AFFECTO PLC -- INTERIM REPORT -- 29 OCTOBER 2015 at 13:00

Affecto Plc's Interim Report 1-9/2015

Group key figures

MEUR	7-9/15	7-9/14	1-9/15	1-9/14	2014	last 12m
Net sales	24.8	25.7	84.7	89.9	122.7	117.5
Operational segment result	-0.7	2.9	4.3	6.1	10.0	8.2
% of net sales	-2.9	11.4	5.0	6.8	8.2	7.0
Operating profit	-0.7	2.5	4.3	4.5	0.8	0.6
% of net sales	-2.9	9.7	5.0	5.0	0.7	0.5
Profit before taxes	-0.6	2.3	4.1	4.0	0.3	0.4
Profit for the period	-0.5	1.8	3.3	3.1	-1.6	-1.4
Equity ratio, %	59.7	59.2	59.7	59.2	54.6	-
Net gearing, %	9.4	14.5	9.4	14.5	1.8	-
Earnings per share, EUR	-0.02	0.08	0.15	0.15	-0.07	-0.06
Earnings per share (diluted), EUR	-0.02	0.08	0.15	0.15	-0.07	-0.06
Equity per share, EUR	2.76	3.11	2.76	3.11	2.80	-

CEO Juko Hakala comments:

Our Q3 net sales decreased by 3% to 24.8 MEUR (25.7 MEUR). Baltic and Finland net sales grew by 3% but net sales declined in Sweden 15 %, in Norway by 13% and in Denmark by 4%. The decrease in net sales was mainly driven by weak sales performance during earlier quarters especially in our consulting business.

The Q3 operational segment result was -0.7 MEUR (2.9 MEUR). Profitability in Baltic was excellent 17% (19%), Norway 3% (12%), Denmark 2 % (6%), Finland -2% (15%) and in Sweden -9% (-2%).

The Q3 operational segment result was affected by two major expense items. Affecto became a target of a fraud during the third quarter. The losses caused by the fraud affected our results as a non-recurring item of 1.0 MEUR. Secondly, we also concluded the personnel negotiations in Finland which resulted into a reduction of 32 employees, in relation to which we made a restructuring expense provision of approximately 1.0 MEUR in Q3/15.

The market is experiencing growing interest in new business technology areas and on the other hand we continue to see a declining trend in new orders related to traditional IT market and related skills. We were able to secure essential contracts e.g. the maintenance and operation contract of the electricity billing and invoicing system in Lithuania and the continuation of the contract with respect to the maintenance and operation of the Land Parcel Identification System in Finland. Our order intake increased from a year ago and the order backlog of 39.4 MEUR is also lower than year ago (41.1 MEUR). We continue our renewal process and build capabilities to answer the market demand also in the growth areas. We will also increase cost control measures to sharpen our focus and to enable continuous investments to focus areas.

Year 2015 net sales are estimated to be below last year’s level. Operating profit is estimated to grow in 2015.

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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 1-9/2015 were 84.7 MEUR (1-9/2014: 89.9 MEUR). Net sales in Finland were 35.3 MEUR (36.7 MEUR), in Norway 15.6 MEUR (18.5 MEUR), in Sweden 13.4 MEUR (15.2 MEUR), in Denmark 8.1 MEUR (9.2 MEUR) and 15.4 MEUR (13.4 MEUR) in Baltic.

Net sales by reportable segments

Net sales, MEUR	7-9/15	7-9/14	1-9/15	1-9/14	2014	last 12m
Finland	10.7	10.3	35.3	36.7	50.6	49.1
Norway	4.6	5.3	15.6	18.5	25.0	22.0
Sweden	3.3	3.9	13.4	15.2	20.0	18.3
Denmark	2.5	2.6	8.1	9.2	12.0	11.0
Baltic	4.7	4.5	15.4	13.4	19.0	21.1
Other	-0.9	-0.9	-3.0	-3.1	-4.0	-3.9
Group total	24.8	25.7	84.7	89.9	122.7	117.5

In the third quarter the net sales decreased by 3%. Net sales grew by 3 % in Baltic and Finland but decreased in Sweden by 15 %, Norway by 13%, in Denmark by 4%.

Net sales of Information Management Solutions business in 1-9/2015 were 78.9 MEUR (83.4 MEUR) and net sales of Karttakeskus GIS business were 8.7 MEUR (8.9 MEUR).

PROFIT

Affecto's operating profit in 1-9/2015 was 4.3 MEUR (4.5 MEUR) and the operational segment result was 4.3 MEUR (6.1 MEUR). Operational segment result was in Finland 1.7 MEUR (3.7 MEUR), in Norway 1.2 MEUR (1.0 MEUR), in Sweden 0.2 MEUR (-0.0 MEUR), in Denmark 0.0 MEUR (0.7 MEUR) and in Baltic 3.2 MEUR (1.6 MEUR).

Operational segment result by reportable segments

Operational segment result, MEUR	7-9/15	7-9/14	1-9/15	1-9/14	2014	last 12m
Finland	-0.3	1.5	1.7	3.7	5.4	3.4
Norway	0.1	0.6	1.2	1.0	2.0	2.1
Sweden	-0.3	-0.1	0.2	-0.0	0.3	0.5
Denmark	0.1	0.2	0.0	0.7	0.9	0.2
Baltic	0.8	0.9	3.2	1.6	2.9	4.5
Other	-1.2	-0.2	-2.0	-1.0	-1.5	-2.6
Operational segment result	-0.7	2.9	4.3	6.1	10.0	8.2
IFRS3 Amortization	-	-0.4	-	-1.5	-1.8	-0.2
Impairment of goodwill	-	-	-	-	-7.4	-7.4
Operating profit	-0.7	2.5	4.3	4.5	0.8	0.6

In the third quarter the operational segment result was -0.7 MEUR (2.9 MEUR). Profitability in Baltic was excellent 17% (19%), Norway 3% (12%), Denmark 2 % (6%), Finland -2% (15%) and in Sweden -9% (-2%). In Finland the profitability was impacted by the restructuring expense provision of approximately 1.0 MEUR with respect to the conclusion of the personnel negotiations. The results were also negatively affected by the non-recurring item of 1.0 MEUR related to the fraud incident presented in the Other segment. Affecto's operating profit was -0.7 MEUR (2.5 MEUR).

Taxes corresponding to the profit of the period have been entered as tax expense. Net profit for the period was 3.3 MEUR, while it was 3.1 MEUR last year.

FINANCE AND INVESTMENTS

At the end of the reporting period Affecto's balance sheet totaled 108.8 MEUR (12/2014: 124.8 MEUR). Equity ratio was 59.7% (12/2014: 54.6%) and net gearing was 9.4% (12/2014: 1.8%).

The financial loans were 20.5 MEUR (12/2014: 22.5 MEUR) at the end of reporting period. According to the current terms, the loan from financial institution will be due in June 2016. The company's cash and liquid assets were 14.9 MEUR (12/2014: 21.4 MEUR). The interest-bearing net debt was 5.6 MEUR (12/2014: 1.1 MEUR).

Cash flow from operating activities for the reported period was -0.4 MEUR (-1.0 MEUR) and cash flow from investing activities was -0.4 MEUR (-0.6 MEUR). Investments in tangible and intangible assets were 0.4 MEUR (0.6 MEUR).

The annual general meeting held in April decided to distribute a dividend of 3.5 MEUR (3.6 MEUR).

EMPLOYEES

The number of employees was 1018 (1015) persons at the end of the reporting period. 425 (410) employees were based in Finland, 96 (95) in Norway, 112 (133) in Sweden, 63 (66) in Denmark and 322 (311) in the Baltic countries. The average number of employees during the period was 1012 (1047).

Affecto concluded personnel negotiations in Finland with respect to Karttakeskus Oy and Affecto Finland Oy during the third quarter. As a conclusion of the employee negotiations Affecto reduced 32 positions. In relation to the conclusion of the employee negotiations Affecto made restructuring expense provision of approximately 1.0 MEUR in Q3/2015. This was split between an approximately 0.8 MEUR provision related to the employee contracts’ termination period expenses and approximately 0.2 MEUR provision covering other restructuring expenses.

BUSINESS DEVELOPMENT ACTIONS

Affecto published in February an update to its strategic direction and defined five themes to guide the development actions. Context for the strategic direction is the current, digitally transforming world. Affecto will address this with a focus on increasing value for customers and for their customers. The company will also actively develop its core business, expand to emerging new business technology areas, and further develop its people to help customers succeed.

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

During the first quarter, Affecto launched the Affecto Industrial growth program, focusing on developing IoT and analytics capabilities for manufacturing, technology, energy and process industries. During the third quarter the Company has established a team of highly skilled professionals in the field of advanced analytics. Affecto has been able to use prototype service to concretize the applications of the Internet of Things and digitalization of the physical world in the Company’s customers’ product development and manufacturing processes and also as a part of their product range.

A new Affecto B2C growth program has been launched during the third quarter. As Affecto’s customers are increasingly investing into developing their consumer experiences, the Company has decided to invest into building technology, design, and analytics capabilities in order to help the customers in this area. Affecto is approaching this with prototypes aimed at validating the business value potential for its 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 7-9/2015 net sales in Finland increased by 3% to 10.7 MEUR (10.3 MEUR). This was mainly due to increased license sales. Operational segment result was -0.3 MEUR (1.5 MEUR) and profitability was -2% (15%). The order intake increased but the order backlog remains below last year's level. The operational segment result was affected by the restructuring expense provision of approximately 1.0 MEUR with respect to the conclusion of the personnel negotiations.

In 7-9/2015 net sales of Karttakeskus GIS business, reported as part of Finland, decreased by 4% to 2.5 MEUR (2.6 MEUR). Karttakeskus has lost important contracts during the second and the third quarters and its focus area is shifting more strongly to the location applications and to the digitalization of the traditional product business.

In Finland, Affecto is experiencing a growing market interest in new business technology areas and customers are interested in utilizing advanced analytics in creating new business opportunities. However, the decision cycles of Affecto’s customers in the new areas are long and the projects materialize mostly as experimental pilot programs. The Company sees a declining sales trend and increased price competition in the traditional IT market due to more agile competitors increasing their market share by increased price competition or more evolved value proposal. Therefore Affecto is investing in growth capabilities, streamlining its operations and restructuring its organization and personnel structure to align with market demand.

In 7-9/2015 net sales in Norway were 4.6 MEUR (5.3 MEUR) and operational segment result was 0.1 MEUR (0.6 MEUR). Net sales decreased by 13% and profitability was 3% (12%). The weakened net sales and profitability were caused by postponed customer projects and partly due to lack of consultancy resources, which led into lower consulting revenue. The license revenue increased. The order intake weakened but the order backlog remains above last year's level. Consultancy capacity was increased near the end of the quarter.

In 7-9/2015 net sales in Sweden were 3.3 MEUR (3.9 MEUR) and operational segment result -0.3 MEUR (-0.1 MEUR). Net sales decreased by 15%. The decrease was caused by sales challenges and people churn, which led into decreased consulting revenue. The same reasons affected the profitability that was -9% (-2%). Order intake and order backlog were at last year's level. Recovery activities have been commenced including activities to align the Swedish sales activities with Affecto’s focus industries and to recruit and develop new consultant capacities to meet market demand.

In 7-9/2015 net sales in Denmark were 2.5 MEUR (2.6 MEUR) and operational segment result was 0.1 MEUR (0.2 MEUR). Net sales decreased by 4%. The profitability was 2% (6%). Significant business recovery actions including alignment of customer and industry focus are progressing. The order intake was above and order backlog is below last year's level.

In 7-9/2015 net sales in Baltic (Lithuania, Latvia, Estonia, Poland, South Africa) were 4.7 MEUR (4.5 MEUR). Operational segment result was 0.8 MEUR (0.9 MEUR). The net sales increased by 3% and profitability was at excellent level 17% (19%). The effect of the large projects that affected positively on resource utilization and profit during the previous quarters of the year decreased. The insurance business and Estonia performed well. The slow preparation of new EU funded projects still negatively impacts the public sector IT market in Lithuania. Order intake was above and order backlog is below last year's level.

ANNUAL GENERAL MEETING AND GOVERNANCE

The Annual General Meeting of Affecto Plc, held on 8 April 2015, adopted the financial statements for 1.1.-31.12.2014 and discharged the members of the Board of Directors and the CEO from liability. Approximately 48 percent of Affecto's shares and votes were represented at the Meeting. The Annual General Meeting decided on a dividend distribution of EUR 0.16 per share for the year 2014.

Aaro Cantell, Magdalena Persson, Jukka Ruuska, Olof Sand, Tuija Soanjärvi and Lars Wahlström were elected as members of the Board of Directors. The organization meeting of the Board of Directors elected

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

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

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

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

SHARES AND TRADING

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

On 13 August 2015 Affecto conducted a directed share issue of 20 984 shares to the board members. The directed share issue was conducted using the treasury shares and it was based on the resolution of the Annual General Meeting according to which 60 per cent of the annual Board remuneration will be paid in company shares during August 2015.

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

During the review period 1-9/2015 the highest share price was 3.84 euro, the lowest price 2.74 euro, the average price 3.31 euro and the closing price 2.79 euro. The trading volume was 2.9 million shares, corresponding to 17% (annualised) of the number of shares at the end of the period. The market value of shares was 60.3 MEUR at the end of the period excluding the treasury shares.

SHAREHOLDERS

The company had a total of 3 465 owners on 30 September 2015 and the foreign ownership was 15%. The list of the largest owners can be found on 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 approximately 10.7%.

ASSESSMENT OF RISKS AND UNCERTAINTIES

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

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

Affecto's success depends also on good customer relationships. Affecto has a well-diversified customer base. In 2014, the largest customer generated approximately 3% and the 10 largest customers together approximately 17% of Affecto's net sales. Although none of the customers is critically large for the whole group, there are large customers in various countries that are significant for local business in the relevant country. On the other hand, the diverse customer base may decrease the effectiveness of the sales and delivery efforts.

Affecto also needs to be seen as an interesting employer in order to recruit skilled employees. If Affecto is not seen as progressive and modern enough, the ability to recruit right employees and future builders may decrease. High people churn may create inefficiencies in the business and temporarily decrease the utilization rate.

Affecto sells third party software licenses and maintenance as part of its solutions. Typically, the license sales have the highest impact on the last month of each quarter and especially in the fourth quarter. This increases the fluctuation in net sales between quarters and increases the difficulty of accurately forecasting the quarters. Additionally, the increase of cloud services and other similar market trends may affect the license sales negatively. Affecto had license sales of approximately 9 MEUR in 2014.

Approximately 35% of Affecto's net sales are generated in Sweden and Norway, thus the development of the currencies of these countries (SEK and NOK) may have an impact on Affecto's profitability. The main part of the companies' income and costs are within the same currency, which decreases the risks.

Historically, Affecto has concentrated on the traditional IT market solutions, demand for which has moderated. However, at the same time there is growing interest in new business technology areas. There is a risk with respect to the speed of which Affecto is able to develop the new emerging areas in proportion to the traditional areas.

OTHER EVENTS

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

EVENTS AFTER THE REVIEW PERIOD

On 7 October 2015, Affecto announced that Håvard Ellefsen has been appointed as Managing Director, Scandinavia & Partners. Mr Ellefsen served before as the Country Managing Director of Affecto in Norway.

On 28 October 2015, Affecto announced that Martti Nurminen has been appointed as the Chief Financial Officer and member of the Executive Leadership Team. Nurminen will start in his new position in February 2016 at the latest. Nurminen has a wide international experience in various financial management positions of major international companies such as Johnson Controls and IBM.

FUTURE OUTLOOK

Year 2015 net sales are estimated to be below last year's level. Operating profit is estimated to grow in 2015.

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

A briefing for analysts and media will be arranged at 14:15 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)	7-9/2015	7-9/2014	1-9/2015	1-9/2014	2014	last 12m
Net sales	24 847	25 664	84 720	89 869	122 693	117 544
Other operating income	0	-10	1	13	27	15
Changes in inventories of finished goods and work in progress	61	-53	171	-27	-83	116
Materials and services	-5 805	-5 106	-17 272	-19 277	-26 560	-24 555
Personnel expenses	-14 539	-13 549	-48 868	-50 764	-67 630	-65 733
Other operating expenses	-5 028	-3 727	-13 681	-12 823	-17 221	-18 079
Other depreciation and amortisation	-268	-300	-817	-921	-1 218	-1 113
IFRS3 amortisation	-	-439	-	-1 536	-1 753	-216
Impairment	-	-	-	-	-7 423	-7 423
Operating profit	-733	2 481	4 255	4 532	833	556
Financial income and expenses	90	-139	-112	-502	-563	-173
Profit before income tax	-643	2 342	4 143	4 030	270	382
Income tax	188	-521	-805	-913	-1 861	-1 753
Profit for the period	-455	1 821	3 338	3 118	-1 591	-1 371
Profit for the period attributable to:						
Owners of the parent company	-455	1 821	3 338	3 118	-1 591	-1 371
Earnings per share (EUR per share):						
Basic	-0.02	0.08	0.15	0.15	-0.07	-0.06
Diluted	-0.02	0.08	0.15	0.15	-0.07	-0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1 000 EUR)	7-9/2015	7-9/2014	1-9/2015	1-9/2014	2014	last 12m
Profit for the period	-455	1 821	3 338	3 118	-1 591	-1 371
Other comprehensive income						
Items that may be reclassified subsequently to the statement of income:						
Translation difference	-1 435	622	-775	-186	-2 141	-2 730
Total Comprehensive income for the period	-1 890	2 444	2 563	2 932	-3 732	-4 100
Total Comprehensive income attributable to:						
Owners of the parent company	-1 890	2 444	2 563	2 932	-3 732	-4 100

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	9/2015	9/2014	12/2014
Non-current assets			
Property, plant and equipment	1 227	1 665	1 505
Goodwill	62 161	71 917	62 814
Other intangible assets	155	506	254
Deferred tax assets	1 086	1 522	1 263
Trade and other receivables	190	2	-
	64 819	75 612	65 836
Current assets			
Inventories	665	574	493
Trade and other receivables	27 166	29 873	36 736
Current income tax receivables	1 281	699	393
Cash and cash equivalents	14 877	14 739	21 380
	43 989	45 884	59 002
Total assets	108 808	121 496	124 838
Equity attributable to owners of the parent Company			
Share capital	5 105	5 105	5 105
Reserve of invested non-restricted equity	47 731	47 718	47 718
Other reserves	857	818	835
Treasury shares	-2 056	-2 111	-2 111
Translation differences	-5 044	-2 315	-4 269
Retained earnings	13 043	17 867	13 159
Total equity	59 637	67 083	60 437
Non-current liabilities			
Loans and borrowings	-	20 444	18 452
Deferred tax liabilities	142	118	190
	142	20 562	18 642
Current liabilities			
Loans and borrowings	20 476	4 000	4 000
Trade and other payables	27 626	27 702	40 254
Current income tax liabilities	423	1 661	927
Provisions	503	488	578
	49 028	33 851	45 759
Total liabilities	49 170	54 413	64 401
Equity and liabilities	108 808	121 496	124 838

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	1-9/2015	1-9/2014	2014
Cash flows from operating activities			
Profit for the period	3 338	3 118	-1 591
Adjustments to profit for the period	1 824	3 981	12 878
	5 162	7 098	11 287
Change in working capital	-3 334	-5 907	348
Interest and other financial cost paid	-237	-325	-418
Interest and other financial income received	41	49	68
Income taxes paid	-2 012	-1 964	-2 946
Net cash from operating activities	-380	-1 049	8 339
Cash flows from investing activities			
Acquisition of tangible and intangible assets	-448	-611	-740
Proceeds from sale of tangible and intangible assets	-	1	1
Net cash from investing activities	-448	-611	-739
Cash flows from financing activities			
Repayments of non-current borrowings	-2 000	-2 000	-4 000
Proceeds from share options exercised	-	262	262
Dividends paid to the owners of the parent company	-3 453	-3 434	-3 434
Net cash from financing activities	-5 453	-5 172	-7 172
(Decrease)/increase in cash and cash equivalents	-6 282	-6 831	429
Cash and cash equivalents at the beginning of the period	21 380	21 469	21 469
Foreign exchange effect on cash	-222	100	-518
Cash and cash equivalents at the end of the period	14 877	14 739	21 380

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(1 000 EUR)	Equity attributable to owners of the parent company						
	Share capital	Reserve of invested non-restricted equity	Other reserves	Treasury shares	Translat. diff.	Ret. earnings	Total equity
Equity at 1 January 2015	5 105	47 718	835	-2 111	-4 269	13 159	60 437
Profit						3 338	3 338
Translation differences					-775		-775
Total comprehensive income					-775	3 338	2 563
Share-based payments			23				23
Treasury shares as compensation to the Board		14		55			68
Dividends paid						-3 453	-3 453
Equity at 30 September 2015	5 105	47 731	858	-2 056	-5 044	13 043	59 637

(1 000 EUR)	Equity attributable to owners of the parent company						
	Share capital	Reserve of invested non-restricted equity	Other reserves	Treasury shares	Translat. diff.	Ret. earnings	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

2. Notes

2.1. Basis of preparation

This financial statement bulletin 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 2014. In material respects, the same accounting policies have been applied as in the 2014 annual consolidated financial statements. The amendments to and interpretations of IFRS standards that entered into force on 1 January 2015 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)	7-9/2015	7-9/2014	1-9/2015	1-9/2014	2014	last 12m
Total net sales						
Finland	10 675	10 322	35 254	36 715	50 564	49 103
Norway	4 579	5 268	15 556	18 547	25 028	22 037
Sweden	3 310	3 874	13 424	15 152	19 985	18 257
Denmark	2 508	2 604	8 104	9 189	12 038	10 953
Baltic	4 679	4 532	15 405	13 363	19 032	21 074
Other	-905	-935	-3 023	-3 097	-3 954	-3 880
Group total	24 847	25 664	84 720	89 869	122 693	117 544
Operational segment result						
Finland	-266	1 515	1 654	3 735	5 441	3 360
Norway	145	610	1 185	1 031	1 966	2 120
Sweden	-288	-76	192	-43	304	539
Denmark	62	168	41	722	865	185
Baltic	786	867	3 224	1 624	2 944	4 544
Other	-1 172	-165	-2 042	-1 000	-1 511	-2 554
Total operational segment result	-733	2 919	4 255	6 069	10 009	8 195
IFRS3 amortisation	-	-439	-	-1 536	-1 753	-216
Impairment of goodwill	-	-	-	-	-7 423	-7 423
Operating profit	-733	2 481	4 255	4 532	833	556
Financial income and expenses	90	-139	-112	-502	-563	-173
Profit before income tax	-643	2 342	4 143	4 030	270	382

In 2014, the impairment of goodwill allocated to assets of Sweden segment.

Net sales by business lines

(1 000 EUR)	7-9/2015	7-9/2014	1-9/2015	1-9/2014	2014	last 12m
Information Management Solutions	23 239	23 781	78 922	83 362	114 008	109 567

Karttakeskus GIS business	2 533	2 637	8 748	8 866	11 868	11 750
Other	-925	-754	-2 950	-2 359	-3 183	-3 773
Group total	24 847	25 664	84 720	89 869	122 693	117 544

2.3. Changes in intangible and tangible assets

(1 000 EUR)	1-9/2015	1-9/2014	1-12/2014
Carrying amount at the beginning of period	64 573	76 185	76 185
Additions	448	611	740
Disposals	-2	-1	-1
Depreciation and amortization for the period	-816	-2 458	-2 971
Impairments	-	-	-7 423
Exchange rate differences	-661	-249	-1 957
Carrying amount at the end of period	63 542	74 088	64 573

In 2014, an impairment of 7 423 thousand euro has been recognized on assets allocated to Sweden cash-generating unit. The impairment has been fully recognized on goodwill.

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
1.1.2014	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	20 333	-	8	54
30.9.2014	21 583 526	5 105	47 718	-2 111
1.1.2015	21 583 526	5 105	47 718	-2 111
Treasury shares of compensation to the Board of Directors	20 984	-	14	55
30.9.2015	21 604 510	5 105	47 731	-2 056

Affecto Plc owns 846 235 treasury shares, which correspond to 3.8% of the total amount of the shares. The amount of registered shares is 22 450 745 shares.

2.5. Interest-bearing liabilities

(1 000 EUR)	30.9.2015	31.12.2014
Interest-bearing non-current liabilities		
Loans from financial institutions, non-current portion	-	18 452
Loans from financial institutions, current portion	20 476	4 000
	20 476	22 452

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. According to the current terms, the loan from financial institution will be due in June 2016.

2.6. Contingencies and commitments

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

(1 000 EUR)	30.9.2015	31.12.2014
Not later than one (1) year	3 086	3 333
Later than one (1) year, but not later than five (5) years	2 144	3 421
Later than five (5) years	-	-
Total	5 231	6 755

Guarantees given:

(1 000 EUR)	30.9.2015	31.12.2014
Liabilities secured by a mortgage		
Financial loans	20 500	22 500

The above-mentioned liabilities are secured by bearer bonds with a nominal value of 52.5 million euro. The bonds are held by Nordea Pankki Suomi Oyj and 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)	30.9.2015	31.12.2014
Pledges	36	33
Other guarantees	1 953	2 118

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

2.7. Related party transactions

Key management compensation and remunerations to the board of directors:

(1 000 EUR)	1-9/2015	1-9/2014	1-12/2014
Salaries and other short-term employee benefits	1 829	1 705	2 312
Post-employment benefits	227	203	283
Termination benefits	134	80	80
Share-based payments	1	2	3
Total	2 190	1 991	2 678

Purchases from related party:

(1 000 EUR)	1-9/2015	1-9/2014	1-12/2014
Purchases from the entity that are controlled by key management personnel of the group	189	-	3
Outstanding balance of purchases from the entity that are controlled by key management personnel of the group	103	-	-

3. Key figures

	7-9/2015	7-9/2014	1-9/2015	1-9/2014	2014	last 12m
Net sales, 1 000 eur	24 847	25 664	84 720	89 869	122 693	117 544
EBITDA, 1 000 eur	-465	3 219	5 071	6 990	11 227	9 308
Operational segment result, 1 000 eur	-733	2 919	4 255	6 069	10 009	8 195
Operating result, 1 000 eur	-733	2 481	4 255	4 532	833	556
Result before taxes, 1 000 eur	-643	2 342	4 143	4 030	270	382
Profit attributable to the owners of the parent company, 1 000 eur	-455	1 821	3 338	3 118	-1 591	-1 371
EBITDA, %	-1.9 %	12.5 %	6.0 %	7.8 %	9.2 %	7.9 %
Operational segment result, %	-2.9 %	11.4 %	5.0 %	6.8 %	8.2 %	7.0 %
Operating result, %	-2.9 %	9.7 %	5.0 %	5.0 %	0.7 %	0.5 %
Result before taxes, %	-2.6 %	9.1 %	4.9 %	4.5 %	0.2 %	0.3 %
Net income for equity holders of the parent company, %	-1.8 %	7.1 %	3.9 %	3.5 %	-1.3 %	-1.2 %
Equity ratio, %	59.7 %	59.2 %	59.7 %	59.2 %	54.6 %	
Net gearing, %	9.4 %	14.5 %	9.4 %	14.5 %	1.8 %	
Interest-bearing net debt, 1 000 eur	5 599	9 705	5 599	9 705	1 071	
Gross investment in non-current assets (excl. acquisitions), 1 000 eur	123	170	448	611	740	
Gross investments, % of net sales	0.5 %	0.7 %	0.5 %	0.7 %	0.6 %	
Order backlog, 1 000 eur	39 423	41 073	39 423	41 073	49 645	
Average number of employees	1 008	1 021	1 012	1 047	1 041	
Earnings per share, eur	-0.02	0.08	0.15	0.15	-0.07	-0.06
Earnings per share (diluted), eur	-0.02	0.08	0.15	0.15	-0.07	-0.06
Equity per share, eur	2.76	3.11	2.76	3.11	2.80	
Average number of shares, 1 000 shares	21 595	21 574	21 587	21 479	21 519	21 586
Number of shares at the end of period, 1 000 shares	21 605	21 584	21 605	21 584	21 584	21 605

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	
