bank and in hand	23 301	12 714
Short-term bank deposits	252	260
	23 554	12 974

The effective interest rate in short-term bank deposits is 3.5% (2007: 3.3%).

17. Share capital, share premium and reserve of invested non-restricted equity

	Number of shares	Share capital 1 000EUR	Number of treasury shares	Treasury shares 1 000 EUR	Share premium 1 000 EUR	Reserve of invested non-restricted equity 1 000 EUR
1 January 2007	17 016 521	5 105	36 738	-106	25 404	1 960
Directed share issue 1.	4 499 947	-	-	-	-	19 228
31 December 2007	21 516 468	5 105	36 738	-106	25 404	21 188
	21 516 468	5 105	36 738	-106	25 404	21 188
1 January 2008	21 516 468	5 105	36 738	-106	25 404	21 188
31 December 2008						

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

During the financial year 2007 there were the following changes in the share capital:

1. During 2007 there has been one directed share issue. Affecto Plc published on June 2007 that the company has made a combination agreement with Component Software Group ASA (Component Software) and had intention to make a public tender offer for Component Software's shareholders. In accordance with the terms and conditions of the public tender offer, the consideration for one Component Software share was 40.03 Norwegian krone in cash and 0.81063 new Affecto shares. A total of 4 499 947 new Affecto shares were issued.

During 2008 no changes occurred in the share capital.

At the end of 2008 company had 36 738 treasury shares, representing 0.2 percentages of share capital and voting rights. In 2007 and 2008 company did not purchase or sell any of its treasury shares.

18. Share-based payments

Affecto Plc has two option programmes. The annual general meeting of Affecto Plc, which was held on 4 April 2006 decided to issue stock 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 stock options issued shall be 824 700. Of the stock options, 234 900 has been marked with symbol 2006A, 274 900 with the symbol 2006B and 314 900 with the symbol 2006C. The annual general meeting of Affecto Plc, which was held on 31 March 2008 decided to issue stock 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 stock options issued shall be 1 050 000. Of the stock options, 300 000 has been marked with symbol 2008A, 350 000 with the symbol 2008B and 400 000 with the symbol 2008C.

The initial share subscription price for stock 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, except the option 2006A , which price is the offer price of the company share in the initial public offering, 4.80 euro. The table below shows the period for determination of the share subscription price, initial subscription prices for those share that are known, vesting schedule and subscription period.

Option program	Period for determination of the share subscription price	Initial share subscription price	Share subscription period	Vesting schedule
2006A	Initial public offering 2005	4.80	1.4.2009–31.12.2010	1.4.2009
2006B	1.1.–31.3.2007	3.34	1.4.2010–31.12.2011	1.4.2010
2006C	1.1.–31.3.2008	3.79	1.4.2011–31.12.2012	1.4.2011
2008A	1.7.–30.9.2008	3.53	1.10.2011–30.11.2012	1.10.2011
2008B	1.1.–31.3.2009	-	1.4.2012–31.5.2013	1.4.2012
2008C	1.1.–31.3.2010	-	1.4.2013–31.5.2014	1.4.2013

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. 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 stock option owner cease to be employed by or in the service of the Group, for any reason than the death of a stock option owner or the statutory retirement of a stock option owner, such person shall, without delay, offer to the Company or its order, free of charge, the stock 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 stock option owner is entitled to keep such stock 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 1 874 700 new shares.

Mebius IT Oü, which is the subsidiary of Affecto Plc in Estonia, has issued shares to the employees of Mebius IT Oü. Under IFRS this minority interest has been calculated for as a cash-settled share-based payment arrangement. The minority shareholders have a right to require Affecto Group to buy these shares in different instalments during 2010 and 2011. The share price is determined by the fair value of trading time negotiated by the parties. Other non-current liabilities include 803 thousand euro (483 thousand euro) related to this cash-settled share-based payment arrangement. However, the group does not have any obligation to buy these shares and it may sell the shares for minority for the fair price described above.

The impact of share based payments on the expenses is reported in the row Personnel expenses in the profit and loss statement.

The impact of share-based payments on the financial performance of the group

1 000 EUR	2008	2007
Stock options	84	88
Cash-settled share-based payment arrangement	320	431
Total expense	404	519

The movements in the number of granted options

	2006A	2006B	2006C	Total
Options outstanding 1 January 2008	190 000	268 900	-	458 900
Granted during the period	-	-	-	-
Forfeited during the period	53 100	49 500	-	102 600
Options outstanding 31 December 2008	136 900	219 400	-	356 300
Options held by the company	98 000	55 500	314 900	468 400
Total number of options	234 900	274 900	314 900	824 700
Options exercisable 31 December 2008	-	-	-	-
Options outstanding 1 January 2007	206 000	-	-	206 000
Granted during the period	-	268 900	-	268 900
Forfeited during the period	16 000	-	-	16 000
Options outstanding 31 December 2007	190 000	268 900	-	458 900
Options held by the company	44 900	6 000	314 900	365 800
Total number of options	234 900	274 900	314 900	824 700
Options exercisable 31 December 2007	-	-	-	-

The Black-Scholes valuation model, which notices market conditions at grant date, has been used in calculation of fair value of granted stock options. The table below shows the assumption used in determining the fair value.

	2006A:1	2006A:2	2006B
Fair value of option at grant date	0.17	0.18	1.29
Grant date	22.5.2006	20.6.2006	1.5.2007
Number of outstanding options at December 31, 2008	100 000	36 900	219 400
Exercise price	4.44	4.44	3.08
Share price at grant date	2.25	2.31	3.66
Expected volatility, % (1)	35.1%	35.0%	33.0%
Assumed forfeiture, %	5.0%	5.0%	5.0%
Expected option life (year)	3.5	3.4	3.5
Risk-free interest rate, %	3.4%	3.6%	4.1%

(1) The actual volatility of 12 months before the granting date has been used as expected volatility.

19. Borrowings

1 000 EUR	2008	2007
Interest-bearing non-current liabilities		
Loans from financial institutions, non-current portion	40 424	43 906
Loans from financial institutions, current portion	3 500	3 000
	43 924	46 906

The maturity of non-current interest-bearing liabilities

1 000 EUR	2008	2007
2008	-	2 981
2009	3 481	3 481
2010	3 981	3 981
2011	3 981	3 981
2012	32 482	32 482
After 2012	-	-
	43 924	46 906

The weighted average effective interest rates of interest-bearing liabilities (including current interest-bearing liabilities)

%	2008	2007
Loans from financial institutions	5.86	5.42

The interest-bearing liabilities of the Group comprise euro currency variable interest liabilities. 34 million euro of the loan has been changed to fixed interest loan by using interest rate swap. The carrying value of the interest-bearing liabilities is considered to approximate their fair value.

20. 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 2008	Acquisitions / Disposals of subsidiaries	Charged to income statement	Charged to equity	Translation difference	31 December 2008
Deferred tax assets:						
Differences in tax and accounting depreciations	959	-7	288	-	-13	1 227
Accruals	147	-12	129	-	-4	260
Other financial assets at fair value through profit and loss	-	-	227	-	-	227
Tax losses and tax credit carried forward	1 264	-22	-786	-	-106	350
Total deferred tax assets	2 370	-42	-141	-	-122	2 065
Deferred tax liabilities:						
Cumulative accelerated depreciation	8	-	8	-	-	16
Untaxed reserves	357	-	176	-	-67	466
Other financial assets at fair value through profit or loss	9	-	-9	-	-	-
Tax to be paid on dividends	51	-	-	-	-	51
Fair valuation (business combinations)	4 781	-615	-729	-	-569	2 868
Other accrued expenses	24	-	-5	-	-	20
Total deferred tax liabilities	5 231	-615	-558	-	-637	3 421

1 000 EUR	1 January 2007	Acquisitions / Disposals of subsidiaries	Charged to income statement	Charged to equity	Translation difference	31 December 2007
Deferred tax assets:						
Differences in tax and accounting depreciations	587	226	141	-	4	959
Accruals	73	4	71	-	-	147
Available-for-sale financial assets	4	-	-	-4	-	-
Tax losses and tax credit carried forward	84	1 730	-518	-	-33	1 264
Total deferred tax assets	748	1 960	-305	-4	-30	2 370
Deferred tax liabilities:						
Cumulative accelerated depreciation	6	-	2	-	-	8
Untaxed reserves	233	-	132	-	-7	357
Other financial assets at fair value through profit and loss	6	-	3	-	-	9
Tax to be paid on dividends	-	-	51	-	-	51
Fair valuation (business combinations)	1 916	3 606	-697	-	-44	4 781
Other accrued expenses	-	-	24	-	-	24
Total deferred tax liabilities	2 161	3 606	-485	-	-51	5 231

Deferred income 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	2008	2007
Total deferred tax assets	2 065	2 370
Offset against deferred tax liabilities	-33	-73
Deferred tax assets on the balance sheet	2 031	2 297
Total deferred tax liabilities	3 421	5 231
Offset against deferred tax assets	-33	-73
Deferred tax liabilities on the balance sheet	3 388	5 159

Deferred tax assets

1 000 EUR	2008	2007
Deferred tax asset to be recovered after more than 12 months	398	582
Deferred tax asset to be recovered within 12 months	1 633	1 715
	2 031	2 297

Deferred tax liabilities

1 000 EUR	2008	2007
Deferred tax liability to be recovered after more than 12 months	2 610	4 312
Deferred tax liability to be recovered within 12 months	778	846
	3 388	5 159

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable.

The deferred income tax charged to equity during the year is as follows:

1 000 EUR	2008	2007
Other reserves		
Available-for-sale financial assets (deferred tax liabitility)	-	4

21. Trade and other payables

1 000 EUR	2008	2007
Non-current		
Other liabilities	803	532
Current		
Trade payables	6 501	6 965
Accrued expences	15 300	15 812
Advances received	10 388	12 433
Other liabilities	5 366	5 893
Liability related to the acquisition of a subsidiary and stock options	-	4 000
Total current	37 556	45 103
Total trade and other payables	38 359	45 635

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

22. Analysis of sales by category

1 000 EUR	2008	2007
Contract revenue	17 939	16 156
Service revenue*	109 680	76 918
Revenue from sale of goods	3 946	4 400
	131 565	97 474

* includes software revenue

The aggregate amount of costs incurred and recognised profits (less recognised losses) for all contracts in progress were 17.9 million euro (16.2 million euro). The balance sheet includes 1.3 million euro of advances received for contract work (1.3 million euro) and 2.0 million euro uninvoiced receivables (2.2 million euro).

23. Other operating income

1 000 EUR	2008	2007
Capital gains on disposal of non-current assets	26	11
Other	875	69
	902	80

In 2008 other operating income includes among others following items:
- Capital gain of 632 thousand euro from the sale of office premises located in Vilnius (details in the note 7)
- Capital gain of 156 thousand euro from the sale of effective maintenance contracts
- Payment of 79 thousand relating to sold business in previous year
- Capital gains on disposal of non-current assets 26 thousand euro

In 2007 other operating income includes among others following items:
- Payments relating to in previous years sold businesses 44 thousand euro
- Capital gains on disposal of non-current assets 11 thousand euro

24. Materials and services

1 000 EUR	2008	2007
Materials and services		
Purchases	10 184	10 423
Change in inventories	356	405
External services	14 777	9 023
	25 317	19 851

External services comprise purchases from subcontractors.

25. Personnel expenses

1 000 EUR	2008	2007
Wages and salaries	55 921	38 242
Social charges	8 157	5 995
Pension expenses – Defined contribution plans	5 337	3 879
Impact of IFRS 2	404	519
	69 818	48 635

The remuneration of the management has been specified in the note 32 and the share-based compensations in the note 18.

26. Depreciation, amortisation and impairment charges

1 000 EUR	2008	2007
Depreciation of tangible assets		
Buildings	-	22
Machinery and equipment	1 105	936
	1 105	958
Amortisation of intangible assets	3 163	2 810
	4 266	3 767
Impairment	8	-
	4 274	3 767

27. Other operating expenses

1 000 EUR	2008	2007
Other personnel related expenses	8 390	5 801
Premises	5 332	3 706
IT expenses	1 336	918
Professional services	2 365	1 338
Marketing	2 221	1 587
Other	1 320	1 302
	20 962	14 651

Research and development expenses of 1.2 million euro (0.8 million euro) are charged to the income statement. In 2007 group received a government grant of 24 thousand euro that is offset against the R&D expenses incurred.

28. Financial income and expenses

1 000 EUR	2008	2007
Financial expenses		
Bank borrowings	2 712	1 580
Change in fair value on derivatives	909	-
Other financial expenses	119	40
Exchange gains and losses	-	48
	3 739	1 668
Financial income		
Bank deposits	646	356
Change in fair value on derivatives	-	11
Other financial income	21	-
Exchange gains and losses	1 732	-
	2 398	367
Financial expenses – net	1 341	1 300

The aggregate exchange rate differences charged/credited to the income statement

1 000 EUR	2008	2007
Sales	18	3
Materials and services	-177	-1
Other operating expenses	-	-17
Finance costs	1 732	-48
	1 573	-63

29. Income tax expense

Major components of tax expenses

1 000 EUR	2008	2007
Current tax expense	2 969	2 536
Adjustments recognised for current tax of prior periods	26	121
Change in deferred taxes	-1 032	-180
	1 963	2 477

Reconciliation of tax expense

1 000 EUR	2008	2007
Profit before tax	10 467	9 458
Tax calculated at 26%	2 721	2 459
Differences in tax rates in other countries	-265	-436
Expenses not deductible for tax purposes	130	244
Income not subject to tax	-615	-12
Utilisation of tax losses carried forward	-	-
Effect of change in tax rate	-34	50
Tax to paid on dividends	0	51
Prior year tax expense	26	121
Tax charge	1 963	2 477

30. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

1 000 EUR	2008	2007
Profit attributable to equity holders of the company	8 503	6 981
Weighted average number of ordinary shares in issue during financial year (thousands)	21 480	18 533
Basic earnings per share (EUR per share)	0.40	0.38

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive poten-tial ordinary shares. At the end of 2008 the only dilutive potential ordinary share was stock options. The stock options will dilute the earnings per share, if the subscribtion price of these stock options is less than the fair value of the share. For the stock 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 stock 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 stock options.

The outstanding options did not dilute the earnings in the end of 2008 and 2007.

1 000 EUR	2008	2007
Profit attributable to equity holders of the company	8 503	6 981
Weighted average number of ordinary shares in issue (thousands)	21 480	18 533
Weighted average number of ordinary shares for diluted earnings per share (thousands)	21 480	18 533
Diluted earnings per share (EUR per share)	0.40	0.38

31. Dividend distribution

The dividends paid in 2008 were 3 437 thousand euro (0.16 euro per share). The dividends paid in 2007 were EUR 1 698 thousand (0.10 euro per share).

32. Related party transactions

The following transactions were carried out with related parties:

Key management compensation

1 000 EUR	2008	2007
Salaries and other short-term employee benefits	3 519	2 564
Post-employment benefits	421	327
Share-based payments	36	35
	3 976	2 926

The management holds 2006A options for 51 thousand and 2006B options for 75.9 thousand. The terms and conditions of the options has been described in the note 18. The remuneration of the members of the board and the CEO has been specified in the note 12.

The remuneration to a member of the board Haakon Skaarer, totalling to 28 thousand euro, has been paid to Norsk Vekst AS, Arendals Fossekompaniet ASA and Haakon Skaarer

33. Audit fees

1 000 EUR	2008	2007
Audit fee	122	140
Other fees paid to the auditor	97	218
	219	358

Other fees in 2007 include services related to business acquisition amounting to 128 thousand euro that has been capitalised on balance sheet.

34. Subsidiaries as at 31 December 2008

Name of the subsidiary	Ownership of Group (%)	Country of incorporation
Affecto Finland Oy	100	Finland
Affecto Securities Oy	100	Finland
Informacines Technologijos UAB*	100	Lithuania
Mebius IT Sp.z.o.o	100	Poland
Affecto Estonia Oü	100	Estonia**
Affecto Latvia SIA	100	Latvia
Mebius IT Vilnius	100	Lithuania
Affecto Sweden AB	100	Sweden
Affecto Norway AS	100	Norway
Affecto Denmark A/S	100	Denmark

* New name Affecto Lietuva UAB has been registered on 22 January 2009

** Mebius IT Oü, which is the Estonian subsidiary of Affecto Plc, has issued shares to the employees of Mebius IT Oü. Under IFRS this minority interest (43.02 %) has been calculated for as a cash-settled share-based payment arrangement. Thus the ownership under IFRS is 100%.

35. Contingencies and commitments

At 31 December 2007 the group had a contingent asset of 87 thousand Latvian lats (125 thousand euro) relating to a court case in Latvia. Riga Regional Court published a judgement, according to which adverse party was sentenced to pay 87 thousand Latvian lats to a group company of Affecto (SIA Mebius IT). The adverse party appealed to Supreme Court of the republic of Latvia and demanded to change the decision. During 2008 the court case has been finalised and the contingent asset was not recognised. This has no material impact on the result.

Other operating lease commitments – where the Group is the lessee

The group leases offices, machinery and cars under non-cancellable operating lease agreements.

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

1 000 EUR	2008	2007
Not later than 1 year	2 832	3 013
Over 1 year and not later than 5 years	3 552	5 197
	6 384	8 210

Guarantees

1 000 EUR	2008	2007
Debts secured by a mortgage		
Bank borrowings	44 000	47 000

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

1 000 EUR	2008	2007
Pledges (short-term receivables)	432	855

Pledges given on own behalf consist of restricted cash of 0.1 million euro (0.3 million euro) and short term receivables at an amount of 0.3 million euro (0.6 million euro).

36. Events after the balance sheet date

Distributable funds of the parent company of the group on 31 December 2008 are 32 960 860.03 euro. Board of Directors proposes that from the financial year 2008 a dividend of 0.14 euro per share will be paid, a total of 3 007 162.20 euro with the outstanding number of shares at the end of the financial period, and the rest is carried forward to the retained earnings account. No material changes have taken place in respect of the company's financial position after the balance sheet date. The liquidity of the company is good and in the opinion of the Board of Directors proposed distribution of profit does not risk the liquidity of the company.

Key figures

1 000 euros except percentages	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007	IFRS 2008
Net sales	26 734	46 699	50 194	97 474	131 565
EBITDA	5 288	6 247	5 014	14 525	16 081
EBITDA, % of sales	19.8	13.4	10.0	14.9	12.2
Operating profit	4 740	5 153	3 642	10 758	11 808
Operating profit, % of sales	17.7	11.0	7.3	11.0	9.0
Profit before income taxes	4 531	4 789	3 458	9 458	10 467
Profit before income taxes, % of sales	16.9	10.3	6.9	9.7	8.0
Net income for equity holders of the parent company	3 176	3 695	2 633	6 981	8 503
Net income for equity holders of the parent company, % of sales	11.9	7.9	5.2	7.2	6.5
Return on equity, %	22.5	13.3	7.2	13.7	14.0
Return on capital employed, %	12.5	9.4	5.8	10.3	11.5
Equity ratio, %	41.5	56.9	52.0	41.9	43.0
Gross investment in non-current assets	412	819	1 118	1 410	2 741
Gross investment, % of sales	1.5	1.8	2.2	1.4	2.1
Research and development costs	326	761	476	910	1 468
Research and development costs, % of sales	1.2	1.6	0.9	0.9	1.1
Order backlog	13 666	13 027	24 167	41 560	44 467
Number of employees, average during the period	218	526	605	897	1 136
Gearing, %	52.2	9.9	35.2	53.9	34.7
Interest-bearing net debt	11 434	3 340	13 743	33 933	20 371

KEY RATIOS PER SHARE					
Earnings per share	0.32	0.25	0.16	0.38	0.40
Earnings per share, diluted	0.32	0.24	0.16	0.38	0.40
Equity per share	1.65	2.18	2.30	2.93	2.73
Dividend per share	0.06	0.10	0.10	0.16	0.14*
Dividend of earnings, %	19.0	39.4	61.0	42.5	35.4
Effective yield, %	-	2.9	2.9	3.8	6.6
P/E ratio	-	13.8	21.2	11.2	5.4
Market capitalization	-	53 887	58 920	90 859	45 752
Share value, EUR					
Lowest price	-	3.00	2.20	2.90	2.00
Highest price	-	5.08	4.02	5.18	4.33
Average price	-	4.26	3.06	4.09	3.32
Closing price	-	3.50	3.47	4.23	2.13
Trading volume					
1000 shares	-	24 093	14 632	23 464	8 174
%	-	156	86	109	38
Average number of shares	10 048 288	14 556 367	16 057 557	18 533 189	21 479 730
Number of shares at end of period	13 296 356	15 396 373	16 979 783	21 479 730	21 479 730

*Board's proposal on 12 February 2009

Calculation of key figures

EBITDA	=	Earnings before interest, taxes, depreciation and amortization	
EBITDA, % of sales	=	Earnings before interest, taxes, depreciation and amortization / Net sales	x 100
Operating result before IFRS 3 items	=	Operating profit + Amortisations of purchase price allocations on business combinations	
Operating profit, % of sales	=	Operating profit / Net sales	x 100
Profit before income taxes, % of sales	=	Profit before income taxes / Net sales	
Net income for equity holders of parent company, % of sales	=	Net income for equity holders of the parent company / Net sales	x 100
Return on equity, %	=	Profit / Shareholders' equity + minority interest	x 100
Return on capital employed, % *	=	Profit + interest and other financial expenses / Total assets – interest-free liabilities	x 100
Equity ratio, %	=	Shareholders' equity + minority interest / Total assets – advance payments	x 100
Gross investment in non-current assets	=	Acquisition cost of tangible and intangible assets and investments included under non-current assets, including loan receivables en-tered in non-current assets (excluding business acquisitions).	
Gross investment, % of sales	=	Gross investment / Net sales	x 100
Research and development costs, % of sales	=	Research and development costs / Net sales	x 100
Gearing, %	=	Interest-bearing liabilities – cash, bank receivables and securities held as financial assets / Shareholders' equity + minority interest	x 100
Interest-bearing net	=	Interest-bearing liabilities –cash and bank receivables	
Earnings per share (EPS)	=	Profit before extraordinary items - taxes +/- minority interest / Adjusted average number of shares during the period	
Equity per share	=	Shareholders' / Adjusted number of the shares at the end of the financial year	
Dividend per share	=	Dividend for the financial year / Adjusted number of the shares at the end of the financial year	
Dividend per earnings, %	=	Dividend per share / Earnings per share	x 100
Effective yield, %	=	Adjusted dividend per share / Adjusted share price at closing date	x 100
P/E ratio	=	Adjusted share price at closing date / Earnings per share	
Market capitalization	=	Number of shares at year end (excluding treasury shares) x share price at closing date	

* Formula changed in 2008. Figures of previous years have been recalculated using the new formula.

Income statement

1 000 EUR	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Net sales	3 054	3 584
Material and services		
External services	588	745
	588	745
Personnel expenses		
Wages and salaries	2 138	2 024
Social security expenses		
Pension expenses	287	244
Other social security expenses	64	64
	2 490	2 332
Depreciation, amortization and impairment charges		
Depreciation according to plan	33	21
Other operating expenses	1 659	884
Operating loss	-1 717	-398
Financial income and expenses		
Dividend income	33 129	1 601
Interest income	1 936	182
Impairment of non-current investments	-22 950	-
Interest expenses and other financial expenses	-3 453	-1 968
	8 662	-186
Result before extraordinary items	6 945	-584
Extraordinary items		
Group contribution	4 400	2 200
Profit before appropriations and income tax	11 345	1 616
Change in cumulative accelerated depreciation	-	1
Income taxes	-304	-6
Profit for the period	11 042	1 611

Balance sheet

1 000 EUR	31 Dec 2008	31 Dec 2007
Assets		
Non-current assets		
Intangible assets		
Intangible rights	87	16
Tangible assets		
Machinery and equipment	12	16
Investments		
Shares in subsidiaries	110 892	106 967
Total non-current assets	110 990	106 999
Current assets		
Receivables		
Long-term		
Deferred taxes	2	1
Short-term		
Account receivables	122	582
Receivables from group companies	502	1 000
Other receivables	29	271
Prepaid expenses and accrued income	5 243	3 250
	5 897	5 104
Cash and cash equivalents	10 411	52
Total current assets	16 310	5 157
Total assets	127 300	112 155
Shareholders' equity and liabilities		
Equity		
Share capital	5 105	5 105
Share premium	21 912	21 912
Reserve of invested non-restricted equity	18 598	18 598
Retained earnings	3 321	5 147
Profit for the year	11 042	1 611
Total equity	59 978	52 373
Liabilities		
Non-current liabilities		
Loans from credit institutions	40 500	44 000
Current liabilities		
Loans from credit institutions	3 500	3 000
Advances received	5 126	3 201
Trade payables	99	87
Payables to group companies	16 629	8 356
Other liabilities	35	88
Accrued expenses	1 434	1 052
	26 822	15 782
Total liabilities	67 322	59 782
Total shareholders' equity and liabilities	127 300	112 155

Cash flow statement

1 000 EUR	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flows from operating activities		
Profit before extraordinary items	6 945	-584
Adjustments:		
Depreciation	33	20
Impairment	22 950	-
Finance income and expenses	-31 534	186
Cash flows before change in working capital	-1 605	-378
Change in working capital:		
Increase in current non interest-bearing receivables (-)	-1 300	-1 008
Increase in current non interest-bearing liabilities (+)	1 991	3 168
Cash flows from operating activities before finance cash flows and taxes	-914	1 782
Interest paid and payments for other operating finance expenses	-3 191	-2 002
Dividends received from operations	10 179	1 601
Interest received from operations	178	148
Income taxes paid	-7	-59
Net cash generated from operating activities	6 245	1 470
Cash flows from investing activities		
Investments in intangible and tangible assets	-100	-4
Shares acquired in subsidiaries	-3 925	-33 215
Net cash generated from operating activities	-4 025	-33 219
Cash flows from financing activities		
Paid expenses on issue of share capital	-	-777
Dividends paid	-3 437	-1 698
Group contribution	5 400	1 200
Change in non-current loan receivables	-500	-
Change in current loans	9 676	2 602
Increase in non-current loans	-	48 500
Repayment of non-current loans	-3 000	-20 531
Net cash generated from financing activities	8 139	29 296
Change in cash and cash equivalents	10 359	-2 453
Cash and cash equivalents at beginning of period	52	2 505
Cash and cash equivalents at end of period	10 411	52

Notes

Accounting policies

1. Intangible and tangible assets

Intangible and tangible assets are shown at historical cost less accumulated depreciation according to plan. Depreciation is calculated over the useful lives of the assets as follows

Intangible rights	3 years
Machinery and equipment	3 years

2. Financial assets

Financial securities are measured at their cost.

3. Pension expense

Retirement benefits for personnel have been arranged with insurance companies. Pension expenses are charged to the income statement in the year retained

4. Foreign currency items

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

5. Derivatives

If the fair value of derivative is negative at the reporting date, the negative amount will be booked to profit and loss statement.

Notes to the profit and loss statement and balance sheet of parent company

6. Revenue by business area

1 000 EUR	2008	2007
Operational solutions	1 998	2 798
Non-allocated	1 056	786
	3 054	3 584

7. Revenue recognition of long-term projects

In long-term projects percentage of completion method has been applied. The state of completion is measured by reference to the contract actual hours up to the balance sheet date as a percentage of total estimated hours. Project managers will estimate the remaining hours monthly.

When the outcome of a construction contract can not be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred. When the outcome can be estimated reliably, the margin of the project will be recognized in accordance with percentage of completion method.

The percentage of completion method has been applied to all projects although it wouldn't necessarily be required by the duration of the project. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

8. Long-term projects

1 000 EUR	2008	2007
Recognised in revenue (accrued income)	5 199	3 201
Uncompleted part of a project (Order backlog)	-	346
Advances received	5 126	3 201

9. Other operating income

Other operating income includes a contractual penalty relating to breach of non-compete agreement EUR 15 thousand.

10. Average number of employees

	2008	2007
Full-time employees	20	24
Hourly staff	-	-
	20	24

11. Number of employees at the end of year

	2008	2007
Full-time employees	14	24
Hourly staff	-	-
	14	24

12. Key management compensation

The CEO and Board members have been paid remuneration during the financial year as follows:

1 000 EUR	2008	2007
CEO and the Board of Directors:		
Pekka Eloholma, CEO	739	236
Aaro Cantell, Chairman of the Board	34	31
Lautsuo Pyry, Member of the Board since 1.4.2007	18	12
Lehmusto Heikki, Member of the Board	18	15
Mäenpää Pasi, Member of the Board to 31.3.2008	4	15
Mäkinen Jukka, Member of the Board to 31.3.2007	-	4
Norokorpi Jukka, Member of the Board to 31.3.2008	4	15
Rytkönen Esko, Member of the Board	18	15
CEO and the Board of Directors	836	344

In 2008 the remuneration to a member of the board Haakon Skaarer, totalling to 28 thousand euro, has been paid to Norsk Vekst AS, Arendals Fossekompaniet ASA and Haakon Skaarer. In 2007 the remuneration to a member of the board Haakon Skaarer, totalling 5 thousand euro, has been paid to Norsk Vekst AS.

13. Extraordinary items

A group contribution of 4 400 000 (2 200 000) euro received from Affecto Finland Oy is included in the extraordinary items.

14. Depreciation according to plan

1 000 EUR	2008	2007
Intangible rights	23	9
Machinery and equipment	10	12
	33	21

Depreciation according to plan is calculated in the historical acquisition cost based on the useful life of the assets.

15. Audit fees

1 000 EUR	2008	2007
Audit fee	15	15
Tax advisory	5	30
Other fees	44	160
	64	205

In 2007 other fees include services related to business acquisition amounting to 128 thousand euro that has been capitalised on balance sheet.

16. Income taxes

1 000 EUR	2008	2007
Tax on extraordinary items	1 144	572
Current tax	-840	-566
Tax relating to previous periods	0	0
	304	6

17. Intangible and tangible assets

1 000 EUR	2008	2007
Software		
Acquisition cost as of 1 January	29	28
Additions	94	1
Disposals	-	-
Acquisition cost as of 31 December	122	29
Accumulated depreciation as of 1 January	12	3
Depreciation for the period	23	9
Accumulated depreciation as of 31 December	36	12
Carrying amount as of 31 December	87	16

1 000 EUR	2008	2007
Machinery and equipment		
Acquisition cost as of 1 January	39	38
Additions	6	3
Disposals	-	-
Acquisition cost as of 31 December	46	39
Accumulated depreciation as of 1 January	24	12
Depreciation for the period	10	12
Accumulated depreciation as of 31 December	34	24
Carrying amount as of 31 December	12	16

18. Shares in subsidiaries

1 000 EUR	Ownership	Carrying amount	Country
Affecto Finland Oy	100%	31 177	Finland
Informacines technologijos UAB*	100%	13 141	Lithuania
Affecto Securities Oy	100%	3	Finland
Affecto Sweden AB	100%	27 512	Sweden
Affecto Norway AS	100%	26 972	Norway
Affecto Denmark A/S	100%	12 087	Denmark
Shares in subsidiaries total		110 892	

*New name Affecto Lietuva UAB has been registered on 22 January 2009

Affecto Norway AS has distributed shares in Affecto Sweden Ab and Affecto Denamrk A/S as dividednd to Affecto Oyj during financial year 2008. Carrying value of shares in Affecto Norway AS has been written down to fair value.

19. Receivables from group companies

1 000 EUR	2008	2007
Trade receivables	-	-
Other receivables	502	1 000
	502	1 000

20. Prepaid expenses and accrued income

1 000 EUR	2008	2007
Amounts due from customers for contract work	5 199	3 201
Advances on purchase invoices	20	14
Current income tax receivables	-	22
Other receivables	24	13
	5 243	3 250

21. Changes in equity

1 000 EUR	2008	2007
Restricted equity		
Share capital as of 1 January	5 105	5 105
Share capital as of 31 December	5 105	5 105
Share premium as of 1 January	21 912	21 912
Share premium as of 31 December	21 912	21 912
Restricted equity as of 31 December	27 017	27 017
Non-restricted equity		
Reserve of invested non-restricted equity as of 1 January	18 598	1 960
Share issue on 27 August 2007	-	16 638
Reserve of invested non-restricted equity as of 31 December	18 598	18 598
Retained earnings as of 1 Janu-ary	6 758	6 845
Dividends paid	- 3 437	-1 698
Retained earnings as of 31 December	3 321	5 146
Profit for the period	11 042	1 611
Non-restricted equity as of 31 December	32 961	25 356
Total equity as of 31 December	59 978	52 373

No movements in the number of shares during the financial year

	Number of share
1 January 2008	21 516 468
31 December 2008	21 516 468

At the end of 2008 company had 36 738 treasury shares, representing 0.17 percentages of total number of shares and voting rights.

22. The authorizations given to the board of directors

The Annual General Meeting 31 March 2008 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 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. No shares have been issued based on the authorization by 31 December 2008.

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. No shares were acquired based on the authorization by 31 December 2008.

23. Calculation of distributable earnings

Parent company's distributable earnings are:

1 000 EUR	2008	2007
Retained earnings	3 321	5 147
Profit for the period	11 042	1 611
Reserve of invested non-restricted equity	18 598	18 598
Total distributable earnings	32 961	25 356

24. Loans from credit institutions

1 000 EUR	2008	2007
Loans form credit institutions as of 1 January	47 000	19 031
Changes during the year		
Increase in loans	-	48 500
Repayment of loans	-3 000	-20 531
Loans form credit institutions as of 31 December	44 000	47 000
Repayment schedule:		
Year 2008	-	3 000
Year 2009	3 500	3 500
Year 2010	4 000	4 000
Year 2011	4 000	4 000
Year 2012	32 500	32 500
	44 000	47 000

25. Payables to group companies

1 000 EUR	2008	2007
Trade payables	99	79
Other debts	16 530	8 277
	16 629	8 356

26. Accrued expenses

1 000 EUR	2008	2007
Personnel costs	1 108	1 014
Income tax payable	276	-
Others	51	38
	1 434	1 052

27. Contingencies and commitments

Derivative contracts

1 000 EUR	2008		2007	
	Nominal value	Fair value	Nominal value	Fair value
Interest rate swaps	34 000	-894	23 500	35
Interest rate cap	8 000	20	-	-

Operating lease commitments – where the Company is the lessee

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

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

1 000 EUR	2008	2007
Not later than 1 year	52	27
Later than 1 year and not later than 5 years	51	11
	103	37

Guarantees

1 000 EUR	2008	2007
Debts secured by a mortgage		
Bank borrowings	44 000	47 000
Credit limit (3 000 000 euro), not used	-	-
The value of securities given:		
Mortgages	52 500	52 500
Shares given as a security (book value)	58 149	81 099

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. In addition, the shares in Affecto Finland Oy and Affecto Norway AS have been pledged to secure the financial loans above.

Commitments on behalf of other group companies

Affecto Oyj has given the following guarantees on behalf of Affecto Finland Oy related to lease contracts of business premises:

1 000 EUR	
Lessor	Max. commitment
Internationales Immobilien-Institut GmbH	Personal Security
Global Fastighet II Holding Oy	39
Kiinteistö Oy Tourulan Kivääritehdas	17

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 1 January 2008 and as at 31 December 2008, the company's share capital consisted of 21 516 468 shares and the share capital was EUR 5 104 956.30. The share has no nominal par value.

The company owns 36 738 treasury shares, which corresponds to 0.2% of all shares.

OPTION PROGRAM 2006

The Annual General Meeting decided in 2006 to issue stock options. The AGM held on 31 March 2008 made technical changes to option terms. The details of the option rights are explained in the notice of the decisions of the AGM dated 31 March 2008. The maximum total number of stock options issued shall be 824 700. Of the stock options, 234 900 shall be marked with the symbol 2006A, 274 900 shall be marked with the symbol 2006B and 314 900 shall be marked with the symbol 2006C.

The share subscription price for stock option 2006A shall be the offer price of the Company share in the Initial Public Offering, EUR 4.80, for stock option 2006B, the trade volume weighted average quotation of the share on the Helsinki Stock Exchange during 1 January - 31 March 2007, and for stock option 2006C, the trade volume weighted average quotation of the share on the Helsinki Stock Exchange during 1 January - 31 March 2008. From the share subscription price of stock options shall, as per the dividend record date, be deducted the amount of the dividend decided after the beginning of the period for determination of the subscription price but before share subscription. As at 31 December 2008, the subscription prices were: 2006A: 4.44 eur, 2006B: 3.08 eur and 2006C: 3.63 eur.

The share subscription period shall be: for stock options 2006A, 1 April 2009 - 31 December 2010, for stock options 2006B, 1 April 2010 - 31 December 2011 and for stock options 2006C, 1 April 2011 - 31 December 2012.

136 900 of 2006A and 219 400 of 2006B stock options have been given to key personnel by 31 December 2008.

OPTION PROGRAM 2008

The Annual General Meeting decided in 2008 to issue stock options. The details of the option rights are explained in the decision notice of the AGM dated 31 March 2008. The maximum total number of stock options issued shall be 1 050 000. Of the stock options, 300 000 shall be marked with the symbol 2008A, 350 000 shall be marked with the symbol 2008B and 400 000 shall be marked with the symbol 2008C.

The share subscription price shall be for stock option 2008A, the trade volume weighted average quotation of the share on the Helsinki Stock Exchange during 1 July - 30 September 2008, for stock option 2008B, the trade volume weighted average quotation of the share on the Helsinki Stock Exchange during 1 January - 31 March 2009, and for stock option 2008C, the trade volume weighted average quotation of the share on the Helsinki Stock Exchange during 1 January - 31 March 2010. From the share subscription price of the stock options shall, as per the record date for dividend or other distribution of funds, be deducted the amount of the dividend or distributable non-restricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription. As at 31 December 2008, the subscription prices were: 2008A: 3.53 eur.

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

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

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. The authorisation also includes the right to issue special rights, in the meaning of Chapter 10 Section 1 of the Companies Act, which entitle to the company's new shares or the company's own shares held by the company against consideration. A maximum of 4 200 000 new shares may be issued. A maximum of 2 100 000 own shares held by the company may be conveyed. The authorisation comprise the right to deviate from the shareholders' pre-emptive subscription right provided that the company has weighty financial reason for the deviation in a share issue against payment and provided that the company, taking into account the interest of all its shareholders, has a particularly weighty financial reason for the deviation in a share issue without consideration. Within the above mentioned limits the authorisation may be used e.g. in order to strengthen the company's capital structure, to broaden the company's ownership, to be used in corporate acquisitions or when the company acquires assets relating to its business and as part of the company's incentive programmes. The shares may also be subscribed for or own shares conveyed against contribution in kind or by means of set-off. In addition, the authorisation includes the right to decide on a share issue without consideration to the company itself so that the amount of own shares held by the company after the share issue is a maximum of 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 and its subsidiaries are included in this amount. The authorisation shall be in force until the next Annual General Meeting.

The Annual General Meeting decided to authorise the Board of Directors to decide to acquire the company's own shares with distributable funds on the terms set forth below. The acquisition of shares reduces the company's distributable non-restricted shareholders' equity. The company's own shares may be acquired in order to strengthen the company's capital structure, to be used as payment in corporate acquisitions or when the company acquires assets related to its business 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 public trading or by public offer at their market price at the time of purchase. The authorisation shall be in force until the next Annual General Meeting.

INFORMATION ABOUT SHARE TRADING

Trading with the company's shares in the NasdaqOMX Helsinki commenced on 27 May 2005. The company belongs to the IT Consulting and other Services sector and the Small Cap segment of the Nordic list.

Trading code (ticker).	AFE1V	
ISIN code	FI0009013312	
Highest price in 2008	4.33	eur
Lowest price in 2008	2.00	eur
Closing price at the end of 2008	2.13	eur
Market capitalization 31 Dec 2008	45 751 825	eur
Trading volume 1 Jan - 31 Dec 2008	8 174 164	shares
Average price 1 Jan - 31 Dec 2008	3.32	eur
Trading volume, % of shares	38	%
Number of shares 31 Dec 2008	21 516 468	shares
Number of shares excl. treasury shares 31 Dec 2008	21 479 730	shares

Share price 1 January - 31 December 2008, eur

DIVIDEND POLICY

The Board of Directors has adopted a dividend policy whereby the board intends to propose to the general meeting dividends up to one-half of earnings per share on average over the longer term.

FLAGGING ANNOUNCEMENTS

The following flagging announcements have been given during 2008:

- 24 June 2008 and 23 October 2008: The direct ownership of Arendals Fossekompani ASA exceeded 5% due to subsidiary mergers
- 11 September 2008: Ownership of funds managed by Case Asset Management AB exceeded 5%

Distribution of shares 31 December 2008

	Owners		Shares	
	No.	%	No.	%
1-100	198	16	15 130	0
101-500	493	39	157 960	1
501-1 000	220	17	184 476	1
1 001-5 000	215	17	498 332	2
5 001-10 000	58	5	448 595	2
10 001-50 000	35	3	764 426	4
50 001-100 000	15	1	1 069 045	5
100 001-500 000	22	2	6 349 636	30
500 001-1 000 000	4	0	2 777 034	13
1 000 001-	6	0	9 251 834	43
Total	1 266	100	21 516 468	100

Owners by sectors 31 December 2008

	Owners		Shares	
	No.	%	No.	%
Non-financial corp. and housing corp.	84	7	4 171 509	19
Financial and insurance corporations	21	2	4 243 447	20
General government	15	1	3 156 567	15
Households	1 112	88	3 040 418	14
Non-profit institutions	10	1	614 118	3
Foreign owners (registered)	14	1	743 752	3
Nominee registered	10	1	5 546 657	26
Total	1 266	100	21 516 468	100

OWNERS

The company had total of 1 266 owners on December 31, 2008 and the foreign ownership was 29%. 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.

Largest shareholders 31 December 2008

		Shares	%
1	Cantell Oy	1 220 000	5.7
2	Laine Mika	1 200 000	5.6
3	Arendals Fossekompani ASA	1 189 269	5.5
4	Sijoitusrahasto Nordea Nordic Small Cap	1 017 978	4.7
5	Ilmarinen Mutual Pension Insurance Company	849 000	3.9
6	Keskinäinen Vakuutusyhtiö Eläke-Fennia	600 000	2.8
7	Sr Danske Invest Suomi Kasvuosake	578 624	2.7
8	Fondita Nordic Micro Cap Placeringsf	500 000	2.3
9	Alfred Berg Finland Sijoitusrahasto	487 027	2.3
10	Suomen Itsenäisyyden Juhlarahasto	483 067	2.2
11	Erikoissijoitusrahasto Ubwave	390 000	1.8
12	OP-Suomi Pienyhtiöt	390 000	1.8
13	Alfred Berg Small Cap Sijoitusrahasto	380 524	1.8
14	Valtion Eläkerahasto	366 000	1.7
15	Erikoissijoitusrahasto Ubview	358 550	1.7
16	Placeringsfonden Gyllenberg Small Firm	345 142	1.6
17	Sijoitusrahasto Arvo Finland Value	330 000	1.5
18	Keskinänen Eläkevakuutusyhtiö Etera	312 311	1.5
19	Keskinäinen Työeläkevakuutusyhtiö Varma	310 000	1.4
20	ESR EQ Pikkujättiläiset	300 000	1.4
	Top 20 together	11 607 492	53.9
	Nominee registered	5 546 657	25.8
	Affecto Plc (treasury shares)	36 738	0.2
	Other shareholders	4 325 581	20.1
	Total number of shares	21 516 468	100.0

According to the flagging announcement received on 11 September 2008, the funds managed by Case Asset Management AB own over 5% of Affecto's shares.

Board's dividend proposal

Distributable funds of the parent company of the group on 31 December 2008 are 32 960 860.03 euros.

Board of Directors proposes that from the financial year 2008 a dividend of 0.14 euros per share will be paid, a total of 3 007 162.20 euros with the outstanding number of shares at the end of the financial period, and the rest is carried forward to the retained earnings account. No material changes have taken place in respect of the company's financial position after the balance sheet date. The liquidity of the company is good and in the opinion of the Board of Directors proposed distribution of profit does not risk the liquidity of the company.

In Helsinki, 12 February 2009

Aaro Cantell
Chairman of the Board

Pyry Lautsuo

Heikki Lehmusto

Esko Rytkönen

Haakon Skaarer

Pekka Eloholma
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 Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity 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 CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company’s financial statements and the report of the Board of Directors in accordance with 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 Chief Executive Officer 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company’s financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the Chief Executive Officer have complied with the Limited Liability Companies Act.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. 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 24 February 2009
PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant

Corporate Governance

GENERAL INFORMATION

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

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

GROUP STRUCTURE

The group parent company is Affecto Plc. Operational business is handled mainly by the group subsidiaries. Subsidiary in Finland is Affecto Finland Oy. Business in the Baltic countries is conducted by Affecto Lietuva UAB (name changed in early 2009) and its subsidiary companies. The business in Sweden is conducted through Affecto Sweden AB, in Norway through Affecto Norway AS and in Denmark through Affecto Denmark A/S.

The company's operational business is managed principally through the country business units. Finland, Sweden, Norway & Denmark and Baltic were the four country units of the group in 2008.

ANNUAL GENERAL MEETING

The Annual General Meeting is the company's highest decision-making body. The Annual General Meeting confirms the company's income statement and balance sheet and decides on the distribution of profit, elects the Board and the auditors and determines their fees.

The Board convenes the 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.

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 company strategy, organization, accounts and financial management. The Board also appoints the group Chief Executive Officer.

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

The Board convenes regularly at least 11 times a year, and whenever required. At the beginning of each year the Board agrees in advance the thematic issues for discussion at the Board meetings, in addition to the requirements of normal financial supervision. In 2008, the Board convened a total of 17 times, and average attendance level was at 92 per cent.

The Chairman of the Board of Directors receives a monthly remuneration of 2 900 euros and a member 1600 euros.

As at the end of 2008, the Board of Directors comprised the following members: Aaro Cantell (chairman), Pyry Lautsuo, Heikki Lehmusto, Esko Rytkönen and Haakon Skaarer.

All members of the Board are independent of the company. Messrs. Lautsuo, Lehmusto and Rytkönen are independent of the company and of the owners.

DUTIES OF THE BOARD OF DIRECTORS

The Board has drafted 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 some other instance 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
- Group finance policy
- Propose the dividend policy to the General Meeting
- Decide on company and business acquisitions and sales
- 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

AUDIT COMMITTEE

The task of the Audit Committee is to supervise the efficiency of the company's accounting and economic reporting system and to review and guide the company's audit function. 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.

Committee members: Esko Rytkönen (chair), Heikki Lehmusto and Aaro Cantell.

The committee convened 4 times in 2008 and attendance level was 92%.

Duties of the Audit Committee:
- Monitor the company's financial standing
- Monitor financial reports (balance sheets, interim reports)
- Assess the sufficiency and appropriateness of internal control and risk management
- Process the plans and reports connected with internal control
- Evaluate compliance with laws and regulations
- Prepare the decision to elect an auditor
- Communicate with auditor and review audit reports
- Evaluate advisory services provided by auditor
- Monitor and evaluate the company's management and control system and propose development measures to the Board

NOMINATIONS AND COMPENSATION COMMITTEE

The company has a joint committee for nominations and compensation which is in charge of planning the procedures for rewarding employees as well as selecting the candidates for Board membership.

Committee members: Aaro Cantell (chair) and Heikki Lehmusto.

The committee convened 3 times in 2008 and attendance level was 100%.
- Preparatory work for the motion to the Annual General Meeting concerning the election of Board members
- Preparatory work relating to the remuneration of Board members
- Finding candidates to replace Board members
- Preparatory work relating to the salaries and other benefits of the company CEO and Deputy CEO
- Preparatory work relating to the compensation paid to other company managers
- Preparatory work relating to the appointments of the company CEO and Deputy CEO as well as other company managers and the identification of their successors
- Preparatory work relating to the company rewards schemes

M&A COMMITTEE

The company has a Mergers & Acquisitions committee, which is responsible for planning and organizing M&A acitivities.

Committee members: Pyry Lautsuo (chair), Aaro Cantell and Haakon Skaarer.

The committee convened 3 times in 2008 and attendance level was 89%.

CHIEF EXECUTIVE OFFICER

Mr Pekka Eloholma, (b.1960), has been the CEO since 1 September 2006. Mr Eloholma's previous position was President and CEO of Setec Oy, which is a part of Gemplus Group. Within the Gemplus Group he was also in charge for identity and security business at EMEA area. Mr. Eloholma has a Master of Science degree in Engineering.

In year 2008, the CEO Eloholma's salary and other benefits amounted to a total of 214 thousand euros, and he earned an annual bonus of 588 thousand euros for year 2008. The CEO's annual bonus is dependent on the profit of the company.

The CEO is subject to statutory pension arrangements. The CEO's employment contract prescribes a six-month period of notice which applies to both parties. The CEO's employment contract does not contain any separate conditions relating to the payment of salary during the period of notice.

GROUP MANAGEMENT

The executive management team comprises Chief Executive Officer Pekka Eloholma; Chief Financial Officer Satu Kankare; SVP Hannu Nyman, Mergers and Acquisitions and Investor Relations; COO Åge Lønning, Business Intelligence business.

The company web site includes information of management shareholdings.

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 31 March 2008, the Annual General Meeting elected as auditor PricewaterhouseCoopers Oy (APA). The auditor with principal responsibility is Merja Lindh (APA).

The 2008 consolidated financial statements include audit fees of 122 thousand euros paid to PwC as well as 97 thousand euros in advisory fees.

INTERNAL AUDIT AND RISK MANAGEMENT

The function of internal control and risk management is to ensure that the company operates efficiently and profitably, the information is reliable and regulations and operating principles are observed.

The Board of Directors and the Audit Committee, which is appointed by the Board, supervise internal control and risk management, while the overall responsibility for them is the company management's.

The company's financial administration is the body which mainly implements internal control, but where necessary it also employs external specialists.

The function of internal audit is to assess the appropriateness of company internal control, risk management and operations.

It has not been considered appropriate to evolve a separate organization for internal audit. The function is generally carried out by financial administration 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.

Risk management forms part of the company's control system. The purpose of risk management is to ensure that the risks affecting company business are identified, monitored and managed as appropriate. Risk management safeguards the continuity of business operations.

Risk management does not require its own separate staff as it can be implemented as part of the normal business activities. The company employs documented procedures for enforcing internal control, for example in connection with approval, task differentiation and the drafting of agreements.

INSIDERS

Affecto complies with the Guidelines for Insiders issued by the Helsinki Stock Exchange. In addition to the Stock Exchange guidelines the company also applies its own set of instructions. Permanent insiders are forbidden to trade in company shares during four weeks before each result announcement.

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

Project-specific insider registers are maintained on company acquisitions and other projects which might have a significant impact on the value of shares.

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

BONUS SYSTEM

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

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

In 2008, the group paid approximately 7.7 million euros as performance-related salaries and bonuses to 641 persons.

The Annual general meeting held in March 2008 decided on a three-year option program for long-term binding and compensation. The option programs 2006 and 2008 are described in detail in the company's Internet web pages.

Board of Directors

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

Normet Group, Chairman of the Board
Cantell Oy, CEO

Chairman of the Board
Member of the Board since 2000

Shares: 1 226 400

Pyry Lautsuo
b. 1946, M.Sc.(Eng.)

IBM Finland, Managing Director in 1997-2006
SSH Communications Security, Board member

Member of the Board since 2007

Shares: -

Heikki Lehmusto
b. 1947, Master of Law

Lehmusto & Co, Senior Advisor
Boardman Oy, Partner

Member of the Board since 2006

Shares: 2 600

Esko Rytkönen
b. 1957, M.Sc.(Econ.)

TeliaSonera AB, Senior Vice President

Member of the Board since 2006

Shares: -

Haakon Skaarer
b. 1952, M.Sc.(Econ.)

Enonic AS, CEO

Member of the Board since 2007

Shares: -

* Holdings of the shares and options on 31 December 2008. The figures include the holdings of their own, underage children and entities under their control.

Management

Executive Management Team

Pekka Eloholma
CEO
Country Manager, Finland
b. 1960, M.Sc.(Eng.)

Shares: -
Options: 2006A: 34 000
2006B: 27 900

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

Shares: -
Options: -

Åge Lønning
COO,
Business Intelligence
b. 1964, M.Sc.(Econ.)

Shares: 47 057
Options: -

Hannu Nyman
Senior Vice President,
Mergers & Acquisitions,
Investor Relations
b. 1969, M.Sc.(Tech.),
M.Sc.(Econ.)

Shares: 7 500
Options: 2006A: 9 000
2006B: 10 000

Corporate Functions

Hilkka Remes-Hyvärinen
Senior Vice President,
Human Resources
b. 1949, M.Sc.(Econ.)

Shares: -
Options: 2006B: 10 000

Tuula Wäyrynen
Senior Vice President,
Corporate Communications
b. 1963, M.A.

Shares: -
Options: 2006B: 10 000

* Holdings of the shares and options on 31 December 2008. The figures include the holdings of their own, underage children and entities under their control.

Local Management

Stig-Göran Sandberg
Area Manager, Baltic
b. 1957, M.Sc.(Comp.Sci.)

Shares: 72 917
Options: 2006A: 8 000
2006B: 8 000

Andrus Altrov
Country Manager, Estonia
b. 1973, M.Sc.(Nat.Sci.)

Shares: -
Options: -

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

Shares: 6 134
Options: -

Arvils Freipics
Country Manager, Latvia
b. 1981, M.Sc.(Econ.)

Shares: 3 016
Options: 2006A: 4 000,
2006B: 5 000

Martin Hultqvist
Country Manager, Sweden
b. 1966, B.Sc.(Econ.)

Shares: 41 594
Options: 2006B: 10 000

Ramunas Janonis
Country Manager,
Lithuania
b. 1969, M.Sc.(Appl. Math.)

Shares: 55 235
Options: 2006B: 5 000

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

Shares: -
Options: -

Giedrius Urbonavicius
Country Manager, Poland
b. 1976, B.Sc. (Comp.Sci)

Shares: 431
Options 2006B: 3 500

Information for Shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Affecto Plc will be held on Friday 3 April 2009 at 9.00 a.m. at Finlandia Hall, Mannerheimintie 13, 00100 Helsinki, Finland.

In order to attend and have the right to vote at the Meeting, the shareholder must be registered in the Shareholder Register of the company maintained by Euroclear Finland Ltd on Tuesday 24 March 2009, and must give notice to attend the Meeting by Friday 27 March 2009 at 4.00 p.m. Finnish time.

A shareholder wishing to attend the Meeting shall give notice to attend the Meeting to the company either

– by e-mail: arja.hyrske@affecto.com,
– by telephone +358 205 777 757, or
– by letter to Affecto Plc, Arja Hyrske, Atomitie 2, 00370 Helsinki, Finland.

Any proxies should be presented at the time of registration.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.14 per share be paid. The date for dividend payment is 21 April 2009 and the respective record date is 8 April 2009. The dividend is payable to shareholders entered into the Shareholder Register maintained by Euroclear Finland Ltd on the record date.

FINANCIAL INFORMATION

Interim reports will be published:
1–3/2009 on 5 May 2009,
1–6/2009 on 4 August 2009 and
1–9/2009 on 29 October 2009.

Interim reports are published in Finnish and English.

Annual reports, interim reports and stock exchange releases are available on company website www.affecto.com.

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