AFFECTO PLC -- INTERIM REPORT -- 30 OCTOBER 2014 at 12.30

Affecto Plc's Interim Report 1-9/2014

Group key figures

MEUR	7-9/14	7-9/13	1-9/14	1-9/13	2013	last 12m
Net sales	25.7	27.5	89.9	96.7	132.9	126.1
Operational segment result	2.9	2.5	6.1	7.5	10.3	8.8
% of net sales	11.4	9.0	6.8	7.8	7.7	7.0
Operating profit	2.5	2.0	4.5	6.0	8.3	6.8
% of net sales	9.7	7.1	5.0	6.2	6.2	5.4
Profit before taxes	2.3	2.0	4.0	5.8	8.0	6.2
Profit for the period	1.8	1.4	3.1	4.1	5.6	4.6
Equity ratio, %	59.2	55.5	59.2	55.5	53.0	-
Net gearing, %	14.5	19.8	14.5	19.8	7.4	-
Earnings per share, eur	0.08	0.07	0.15	0.20	0.26	0.21
Earnings per share (diluted), eur	0.08	0.07	0.15	0.19	0.26	0.21
Equity per share, eur	3.11	3.16	3.11	3.16	3.14	-

CEO Juko Hakala comments:

In the third quarter our net sales decreased by 7% to 25.7 MEUR (27.5 MEUR). Net sales decreased in all Nordic countries. Net sales grew in Baltic, where especially the insurance business and Estonia performed well.

On a positive note, our operating profit grew to 2.5 MEUR (2.0 MEUR) and profitability improved to 10% (7%). Baltic had an excellent 19% profitability. Finland had 15% profitability and Norway improved to 12% profitability. Profitability decreased in Denmark and Sweden.

During my first weeks as the CEO we have launched several actions to improve our sales performance, to update our strategy and to seek new growth opportunities both in and around our core business areas. Our business area and our customers' industries are under transformation due to the rapid technological changes and we are going to tailor our offering in order to be able fulfill the changing needs of our customers.

The order backlog was 41.1 MEUR, somewhat below last year (45.0 MEUR). The economic uncertainty still affects our customers, whose investment decision making is cautious and whose preferences are for smaller solutions and for phased implementation.

Year 2014 net sales and operating profit are estimated to be below last year's level.

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

NET SALES

Affecto's net sales in 1-9/2014 were 89.9 MEUR (1-9/2013: 96.7 MEUR). Net sales in Finland were 36.7 MEUR (38.3 MEUR), in Norway 18.5 MEUR (22.2 MEUR), in Sweden 15.2 MEUR (17.0 MEUR), in Denmark 9.2 MEUR (11.2 MEUR) and 13.4 MEUR (11.5 MEUR) in Baltic.

Net sales by reportable segments

Net sales, MEUR	7-9/14	7-9/13	1-9/14	1-9/13	2013	last 12m
Finland	10.3	11.3	36.7	38.3	53.2	51.6
Norway	5.3	6.2	18.5	22.2	29.6	25.9
Sweden	3.9	4.7	15.2	17.0	23.2	21.3
Denmark	2.6	3.1	9.2	11.2	15.4	13.3
Baltic	4.5	3.3	13.4	11.5	16.0	17.9
Other	-0.9	-1.1	-3.1	-3.5	-4.4	-4.0
Group total	25.7	27.5	89.9	96.7	132.9	126.1

Net sales decreased by 7% in the third quarter. Largest decreases were seen in Sweden, Denmark and Norway. Baltic grew by 36% mainly thanks to the insurance business. Resource utilization was low especially in Denmark, but also in Sweden. Sales of both consultant work and licenses decreased.

Net sales of Information Management Solutions business in 1-9/2014 were 83.4 MEUR (90.1 MEUR) and net sales of Karttakeskus GIS business were 8.9 MEUR (8.8 MEUR).

Customers continue to show interest mainly in shorter and smaller projects, especially true for mid-sized customers, and investment decisions take a long time. The general market sentiment continues cautious in all Nordic countries. The order backlog decreased to 41.1 MEUR (45.0 MEUR).

PROFIT

Affecto's operating profit in 1-9/2014 was 4.5 MEUR (6.0 MEUR) and the operational segment result was 6.1 MEUR (7.5 MEUR). Operational segment result was in Finland 3.7 MEUR (4.9 MEUR), in Norway 1.0 MEUR (2.2 MEUR), in Sweden -0.0 MEUR (-0.3 MEUR), in Denmark 0.7 MEUR (1.3 MEUR) and in Baltic 1.6 MEUR (0.4 MEUR).

Operational segment result by reportable segments

Operational segment result, MEUR	7-9/14	7-9/13	1-9/14	1-9/13	2013	last 12m
Finland	1.5	1.8	3.7	4.9	6.9	5.7
Norway	0.6	0.5	1.0	2.2	2.7	1.5
Sweden	-0.1	0.0	-0.0	-0.3	-0.2	0.0
Denmark	0.2	0.5	0.7	1.3	1.9	1.4
Baltic	0.9	0.0	1.6	0.4	0.2	1.4
Other	-0.2	-0.3	-1.0	-1.0	-1.2	-1.2
Operational segment result	2.9	2.5	6.1	7.5	10.3	8.8
IFRS3 Amortization	-0.4	-0.5	-1.5	-1.5	-2.0	-2.0
Operating profit	2.5	2.0	4.5	6.0	8.3	6.8

In 7-9/2014 operating profit increased to 2.5 MEUR (2.0 MEUR) and profitability increased to 10% (7%). Finland had 15% profitability and Norway improved to 12% profitability. Profitability in Baltic improved to 19% thanks to the insurance business and Estonia. Denmark's profitability decreased to 6% due to decreased net sales. Sweden made a small loss.

According to the IFRS3 requirements, in 1-9/2014 operating profit includes 1.5 MEUR (1.5 MEUR) of amortization on intangible assets related to acquisitions. The other intangible assets impacting in the IFRS3 amortization totaled 0.2 MEUR at the end of the reporting period and the amortization will end during year 2014.

Taxes corresponding to the profit of the period have been entered as tax expense. Net profit for the period was 3.1 MEUR, while it was 4.1 MEUR last year.

FINANCE AND INVESTMENTS

At the end of the reporting period Affecto's balance sheet totaled 121.5 MEUR (12/2013: 139.5 MEUR). Equity ratio was 59.2% (12/2013: 53.0%) and net gearing was 14.5% (12/2013: 7.4%).

The financial loans were 24.5 MEUR (12/2013: 26.5 MEUR) at the end of reporting period. The company's cash and liquid assets were 14.7 MEUR (12/2013: 21.5 MEUR). The interest-bearing net debt was 9.7 MEUR (12/2013: 5.0 MEUR).

Cash flow from operating activities for the reported period was -1.0 MEUR (2.1 MEUR) and cash flow from investing activities was -0.6 MEUR (-1.4 MEUR). Investments in tangible and intangible assets were 0.6 MEUR (1.4 MEUR).

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

EMPLOYEES

The number of employees was 1015 persons at the end of the reporting period (1083). 410 employees were based in Finland (436), 95 in Norway (124), 133 in Sweden (146), 66 in Denmark (71) and 311 in the Baltic countries (306). The average number of employees during the period was 1047 (1080).

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

REVIEW OF MARKET DEVELOPMENTS

Weak economic development in our operating area continued to affect Affecto's business negatively. Customers' decision-making pace was slow and they are ordering short and small projects. Order backlog has decreased in all Nordic countries compared to last year, but it has clearly grown in Baltic.

Market development in our BI/EIM market segments is twofold: some technology and solution areas grow well, but some see only very slow growth. E.g. demand for basic data warehouse solutions is not growing much, while demand for appliances and other next-generation data warehouse solutions is growing clearly. We are shifting our offerings and resources to match the changing needs. In Norway we have had emphasis on next-generation data warehouses, while in Sweden and Finland we have had more focus on collaboration and digitalization solutions.

Cloud adoption is progressing in the Business Intelligence & Data Warehouse markets. The Industrial Internet / Internet of Things will create significant new analysis possibilities for our customers. We are actively looking into development of new solutions to satisfy the customer needs.

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

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

We are actively investigating various possibilities in this emerging market and believe that prospering in this market will require close relations to the customers. So, we aim to grow in this market together with our customers.

BUSINESS REVIEW BY AREAS

The group's business is managed through five country units. Finland, Norway, Sweden, Denmark and Baltic are also the reportable segments.

In 7-9/2014 the net sales in Finland decreased by 8% to 10.3 MEUR (11.3 MEUR). Operational segment result was 1.5 MEUR (1.8 MEUR) and profitability was 15%. Net sales decreased mainly due to smaller sales of consultancy work. General mood is still cautious in Finland and customers are slow with their investment decisions. Order backlog is below last year's level.

In 7-9/2014 the net sales of Karttakeskus GIS business, reported as part of Finland, decreased by 13% to 2.6 MEUR (3.0 MEUR) and its profitability was good.

In 7-9/2014 the net sales in Norway were 5.3 MEUR (6.2 MEUR) and operational segment result was 0.6 MEUR (0.5 MEUR). Net sales decreased by 14% due to smaller sales of both consultant work and licenses. Profitability increased to 12% as utilization rate improved somewhat. Streamlining actions done earlier this year have helped to decrease the cost base and have improved profitability. Order backlog is below last year's level.

In 7-9/2014 the net sales in Sweden were 3.9 MEUR (4.7 MEUR) and operational segment result -0.1 MEUR (0.0 MEUR). Net sales decreased by 18%, to which both the decreased utilization rate and the weakened SEK contributed. Profitability was slightly negative -2%. Development actions continue and the goal is to achieve normal profitability, but structural and operational changes for the business will take some time. Order backlog is below last year's level.

In 7-9/2014 the net sales in Denmark were 2.6 MEUR (3.1 MEUR) and operational segment result was 0.2 MEUR (0.5 MEUR). Net sales decreased by 17%. Profitability decreased to 6%. Order backlog is below last year's level.

In 7-9/2014 the net sales in Baltic (Lithuania, Latvia, Estonia, Poland, South Africa) were 4.5 MEUR (3.3 MEUR). Operational segment result was 0.9 MEUR (0.0 MEUR). Net sales increased by 36% and profitability increased to 19%. The Lithuanian public sector has not yet recovered, as the preparations of new EU funded projects has progressed slower than we have anticipated. The entrance of Lithuania into the Euro zone in January 2015 has had some positive impact. Estonian market situation is normal. The insurance business is performing well. Order backlog is above last year's level.

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting of Affecto Plc, held on 10 April 2014, adopted the financial statements for 1.1.-31.12.2013 and discharged the members of the Board of Directors and the CEO from liability. Approximately 33 percent of Affecto's shares and votes were represented at the Meeting. The Annual General Meeting decided on a dividend distribution of EUR 0.16 per share for the year 2013.

Aaro Cantell, Magdalena Persson, Jukka Ruuska, Olof Sand, Tuija Soanjärvi and Lars Wahlström were elected as members of the Board of Directors. The organization meeting of the Board of Directors re-elected Aaro Cantell as Chairman and Jukka Ruuska as Vice-Chairman. KPMG Oy Ab was elected as the auditor of the company.

The Meeting approved the Board's proposal for appointing a Nomination Committee to prepare proposals concerning members of the Board of Directors and their remunerations for the following Annual General Meeting. The Nomination Committee will consist of the representatives of the three largest shareholders and the Chairman of the Board of Directors, acting as an expert member, if he/she is not appointed representative of a shareholder. The members representing the shareholders will be appointed by the three shareholders whose share of ownership of the shares of the company is largest on 31 October preceding the Annual General Meeting.

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

THE AUTHORIZATIONS GIVEN TO THE BOARD OF DIRECTORS

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

The complete contents of the new authorizations given by the Annual General Meeting held on 10 April 2014 have been published in the stock exchange release regarding the Meetings' decisions. Key facts about the authorizations:

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

The Annual General Meeting decided to authorize the Board of Directors to decide to issue new shares and to convey the company's own shares held by the company in one or more tranches. The share issue may be carried out as a share issue against consideration or without consideration on terms to be determined by the Board of Directors and in relation to a share issue against consideration at a price to be determined by the Board of Directors. A maximum of 4 200 000 new shares may be issued. A maximum of 2 100 000 own shares held by the company may be conveyed. In addition, the authorization includes the right to decide on a share issue without consideration to the company itself so that the amount of own shares held by the company after the share issue is a maximum of one-tenth (1/10) of all shares in the company. The authorization shall be in force until the next Annual General Meeting. Based on the authorization a total of 20 333 shares have been conveyed in August to the Board members as a partial payment of their fees, in accordance to the decision made by the Annual General Meeting.

SHARES AND TRADING

During the review period a total of 132 141 new shares have been subscribed with the 2008C options.

The company has one share series and all shares have similar rights. At the end of the review period Affecto Plc's share capital consisted of 22 450 745 shares. The company owned directly 44 219 shares and a fully owned subsidiary Affecto Management Oy owned 823 000 shares. Thus there are 867 219 treasury shares in total, approx. 3.9 % of the total amount of the shares.

In 1-9/2014 the highest share price was 4.62 euro, the lowest price 2.90 euro, the average price 3.36 euro and the closing price 3.16 euro. The trading volume was 2.9 million shares, corresponding to annualized 17% of the number of shares at the end of the period. The market value of shares was 68.2 MEUR at the end of the period excluding the treasury shares.

2008C options' exercise period ended on 31 May 2014. A total of 306 000 shares were subscribed with the options.

SHAREHOLDERS

The company had a total of 3 011 owners on 30 September 2014 and the foreign ownership was 12%. The list of the largest owners can be found in the company's web site. Information about the ownership structure and option programs is included as a separate section in the financial statements. The ownership of the board members, CEO and their controlled corporations totaled approx. 10.5%.

According to the flagging announcement made on 21 May 2014, the ownership of Evli Pankki and funds managed by Evli Rahastoyhtiö has decreased below 5%.

ASSESSMENT OF RISKS AND UNCERTAINTIES

Affecto's order backlog has traditionally been only for a few months, which decreases the reliability of longer-term forecasts. The changes in the general economic conditions and the operating environment of customers have direct impact in Affecto's markets. The uncertain economy may affect Affecto's customers negatively, and their slower investment decision making, postponing or cancellation of IT investments may have negative impact on Affecto. Slower decision making by customers may decrease the predictability of the business and may decrease the utilisation rate of resources.

Affecto’s balance sheet includes a material amount of goodwill. Goodwill has been allocated to cash generating units. Cash generating units, to which goodwill has been allocated, are tested for impairment both annually and whenever there is an indication that the unit may be impaired. Potential impairment losses may have material effect on reported profit and value of assets. The greatest uncertainty is related to Sweden, where the recoverable amount exceeds the carrying amount only by a narrow margin.

Affecto sells third party software licenses as part of its solutions. Typically the license sales have most impact on the last month of each quarter and especially in the fourth quarter. This increases the fluctuation in net sales between quarters and increases the difficulty of accurately forecasting the quarters. Additionally the increase of cloud services and other similar market trends may affect the license sales negatively. Affecto had license sales of approx. 10 MEUR in 2013.

Affecto's success depends also on good customer relationships. Affecto has a well-diversified customer base. In 2013 the largest customer generated 3% of Affecto's net sales, while the 10 largest together generated 17%. Although none of the customers is critically large for the whole group, there are large customers in various countries who are significant for local business in the country.

Approximately a 40% of Affecto's net sales is generated in Sweden and Norway, thus the development of the currencies of these countries (SEK and NOK) may have impact on Affecto's profitability. The main part of the companies' income and costs are within the same currency, which decreases the risks.

EVENTS AFTER THE REVIEW PERIOD

According to flagging announcements the ownership of Mika Laine has decreased below 5% on 17 October 2014 and the ownership of Lombard International Assurance S.A. has exceeded 5% on 17 October 2014.

FUTURE OUTLOOK

Year 2014 net sales and operating profit are estimated to be below last year's level.

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

Affecto Plc
Board of Directors

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Please visit the Investors section of the company website: www.affecto.com

A briefing for analysts and media will be arranged at 14.00 at Restaurant Savoy, Eteläesplanadi 14, Helsinki.

www.affecto.com

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

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

CONSOLIDATED INCOME STATEMENT

(1 000 EUR)	7-9/14	7-9/13	1-9/14	1-9/13	2013	last 12m
Net sales	25 664	27 499	89 869	96 702	132 896	126 064
Other operating income	-10	-	13	7	65	71
Changes in inventories of finished goods and work in progress	-53	-53	-27	305	306	-27
Materials and services	-5 106	-5 266	-19 277	-20 467	-29 952	-28 762
Personnel expenses	-13 549	-15 222	-50 764	-54 996	-74 031	-69 799
Other operating expenses	-3 727	-4 162	-12 823	-13 098	-17 803	-17 528
Other depreciation and amortisation	-300	-327	-921	-936	-1 230	-1 215
IFRS3 amortisation	-439	-507	-1 536	-1 547	-1 989	-1 978
Operating profit	2 481	1 961	4 532	5 970	8 262	6 824
Financial income and expenses	-139	-3	-502	-126	-289	-665
Profit before income tax	2 342	1 959	4 030	5 844	7 973	6 159
Income tax	-521	-566	-913	-1 709	-2 407	-1 610
Profit for the period	1 821	1 392	3 118	4 134	5 566	4 549
Profit for the period attributable to:						
Owners of the parent company	1 821	1 399	3 118	4 059	5 493	4 551
Non-controlling interest	-	-7	-	75	73	-2
Earnings per share (EUR per share):						
Basic	0.08	0.07	0.15	0.20	0.26	0.21
Diluted	0.08	0.07	0.15	0.19	0.26	0.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1 000 EUR)	7-9/14	7-9/13	1-9/14	1-9/13	2013	last 12m
Profit for the period	1 821	1 392	3 118	4 134	5 566	4 549
Other comprehensive income						
Items that may be reclassified subsequently to the statement of income:						
Translation difference	622	-228	-186	-2 045	-3 074	-1 216
Total Comprehensive income for the period	2 444	1 164	2 932	2 090	2 491	3 333
Total Comprehensive income attributable to:						
Owners of the parent company	2 444	1 171	2 932	2 014	2 419	3 336
Non-controlling interest	-	-7	-	75	73	-2

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	9/2014	9/2013	12/2013
Non-current assets			
Property, plant and equipment	1 665	2 014	1 947
Goodwill	71 917	73 062	72 166
Other intangible assets	506	2 563	2 072
Deferred tax assets	1 522	1 566	1 606
Trade and other receivables	2	411	4
	75 612	79 616	77 795
Current assets			
Inventories	574	626	622
Trade and other receivables	29 873	32 982	38 969
Current income tax receivables	699	785	615
Cash and cash equivalents	14 739	15 211	21 469
	45 884	49 604	61 675
Total assets	121 496	129 221	139 470
Equity attributable to owners of the parent Company			
Share capital	5 105	5 105	5 105
Reserve of invested non-restricted equity	47 718	47 354	47 448
Other reserves	818	742	763
Treasury shares	-2 111	-2 202	-2 165
Translation differences	-2 315	-1 099	-2 128
Retained earnings	17 867	16 396	18 184
	67 083	66 295	67 207
Non-controlling interest	-	386	-
Total equity	67 083	66 681	67 207
Non-current liabilities			
Loans and borrowings	20 444	24 411	22 420
Deferred tax liabilities	118	599	505
	20 562	25 011	22 924
Current liabilities			
Loans and borrowings	4 000	4 000	4 000
Trade and other payables	27 702	30 989	42 788
Current income tax liabilities	1 661	2 302	1 913
Provisions	488	238	638
	33 851	37 529	49 339
Total liabilities	54 413	62 539	72 264
Equity and liabilities	121 496	129 221	139 470

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	1-9/2014	1-9/2013	2013
Cash flows from operating activities			
Profit for the period	3 118	4 134	5 566
Adjustments to profit for the period	3 981	4 553	6 271
	7 098	8 688	11 837
Change in working capital	-5 907	-3 931	2 863
Interest and other financial cost paid	-325	-426	-566
Interest and other financial income received	49	121	123
Income taxes paid	-1 964	-2 324	-3 343
Net cash from operating activities	-1 049	2 127	10 915
Cash flows from investing activities			
Acquisition of tangible and intangible assets	-611	-1 355	-1 566
Proceeds from sale of tangible and intangible assets	1	1	1
Net cash used in investing activities	-611	-1 354	-1 564
Cash flows from financing activities			
Repayments of non-current borrowings	-2 000	-2 000	-4 000
Proceeds from share options exercised	262	711	781
Acquisition of non-controlling interest	-	-	-30
Dividends paid to the owners of the parent company	-3 434	-3 444	-3 444
Net cash from financing activities	-5 172	-4 734	-6 694
(Decrease)/increase in cash and cash equivalents	-6 831	-3 961	2 657
Cash and cash equivalents at the beginning of the period	21 469	19 767	19 767
Foreign exchange effect on cash	100	-595	-954
Cash and cash equivalents at the end of the period	14 739	15 211	21 469

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent company							
(1 000 EUR)	Share capital	Reserve of invested non-restricted equity	Other reserves	Treasury shares	Translat. diff.	Ret. earnings	Non-controlling interest	Total equity
Equity at 1 January 2014	5 105	47 448	763	-2 165	-2 128	18 184	-	67 207
Profit						3 118	-	3 118
Translation differences					-186			-186
Total comprehensive income					-186	3 118	-	2 932
Share-based payments			55					55
Exercise of share options		262						262
Treasury shares as compensation to the Board		8		54				62
Dividends paid						-3 434		-3 434
Equity at 30 September 2014	5 105	47 718	818	-2 111	-2 315	17 867	-	67 083

	Equity attributable to owners of the parent company							
(1 000 EUR)	Share capital	Reserve of invested non-restricted equity	Other reserves	Treasury shares	Translat. diff.	Ret. earnings	Non-controlling interest	Total equity
Equity at 1 January 2013	5 105	46 643	693	-2 202	946	15 781	311	67 277
Profit						4 059	75	4 134
Translation differences					-2 045			-2 045
Total comprehensive income					-2 045	4 059	75	2 090
Share-based payments			49					49
Exercise of share options		711						711
Dividends paid						-3 444		-3 444
Equity at 30 September 2013	5 105	47 354	742	-2 202	-1 099	16 396	386	66 681

2. Notes

2.1. Basis of preparation

This interim report has been prepared in accordance with the IFRS recognition and measurement principles and in accordance with IAS 34, Interim Financial reporting. The interim report should be read in conjunction with the annual financial statements for the year ended 31 December 2013. In material respects, the same accounting policies have been applied as in the 2013 annual consolidated financial statements. The amendments to and interpretations of IFRS standards that entered into force on 1 January 2014 had no material impact on this interim report.

2.2. Segment information

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

Segment net sales and result

(1 000 EUR)	7-9/14	7-9/13	1-9/14	1-9/13	2013	last 12m
Total net sales						
Finland	10 322	11 253	36 715	38 287	53 175	51 604
Norway	5 268	6 160	18 547	22 234	29 554	25 867
Sweden	3 874	4 706	15 152	16 979	23 152	21 325
Denmark	2 604	3 127	9 189	11 223	15 363	13 329
Baltic	4 532	3 322	13 363	11 488	16 018	17 893
Other	-935	-1 069	-3 097	-3 509	-4 366	-3 953
Group total	25 664	27 499	89 869	96 702	132 896	126 064
Operational segment result						
Finland	1 515	1 764	3 735	4 928	6 863	5 670
Norway	610	531	1 031	2 241	2 718	1 508
Sweden	-76	27	-43	-303	-229	31
Denmark	168	470	722	1 251	1 884	1 354
Baltic	867	5	1 624	393	193	1 424
Other	-165	-329	-1 000	-992	-1 177	-1 184
Total operational segment result	2 919	2 469	6 069	7 517	10 251	8 803
IFRS3 amortisation	-439	-507	-1 536	-1 547	-1 989	-1 978
Operating profit	2 481	1 961	4 532	5 970	8 262	6 824
Financial income and expenses	-139	-3	-502	-126	-289	-665
Profit before income tax	2 342	1 959	4 030	5 844	7 973	6 159

Net sales by business lines

(1 000 EUR)	7-9/14	7-9/13	1-9/14	1-9/13	2013	last 12m
Information Management Solutions	23 781	25 339	83 362	90 080	123 608	116 891
Karttakeskus GIS business	2 637	3 037	8 866	8 769	12 239	12 336
Other	-754	-878	-2 359	-2 147	-2 950	-3 163
Group total	25 664	27 499	89 869	96 702	132 896	126 064

2.3. Changes in intangible and tangible assets

(1 000 EUR)	1-9/14	1-9/13	1-12/13
Carrying amount at the beginning of period	76 185	80 460	80 460
Additions	611	1 355	1 566
Disposals	-1	-1	-1
Depreciation and amortization for the period	-2 458	-2 483	- 3 219
Exchange rate differences	-249	-1 692	-2 621
Carrying amount at the end of period	74 088	77 639	76 185

2.4. Share capital, reserve of invested non-restricted equity and treasury shares

(1 000 EUR)	Number of shares outstanding	Share capital	Reserve of invested non-restricted equity	Treasury shares
1.1.2013	20 641 641	5 105	46 643	-2 202
Exercise of share options	350 667	-	659	-
			52	
30.9.2013	20 992 308	5 105	47 354	-2 202
1.1.2014	21 431 052	5 105	47 448	-2 165
Exercise of share options	132 141	-	260	-
Payment for share options	-	-	2	-
Treasury shares of compensation to the Board of Directors	13 875	-	8	54
30.9.2014	21 583 526	5 105	47 718	-2 111

At the end of reporting period Affecto Plc owned 44 219 treasury shares. In addition to that Affecto Management Oy, a fully owned subsidiary, owned 823 000 shares in Affecto Plc. In total these 867 219 shares correspond to 3.9% of the total amount of the shares. The amount of registered shares was 22 450 745 shares.

2.5. Interest-bearing liabilities

(1 000 EUR)	30.9.2014	31.12.2013
Interest-bearing non-current liabilities		
Loans from financial institutions, non-current portion	20 444	22 420
Loans from financial institutions, current portion	4 000	4 000
	24 444	26 420

Affecto's loan facility agreement includes financial covenants, breach of which might lead to an increase in cost of debt or cancellation of the facility agreement. The covenants are based on total net debt to earnings before interest, taxes, depreciation and amortization and total net debt to total equity. The covenants will be measured quarterly, and these terms and conditions of covenants were met at the end of the reporting period.

2.6. Contingencies and commitments

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

(1 000 EUR)	30.9.2014	31.12.2013
Not later than one (1) year	3 313	3 675
Later than one (1) year, but not later than five (5) years	3 767	3 719
Later than five (5) years	-	-
Total	7 080	7 394

Guarantees given:

(1 000 EUR)	30.9.2014	31.12.2013
Liabilities secured by a mortgage		
Financial loans	24 500	26 500

The above-mentioned liabilities are secured by bearer bonds with a nominal value of 52.5 million euro. The bonds are held by Nordea Pankki Suomi Oyj and secured by a mortgage on company assets of the group companies. In addition, the shares in Affecto Finland Oy and Affecto Norway AS have been pledged to secure the financial liabilities above.

Other securities given on own behalf:

(1 000 EUR)	30.9.2014	31.12.2013
Pledges	36	36
Other guarantees	2 767	2 836

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

2.7. Related party transactions

Key management compensation and remunerations to the board of directors:

(1 000 EUR)	1-9/2014	1-9/2013	1-12/2013
Salaries and other short-term employee benefits	1 705	1 589	2 017
Post-employment benefits	203	222	288
Termination benefits	80	-15	85
Share-based payments	2	4	6
Total	1 991	1 800	2 395

Loans to related party:

(1 000 EUR)	30.9.2014	30.9.2013	31.12.2013
Loans to key management of the group	-	1 519	-

Purchases from related party:

(1 000 EUR)	1-9/2014	1-9/2013	1-12/2013
Purchases from the entity that are controlled by key management personnel of the group	-	5	5

3. Key figures

	7-9/14	7-9/13	1-9/14	1-9/13	2013	last 12m
Net sales, 1 000 eur	25 664	27 499	89 869	96 702	132 896	126 064
EBITDA, 1 000 eur	3 219	2 796	6 990	8 453	11 481	10 018
Operational segment result, 1 000 eur	2 919	2 469	6 069	7 517	10 251	8 803
Operating result, 1 000 eur	2 481	1 961	4 532	5 970	8 262	6 824
Result before taxes, 1 000 eur	2 342	1 959	4 030	5 844	7 973	6 159
Profit attributable to the owners of the parent company, 1 000 eur	1 821	1 399	3 118	4 059	5 493	4 551
EBITDA, %	12.5 %	10.2 %	7.8 %	8.7 %	8.6 %	7.9 %
Operational segment result, %	11.4 %	9.0 %	6.8 %	7.8 %	7.7 %	7.0 %
Operating result, %	9.7 %	7.1 %	5.0 %	6.2 %	6.2 %	5.4 %
Result before taxes, %	9.1 %	7.1 %	4.5 %	6.0 %	6.0 %	4.9 %
Net income for equity holders of the parent company, %	7.1 %	5.1 %	3.5 %	4.2 %	4.1 %	3.6 %
Equity ratio, %	59.2 %	55.5 %	59.2 %	55.5 %	53.0 %	
Net gearing, %	14.5 %	19.8 %	14.5 %	19.8 %	7.4 %	
Interest-bearing net debt, 1 000 eur	9 705	13 201	9 705	13 201	4 950	
Gross investment in non-current assets (excl. acquisitions), 1 000 eur	170	293	611	1 355	1 566	
Gross investments, % of net sales	0.7 %	1.1 %	0.7 %	1.4 %	1.2 %	
Order backlog, 1 000 eur	41 073	44 955	41 073	44 955	48 682	
Average number of employees	1 021	1 074	1 047	1 080	1 081	
Earnings per share, eur	0.08	0.07	0.15	0.20	0.26	0.21
Earnings per share (diluted), eur	0.08	0.07	0.15	0.19	0.26	0.21
Equity per share, eur	3.11	3.16	3.11	3.16	3.14	
Average number of shares, 1 000 shares	21 574	20 992	21 479	20 802	20 906	21 425
Number of shares at the end of period, 1 000 shares	21 584	20 992	21 584	20 992	21 431	21 584

Calculation of key figures

EBITDA	=	Earnings before interest, taxes, depreciation, amortization and impairment losses	
Operational segment result	=	Operating profit before amortizations on fair value adjustments due to business combinations (IFRS3) and goodwill impairments	
Equity ratio, %	=	Total equity / Total assets – advance payments	*100
Gearing, %	=	Interest-bearing liabilities – cash and cash equivalents / Total equity	*100
Interest-bearing net debt	=	Interest-bearing liabilities – cash and cash equivalents	
Earnings per share (EPS)	=	Profit attributable to owners of the parent company / Weighted average number of ordinary shares in issue during the period	
Equity per share	=	Total equity / Adjusted number of shares at the end of the period	
Market capitalization	=	Number of shares at the end of period (excluding company's own shares held by the company) x share price at closing date	
