AFFECTO PLC – INTERIM REPORT – 28 OCTOBER 2016

Affecto Plc's Interim Report 1-9/2016

Q3 Financials at a Glance (July-September 2016)

- Order intake decreased by 11% and was 18.6 MEUR (20.9 MEUR).
- Order backlog increased by 3% and was 40.5 MEUR at the end of review period (39.4 MEUR).
- Revenue declined by 3% and was 24.0 MEUR (24.8 MEUR).
- Operating profit increased to 0.5 MEUR (-0.7 MEUR) and was 2.3% (-2.9%) of revenue. However, the operating profit during the comparable period in 2015 was negatively affected by two non-recurring items that were 2.0 MEUR in total.
- Cash flow from operating activities was -1.7 MEUR (-1.8 MEUR).

Review Period Financials at a Glance (January-September 2016)

- Order intake decreased by 4% and was 71.2 MEUR (74.5 MEUR).
- Revenue declined by 4% and was 81.4 MEUR (84.7 MEUR).
- Operating profit decreased to 3.8 MEUR (4.3 MEUR) and was 4.7% (5.0%) of revenue.
- Cash flow from operating activities was -3.9 MEUR (-0.4 MEUR).
- The Company changed its 2016 Outlook on 20 October 2016.

Key Figures

MEUR	7-9/16	7-9/15	1-9/16	1-9/15	2015	last 12m
Revenue	24.0	24.8	81.4	84.7	116.0	112.7
Operational segment result	0.5	-0.7	3.8	4.3	7.5	7.1
% of revenue	2.3	-2.9	4.7	5.0	6.4	6.3
Operating profit	0.5	-0.7	3.8	4.3	7.5	7.1
% of revenue	2.3	-2.9	4.7	5.0	6.4	6.3
Profit before taxes	0.4	-0.6	3.4	4.1	7.5	6.7
Profit for the period	-0.0	-0.5	2.3	3.3	5.9	4.8
Equity ratio, %	62.3	59.7	62.3	59.7	58.5	-
Net gearing, %	6.2	9.4	6.2	9.4	-6.2	-
Earnings per share, EUR	-0.00	-0.02	0.11	0.15	0.27	0.22
Earnings per share (diluted), EUR	-0.00	-0.02	0.11	0.15	0.27	0.22
Equity per share, EUR	2.85	2.76	2.85	2.76	2.88	-

CEO Juko Hakala comments:

During the 3rd quarter of 2016 we started important deliveries and reached wins that are important for our evolution. We also continued to invest extensively into our people, our evolution and our capabilities, in line with what we expressed at the Capital Markets Day in May 2016.

In terms of our financial performance there were key strongholds, such as our sales performance in Norway and our revenue and operating profit performance development in Sweden and Denmark. Overall, however, we were not satisfied.

Our order intake decreased as the performance of all other segments than Norway was weak y-o-y. Our order backlog remains up 2.7% y-o-y. Our revenue decreased slightly compared with last year and we delivered operating profit growth in the quarter as reported. However, excluding the two major non-recurring expense items reported in Q3 ’15, our operating profit declined y-o-y. The main drivers of the revenue and operating profit development continue to be our Finland and Baltic segments which are both experiencing a high level of transformation on the market. On the other hand, our performance in Sweden and Denmark continued to develop favorably. Performance in Norway was at the same level as the year before.

As we are now progressing with seasonally important Q4 and planning next year with our people, we have exciting customer deliveries, sales opportunities and also steadfast focus in our evolution to look forward to.

2016 Outlook

Affecto expects its FY ’16 revenue to be at the same level or below the previous year, and its FY ’16 operating profit to be below the previous year.

Analyst and Press Conference

The Company will arrange a briefing for analysts and media 28 October 2016 at 15:00 at Glo Hotel Kluuvi, Kluuvikatu 4, FI-00100 Helsinki.

For additional information, please contact:

Juko Hakala
CEO
juko.hakala@affecto.com

Martti Nurminen
CFO
+358 40 751 7194
martti.nurminen@affecto.com

This release is unaudited.

AFFECTO FINANCIALS

Order Intake

In 7-9/2016, Affecto's order intake decreased by 11% and was 18.6 MEUR (20.9 MEUR). Order intake increased significantly in Norway. The order intake weakened significantly in Finland, Denmark and weakened in Baltic and Sweden.

In 1-9/2016, Affecto's order intake decreased by 4% and was 71.2 MEUR (74.5 MEUR). Order intake increased in Finland. Order intake increased slightly in Sweden. The order intake in Denmark remained on the same level as last year. Order intake decreased in Norway and decreased significantly in Baltic.

Order Backlog

The order backlog increased by 3% and was 40.5 MEUR (39.4 MEUR) at the end of the reporting period. Order backlog increased significantly in Norway and Sweden and increased in Finland. Order backlog decreased in Denmark and Baltic.

Revenue

Revenue, MEUR	7-9/16	7-9/15	1-9/16	1-9/15	2015	last 12m
Finland	10.1	10.7	34.7	35.3	49.5	49.0
Norway	4.6	4.6	16.1	15.6	21.1	21.6
Sweden	3.9	3.3	13.5	13.4	18.2	18.3
Denmark	3.0	2.5	9.3	8.1	11.3	12.5
Baltic	3.9	4.7	12.3	15.4	20.1	17.0
Other	-1.4	-0.9	-4.4	-3.0	-4.2	-5.6
Group total	24.0	24.8	81.4	84.7	116.0	112.7

In 7-9/2016, Affecto's revenue declined by 3% to 24.0 MEUR (24.8 MEUR). Revenue increased significantly in Sweden and Denmark while Norway remained on the same level as in 2015. Revenue decreased significantly in Baltic and Finland.

In 1-9/2016, Affecto's revenue declined by 4% to 81.4 MEUR (84.7 MEUR). Revenue increased significantly in Denmark, increased in Norway and increased slightly in Sweden. Revenue decreased slightly in Finland and decreased significantly in Baltic.

Profitability

Operational segment result by reportable segments:

Operational segment result, MEUR	7-9/16	7-9/15	1-9/16	1-9/15	2015	last 12m
Finland	0.2	-0.3	1.1	1.7	3.5	3.0
Norway	0.1	0.1	1.0	1.2	1.5	1.3
Sweden	0.1	-0.3	0.9	0.2	0.7	1.5
Denmark	0.2	0.1	0.7	0.0	0.4	1.0
Baltic	0.3	0.8	1.1	3.2	3.9	1.8
Other	-0.3	-1.2	-1.1	-2.0	-2.5	-1.6
Operational segment result	0.5	-0.7	3.8	4.3	7.5	7.1
Operating profit	0.5	-0.7	3.8	4.3	7.5	7.1

In 7-9/2016, Affecto's operating profit increased to 2.3% and was 0.5 MEUR (-0.7 MEUR). The profitability increased significantly in Sweden and increased in Finland and Denmark. Norway remained on the same level as last year while the Baltic profitability decreased significantly. Net profit for the period was -0.0 MEUR while it was -0.5 MEUR last year. However, the Company had two non-recurring items that impacted the profitability negatively by approximately 2.0 MEUR in total during the comparable period in 2015: First, a restructuring provision of approximately 1.0 MEUR was booked in Finland and a non-recurring item of 1.0 MEUR related to the fraud incident impacted the Other segment.

In 1-9/2016, Affecto's operating profit decreased to 4.7% and was 3.8 MEUR (4.3 MEUR). The profitability improved significantly in Sweden and Denmark, while it decreased slightly in Finland and Norway. The Baltic profitability decreased significantly. Net profit for the period was 2.3 MEUR while it was 3.3 MEUR last year.

Taxes corresponding to the profit have been entered as tax expense.

Business Performance by Segment

The group's business is managed through five reportable segments: Finland, Norway, Sweden, Denmark and Baltic.

Finland

In 7-9/2016, the Finnish market displayed a continued demand for solutions with respect to the Traditional IT & Analytics market, especially in the areas of managed services and custom software development. Development and piloting demand in the Business Technology & Analytics market progressed positively.

In 7-9/2016, order intake decreased significantly from last year. The total order backlog remained above last year's level. Revenue decreased significantly by 6% to 10.1 MEUR (10.7 MEUR). Operational segment result was 0.2 MEUR (-0.3 MEUR) or 1 % (-2%) of revenue. The improved profitability was largely impacted by the 1.0 MEUR non-recurring expense item related to restructuring provision last year.

Order intake decline was mainly due to seasonal variance in multi-year contracts related to the successful contract renewal in 2015. Revenue decrease was mainly driven by quarterly variance in 3rd party software sales. Professional Services revenue remained on the same level as previous year. Operational segment result was impacted by Finland continuing its transition with larger contracts and into new demand areas and recruitment and onboarding of new technology-business hybrid roles.

The Company is committed to continue its decided investments into its people and capabilities to drive improvements in business performance by boosting further its capabilities in complex program management, increasing focus with selected customers and integrating the core skills together with the new technology roles for an impactful outcome. An example of success in this development is the Finnish Customs selecting Affecto in 9/2016 to deliver their new business process and document management solution. The final contract of up to 4.1 MEUR over period of 4 years is subject to negotiations between the parties and is scheduled to be completed by the end of Q1 2017.

In 1-9/2016, order intake increased. Revenue decreased slightly to 34.7 MEUR (35.3 MEUR). Operational segment result was 1.1 MEUR (1.7 MEUR) or 3% (5%) of revenue.

In 7-9/2016, revenue of Karttakeskus geographical information system ("GIS") business, reported as part of Finland, decreased by 7% to 2.3 MEUR (2.5 MEUR). Karttakeskus lost large contracts in 2015 which continued to negatively affect the revenue. The Company expects the effect of the lost deals to continue to affect the revenue until the end of 2016. Business development actions for strengthening the Company's capabilities in digital content and services to complement the traditional cartographic offerings are ongoing, with both areas showing positive growth. In 1-9/2016, revenue of Karttakeskus decreased by 13% to 7.6 MEUR (8.7 MEUR).

Norway

In 7-9/2016, general economic environment improved in Norway, but this did not yet influence customer buying behavior from Affecto. In the Traditional IT & Analytics market, Affecto continued to experience a shift in demand towards improving the performance of existing solutions, combined with a willingness to explore managed services and nearshoring opportunities. In the Business Technology & Analytics market, buyers continued to be interested in self-service analytics in order to increase their organizations' broader use of data and analytics. Managed services and digitalization initiatives continued to increase potential deal sizes.

In 7-9/2016, order intake and order backlog increased significantly compared to last year's level. Revenue was stable at 4.6 MEUR (4.6 MEUR). Operational segment result was 0.1 MEUR (0.1 MEUR) or 3% (3%) of revenue.

The positive order intake was driven by new services sales to existing managed service customers. Also new initiatives were started within both traditional IT and analytics as well as Business Technology and Analytics market. While overall software sales were down for the quarter the growth in sales of self-service analytics software continued. Profitability was slightly weakened year on year due to low utilization of Professional Services capacity. This was a result of weak sales in Q2, as well as the ongoing transformation of the Company's delivery capability to meet shifting market demands and more complex delivery models. The change in revenue mix from higher margin software revenue to lower margin consulting revenue also contribute.

In 1-9/2016, the order intake decreased. Revenue increased by 3% to 16.1 MEUR (15.6 MEUR). Operational segment result was 1.0 MEUR (1.2 MEUR) or 6% (8%) of revenue.

Sweden

In 7-9/2016, activity level continued to be high in both the Traditional IT and Analytics market, as well as the developing Business Technology and Analytics market. The high activity level continued to create a shortage of resources in the market. In the Traditional IT & Analytics market, the demand with respect to managed services solutions increased as the customers wish to secure access to development resources, improve quality and reduce costs. In the Business Technology and Analytics market, customer digitalization initiatives continued to increase as companies showed interest in building analytical capabilities or digitizing internal processes.

In 7-9/2016, order intake declined, but order backlog remains above last year's level. Revenue increased significantly by 17% and was 3.9 MEUR (3.3 MEUR). Operational segment result was 0.1 MEUR (-0.3 MEUR) or 1% (-9%) of revenue.

The decrease of order intake y-o-y was mainly due to capacity constraints and people focusing on delivery, resulting in lower sales performance. The strong y-o-y revenue growth was respectively driven by high utilization levels of the Professional Services business as the Company delivered on Managed Services and other contracts won during H1. Software sales were low as the Company is transforming to meet demand for example related to self-service analytics and master data management software. Increased usage of near-shoring capabilities continued, and it has been established as an important part of deliveries to customers. Also profitability continued to be positively affected by increased nearshoring as well as improved utilization rates and a streamlined organizational set-up. The pilot of increasing co-operation between the offices in Malmö, Copenhagen and Århus is working and as a result the Company now has more scalable operations, as well as better sharing of capabilities across the region.

In 1-9/2016, order intake slightly increased. Revenue increased slightly by 1% and was 13.5 MEUR (13.4 MEUR). Operational segment result was 0.9 MEUR (0.2 MEUR) or 7% (1%) of revenue.

Denmark

In 7-9/2016, the Company continued to focus on customers in the Financial Sector while the Industrial & Energy sector opened up more possibilities to build new Information Management platforms enabling front-end customer facing digitalization and self-service analytics initiatives within the Business Technology & Analytics market. The Company continued to improve the balance between addressing customers within the Traditional IT & Analytics market and progress in the area of Business Technology & Analytics market.

In 7-9/2016, order intake decreased significantly and order backlog is below last year's level. Revenue increased significantly by 18% and was 3.0 MEUR (2.5 MEUR). Operational segment result was 0.2 MEUR (0.1 MEUR) or 6% (2%) of revenue.

The decreased order intake was due to intensive delivery activity on engagements sold during H1 as well as related capacity constraints on select key skills. Good resource utilization driven by delivery of previously won projects improved in all customer segments contributing to a strong revenue and profit growth. Software sales grew driven by increased sales of self-service analytics serving the Business Technology and Analytics market, as well as traditional Business Intelligence front-end licenses to Traditional IT buyers.

In 1-9/2016, order intake is on last year's level. Revenue increased significantly by 14% and was 9.3 MEUR (8.1 MEUR). Operational segment result was 0.7 MEUR (0.0 MEUR) or 8% (1%) of revenue.

Baltic

In 7-9/2016, in the Lithuanian market, the Company saw revitalizing interest by energy companies to invest into the area of Traditional IT & Analytics while the public sector continued to invest modestly. In Estonia the public sector investments have been modest causing increased price competition. Across the segment, the private sector was interested in investing into Traditional IT & Analytics, renewal projects and solutions while the impact for Affecto is minor in 2016. The Company also saw that the decisiveness within insurance customers for systems upgrades remained low. The demand for nearshore is increasing as Nordic companies are increasingly investing into managed services.

In 7-9/2016, the Baltic (Lithuania, Latvia, Estonia, Poland and South Africa) order intake decreased and order backlog is below last year's level. Revenue declined significantly 16% and was 3.9 MEUR (4.7 MEUR). Operational segment result was 0.3 MEUR (0.8 MEUR) or 8% (17%) of revenue.

Order intake performance improved as compared to Q1 and Q2 of 2016. However, it was still less than the year before due to Lithuania, Estonia and insurance business. Consequently, also order backlog is on the highest level of the year but below last years' level. The Company signed a multi-year agreement for implementation of Enterprise Asset Management solution for Lithuanian electricity transmission system operator AB Litgrid. The value of the agreement is approximately 1 MEUR. The revenue decline was due to modest investments into IT solutions and services by the public sector customers in Estonia and Lithuania during the previous quarters and insurance customers postponing their investments into systems upgrades. The same drivers impacted the profitability.

The Company continued to focus on local business development in Baltic, on nearshoring boost for all Affecto countries and on strong co-operation with its partners within the insurance sector.

In 1-9/2016, the Baltic order intake decreased significantly. Revenue declined significantly 20% and was 12.3 MEUR (15.4 MEUR). Operational segment result was 1.1 MEUR (3.2 MEUR) or 9% (21%) of revenue.

Affecto Evolution

Affecto has traditionally operated with a holding company model that consists of independent and heterogeneous business segments. As the Company's market has shifted, Affecto has responded by defining its Strategic Direction and Choices in February 2015 and in May 2016, as part of its Capital Markets Day ("CMD").

The Company's presented direction forms an evolution glide path happening in three phases. In Q3 the first phase of evolution was finalized. Within this phase the Company's focus was: Customer value creation and evolving Affecto's core capabilities, Activating collaboration and leadership, Introducing and executing B2C & industrial growth initiatives and Updating Affecto's brand.

In 7-9/2016, the first phase evolution activities across Affecto's 18 offices were for example the following:

- Continued to win new business technology and analytics deals in focus evolution areas, like in self-service analytics in Norway and in industrial internet in Denmark & Sweden.
- Executed additional customer pilots and capability developments in the Company's select growth programs in B2C and industrial segments.
- Strengthened leadership capabilities by continuing to execute successful recruitments for different key leadership positions, like in CFO services for Affecto's clients, to ensure capability for continuous development while running the current business in efficient fashion.

- Prepared for the office moves and renovated its offices and workplaces in Helsinki and Tampere, and started workplace processes in Oslo and Stockholm to improve collaboration and its value for employees.
- Conducted preparations for the launch of Affecto's "Weave BCE" (www.weave.fi), an independent and agile business unit focused on service design and modern software development, to complement and build Affecto's PowerGrid, the collaboration network of 18 offices, further. Weave BCE also added a new office to Affecto's network of now 19 offices that form the PowerGrid.
- Boosted collaboration and capability development between its Scandinavian offices by organizing a multi-day evolution event with all the people and selected partners and customers.
- Continued to focus on improved customer value by conducting training and development activities in the areas where the Company sees most customer value potential, such as areas of unstructured data and self-service analytics, but also in new capability areas.
- Started preparations for the second phase of the evolution and the further buildup of the PowerGrid operational model e.g. by preparing for systems integration projects.

In 1-9/2016, first phase evolution activities have represented essential incremental investments into Affecto's people, building improved collaboration in our PowerGrid, and building capabilities for competitiveness in the transforming market place.

During Q4 Affecto is initiating the second phase of its evolution. Within this phase Affecto will: Boost co-operation and unite its purposes together with its people and customers, Continue to develop its approach and leadership towards the transforming market, Step up and scale its growth initiatives with customers, and Begin the implementation of new IT platforms to integrate its operating model.

Growth Programs

Industrial

In the industrial growth program, the demand for prototyping and piloting of solutions for core business processes continued strong. The total revenue from the growth program in 2016 has been relatively low because of the piloting approach.

B2C

In the B2C growth program, prototypes and pilots continued in Finland and in the UK. However, development in this area has been slower than the Company has expected. On the one hand, B2C companies are investing into the area of real-time sensing technologies through pilots and ramping up more slowly than expected. On the other hand, this is a new area for the Company and still in the process of integrating itself into the core operations.

Financial Position and Cash Flow

At the end of the reporting period Affecto's balance sheet totaled 107.4 MEUR (12/2015: 120.3 MEUR). Equity ratio was 62.3% (12/2015: 58.5%) and net gearing was 6.2% (12/2015: -6.2%).

The financial loans were 18.5 MEUR (12/2015: 18.5 MEUR) at the end of reporting period. The Company's cash and liquid assets were 14.7 MEUR (12/2015: 22.4 MEUR). The interest-bearing net debt was 3.8 MEUR (12/2015: -3.9 MEUR).

In 7-9/2016, the cash flow from operating activities was -1.7 MEUR (-1.8 MEUR) and cash flow from investing activities was -0.1 MEUR (-0.1 MEUR). Investments in tangible and intangible assets were 0.1 MEUR (0.1 MEUR). The slight improvement y-o-y in cash flow from operating activities was due to the improved profitability and simultaneous negative change in working capital mainly in Sweden and Baltic segment.

In 1-9/2016, the cash flow from operating activities was -3.9 MEUR (-0.4 MEUR) and cash flow from investing activities was -0.5 MEUR (-0.4 MEUR). Investments in tangible and intangible assets were 0.5 MEUR (0.4 MEUR). The weakened cash flow from operating activities was driven by lower profitability and especially by the negative change in working capital mainly driven by the Sweden and Baltic segments.

Personnel

The number of employees was 1001 (1018) persons at the end of the reporting period. 423 (425) employees were based in Finland, 93 (96) in Norway, 112 (112) in Sweden, 67 (63) in Denmark and 306 (322) in the Baltic countries. The average number of employees during the period was 983 (1012).

On 11 August 2016, the Company announced that it has appointed Iikka Lindroos as deputy CEO and to the Affecto Leadership Team.

Corporate Governance

Affecto's corporate governance practices comply with Finnish laws and regulations, Affecto's Articles of Association, the rules of NASDAQ Helsinki and the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2015. The code is publicly available at http://cgfinland.fi/en/. Affecto has published its corporate governance statement for 2015 in the Financial Statements 2015 and on the Company website www.affecto.com.

The Annual General Meeting

Annual General Meeting of Affecto Plc ("AGM") was held on 8 April 2016. The AGM adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2015. The meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.16 per share and the dividend was paid on 19 April 2016.

Aaro Cantell, Magdalena Persson, Jukka Ruuska, Olof Sand, Tuija Soanjärvi and Lars Wahlström were re-elected to the Board. The Board of Directors elected from among its members Aaro Cantell as its Chairman and Olof Sand as Vice-Chairman and the following members to the Committees:

Audit Committee: Tuija Soanjärvi (chairman), Lars Wahlström and Jukka Ruuska

People, Nomination and Compensation Committee: Magdalena Persson (chairman) Aaro Cantell and Olof Sand

The AGM approved all proposals made by the Board as described in the invitation published on 11 March 2016. The resolutions of the AGM were published as a stock exchange release on 8 April 2016 and can be found on the Company's website www.affecto.com.

Shares and Shareholders

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 and the Company owned 821 974 treasury shares, approximately 3.7% of the total amount of the shares. Additional information with respect to the shares, shareholding and trading can be found on the Company's website www.affecto.com.

Risks and Uncertainties

The markets where Affecto operates are going through change. Historically, Affecto has concentrated on the traditional IT market solutions for a broad customer space and mainly on moderate deal sizes and shapes. Affecto's demand is growing within larger and more complex deal sizes and shapes as well as within the emerging business technology & analytics market. There is a risk as well as an opportunity with respect to the speed of which Affecto is able to develop and build capability in the new emerging areas in proportion to the traditional areas.

Affecto's success depends also on good customer relationships. Affecto has a diverse customer base. In 2015, the largest customer generated approximately 2% and the 10 largest customers together approximately 18% of Affecto's revenue. 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 & delivery efforts and overall agility of the Company.

Affecto also needs to be seen as an interesting employer in order to recruit and retain skilled employees. It is important for Affecto to be seen as an employer our employees can be proud of. High people churn may create inefficiencies in the business and temporarily decrease the utilization rate.

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. Specifically, the insurance sector has been impacted by slower than expected investments, mainly due to product cycle related issues, which may continue to have an effect on the Company in Baltic. While the Company sees revitalizing demand for traditional IT system investments in Lithuania especially in energy sector, the Lithuanian public sector investments into IT remains modest which may have an effect on the Company's business.

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 revenue 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 revenue negatively. Affecto had license revenue of approximately 7 MEUR in 2015.

The Company recognizes that the risks of frauds and cyber security threats have increased. The Company aims to mitigate the increased risks with internal controls, IT-security, training, awareness and security minded culture.

The Company recognizes the disintegration of its IT systems and process. Given the number of separate systems, there is low group wide transparency and risk of suboptimal management of the respective businesses.

Approximately 35% of Affecto's revenue is 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. In addition, the Company also has business in South Africa and therefore the development of the South African Rand (ZAR) may also affect the business environment in South Africa and thus the Company's business.

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.

Events after the Review Period

On 10 October 2016, Affecto's Weave BCE (www.weave.fi), an independent and agile business unit focused on service design and modern software development, was launched. Weave's BCE is already working with major digital services, such as Yle Areena.

2016 Outlook

Affecto expects its FY '16 revenue to be at the same level or below the previous year, and its FY '16 operating profit to be below the previous year.

Affecto Plc
Board of Directors

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)	7-9/16	7-9/15	1-9/16	1-9/15	2015	last 12m
Revenue	23 981	24 847	81 418	84 720	116 026	112 723
Other operating income	0	0	0	1	22	21
Changes in inventories of finished goods and work in progress	-38	61	87	171	-195	-278
Materials and services	-5 866	-5 805	-18 617	-17 272	-23 978	-25 324
Personnel expenses	-13 406	-14 539	-46 200	-48 868	-64 957	-62 289
Other operating expenses	-3 931	-5 028	-12 202	-13 681	-18 352	-16 873
Other depreciation and amortisation	-195	-268	-652	-817	-1 089	-925
Operating profit	544	-733	3 834	4 255	7 475	7 055
Financial income and expenses	-149	90	-444	-112	4	-329
Profit before income tax	396	-643	3 390	4 143	7 479	6 726
Income tax	-413	188	-1 117	-805	-1 585	-1 897
Profit for the period	-17	-455	2 274	3 338	5 894	4 830
Profit for the period attributable to:						
Owners of the parent company	-17	-455	2 274	3 338	5 894	4 830
Earnings per share (EUR per share):						
Basic	-0.00	-0.02	0.11	0.15	0.27	0.22
Diluted	-0.00	-0.02	0.11	0.15	0.27	0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1 000 EUR)	7-9/16	7-9/15	1-9/16	1-9/15	2015	last 12m
Profit for the period	-17	-455	2 274	3 338	5 894	4 830
Other comprehensive income						
Items that may be reclassified subsequently to the statement of income:						
Translation difference	240	-1 435	423	-775	-649	548
Total Comprehensive income for the period	223	-1 890	2 696	2 563	5 245	5 378
Total Comprehensive income attributable to:						
Owners of the parent company	223	-1 890	2 696	2 563	5 245	5 378

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	9/2016	9/2015	12/2015
Non-current assets			
Property, plant and equipment	965	1 227	1 095
Goodwill	62 578	62 161	62 367
Other intangible assets	79	155	132
Deferred tax assets	680	1 086	976
Trade and other receivables	93	190	242
	64 394	64 819	64 813
Current assets			
Inventories	395	665	300
Trade and other receivables	26 736	27 166	32 067
Current income tax receivables	1 191	1 281	778
Cash and cash equivalents	14 671	14 877	22 375
	42 993	43 989	55 520
Total assets	107 387	108 808	120 333
Equity attributable to owners of the parent Company			
Share capital	5 105	5 105	5 105
Reserve of invested non-restricted equity	47 737	47 731	47 731
Other reserves	858	857	858
Treasury shares	-1 993	-2 056	-2 056
Translation differences	-4 496	-5 044	-4 919
Retained earnings	14 416	13 043	15 599
Total equity	61 627	59 637	62 319
Non-current liabilities			
Loans and borrowings	14 482	-	-
Deferred tax liabilities	46	142	177
	14 528	142	177
Current liabilities			
Loans and borrowings	4 000	20 476	18 484
Trade and other payables	26 538	27 626	38 476
Current income tax liabilities	408	423	420
Provisions	285	503	456
	31 232	49 028	57 836
Total liabilities	45 760	49 170	58 013
Equity and liabilities	107 387	108 808	120 333

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	7-9/2016	7-9/2015	1-9/2016	1-9/2015	2015
Cash flows from operating activities					
Profit for the period	-17	-455	2 274	3 338	5 894
Adjustments to profit for the period	839	132	2 285	1 824	2 850
	822	-323	4 558	5 162	8 744
Change in working capital	-2 227	-1 135	-6 988	-3 334	2 949
Interest and other financial cost paid	-16	-68	-133	-237	-305
Interest and other financial income received	10	6	43	41	50
Income taxes paid	-291	-244	-1 395	-2 012	-2 107
Net cash from operating activities	-1 703	-1 764	-3 914	-380	9 332
Cash flows from investing activities					
Acquisition of tangible and intangible assets	-139	-123	-465	-448	-566
Proceeds from sale of tangible and intangible assets	-	-	-	-	6
Net cash from investing activities	-139	-123	-465	-448	-561
Cash flows from financing activities					
Proceeds from non-current borrowings	-	-	18 482	-	-
Repayments of non-current borrowings	-	-	-18 500	-2 000	-4 000
Dividends paid to the owners of the parent company	-	-	-3 457	-3 453	-3 453
Net cash from financing activities	-	-	-3 475	-5 453	-7 453
(Decrease)/increase in cash and cash equivalents	-1 842	-1 887	-7 855	-6 282	1 318
Cash and cash equivalents at the beginning of the period	16 400	17 161	22 375	21 380	21 380
Foreign exchange effect on cash	114	-396	151	-222	-324
Cash and cash equivalents at the end of the period	14 671	14 877	14 671	14 877	22 375

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	Trans lat. diff.	Ret. earnings	Total equity
Equity at 1 January 2016	5 105	47 731	858	-2 056	-4 919	15 599	62 319
Profit						2 274	2 274
Translation differences					423		423
Total compre-hensive income					423	2 274	2 696
Treasury shares as compensation to the Board		6		63			68
Dividends paid						-3 457	-3 457
Equity at 30 September 2016	5 105	47 737	858	- 1 993	-4 496	14 416	61 627

(1 000 EUR)	Equity attributable to owners of the parent company						
	Share capital	Reserve of invested non-restricted equity	Other reserves	Treasury shares	Trans lat. 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 compre-hensive 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

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 2015. In material respects, the same accounting policies have been applied as in the 2015 annual consolidated financial statements. The amendments to and interpretations of IFRS standards that entered into force on 1 January 2016 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 revenue and result

(1 000 EUR)	7-9/16	7-9/15	1-9/16	1-9/15	2015	last 12m
Total revenue						
Finland	10 056	10 675	34 686	35 254	49 539	48 971
Norway	4 583	4 579	16 084	15 556	21 068	21 596
Sweden	3 869	3 310	13 514	13 424	18 219	18 309
Denmark	2 954	2 508	9 261	8 104	11 297	12 454
Baltic	3 927	4 679	12 258	15 405	20 128	16 981
Other	-1 409	-905	-4 386	-3 023	-4 226	-5 589
Group total	23 981	24 847	81 418	84 720	116 026	112 723
Operational segment result						
Finland	151	-266	1 125	1 654	3 528	2 999
Norway	136	145	1 040	1 185	1 451	1 306
Sweden	55	-288	943	192	718	1 469
Denmark	173	62	719	41	355	1 033
Baltic	323	786	1 103	3 224	3 930	1 809
Other	-294	-1 172	-1 096	-2 042	-2 507	-1 561
Total operational segment result	544	-733	3 834	4 255	7 475	7 055
Operating profit	544	-733	3 834	4 255	7 475	7 055
Financial income and expenses	-149	90	-444	-112	4	-329
Profit before income tax	396	-643	3 390	4 143	7 479	6 726

Revenue by business lines

(1 000 EUR)	7-9/16	7-9/15	1-9/16	1-9/15	2015	last 12m
Information Management Solutions	22 736	23 239	77 434	78 922	107 887	106 398
Karttakeskus GIS business	2 345	2 533	7 625	8 748	12 201	11 078
Other	-1 099	-925	-3 641	-2 950	-4 062	-4 753
Group total	23 981	24 847	81 418	84 720	116 026	112 723

2.3. Changes in intangible and tangible assets

(1 000 EUR)	1-9/16	1-9/15	1-12/15
Carrying amount at the beginning of period	63 594	64 573	64 573
Additions	465	448	566
Disposals	-1	-2	-2
Depreciation and amortization for the period	-652	-816	-1 089
Exchange rate differences	215	-661	-454
Carrying amount at the end of period	63 622	63 542	63 594

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 January 2015	21 583 526	5 105	47 718	-2 111
Treasury shares of compensation to the Board of Directors	20 984	-	14	55
30 September 2015	21 604 510	5 105	47 731	-2 056
1 January 2016	21 604 510	5 105	47 731	-2 056
Treasury shares of compensation to the Board of Directors	24 261	-	6	63
30 September 2016	21 628 771	5 105	47 737	-1 993

Affecto Plc owns 821 974 treasury shares, which correspond to 3.7% 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)	30.9.2016	31.12.2015
Interest-bearing non-current liabilities		
Loans from financial institutions, non-current portion	14 482	-
Loans from financial institutions, current portion	4 000	18 484
	18 482	18 484

On 17 June 2016, the Company announced that it has entered into a new EUR 18.5 million term loan agreement with OP Corporate Bank plc. The new loan replaced the previous loan of EUR 18.5 million that expired in the end of June 2016. Affecto will repay the loan in semi-annual instalments of EUR 2 million starting in December 2016.

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)	30.9.2016	31.12.2015
Not later than one (1) year	2 958	3 167
Later than one (1) year, but not later than five (5) years	3 254	1 911
Later than five (5) years	-	-
Total	6 212	5 078

Guarantees given:

(1 000 EUR)	30.9.2016	31.12.2015
Liabilities secured by a mortgage		
Financial loans	-	18 500

On 17 June 2016, the Company announced that it has entered into a new EUR 18.5 million term loan agreement with OP Corporate Bank plc. The new loan replaced the previous loan of EUR 18.5 million that expired in the end of June 2016. The pledges that were used to secure the previous term loan were released. The previous term loan were secured by bearer bonds with a nominal value of 52.5 million euro. In addition, the shares in Affecto Finland Oy and Affecto Norway AS were pledged to secure the previous term loan.

Other securities given on own behalf:

(1 000 EUR)	30.9.2016	31.12.2015
Pledges	32	36
Other guarantees	887	1 925

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)	1-9/16	1-9/15	1-12/15
Salaries and other short-term employee benefits	1 520	1 829	2 219
Post-employment benefits	186	227	268
Termination benefits	113	134	275
Share-based payments	-	1	1
Total	1 819	2 190	2 763

Purchases from related party:

(1 000 EUR)	1-9/16	1-9/15	1-12/15
Purchases from the entity that are controlled by key management personnel of the group	13	189	289
Outstanding balance of purchases from the entity that are controlled by key management personnel of the group	-	103	36

3. Key figures

	7-9/16	7-9/15	1-9/16	1-9/15	2015	last 12m
Revenue, 1 000 eur	23 981	24 847	81 418	84 720	116 026	112 723
EBITDA, 1 000 eur	739	-465	4 487	5 071	8 565	7 980
Operational segment result, 1 000 eur	544	-733	3 834	4 255	7 475	7 055
Operating result, 1 000 eur	544	-733	3 834	4 255	7 475	7 055
Result before taxes, 1 000 eur	396	-643	3 390	4 143	7 479	6 726
Profit attributable to the owners of the parent company, 1 000 eur	-17	-455	2 274	3 338	5 894	4 830
EBITDA, %	3.1 %	-1.9 %	5.5 %	6.0 %	7.4 %	7.1 %
Operational segment result, %	2.3 %	-2.9 %	4.7 %	5.0 %	6.4 %	6.3 %
Operating result, %	2.3 %	-2.9 %	4.7 %	5.0 %	6.4 %	6.3 %
Result before taxes, %	1.7 %	-2.6 %	4.2 %	4.9 %	6.4 %	6.0 %
Net income for equity holders of the parent company, %	-0.1 %	-1.8 %	2.8 %	3.9 %	5.1 %	4.3 %
Equity ratio, %	62.3 %	59.7 %	62.3 %	59.7 %	58.5 %	
Net gearing, %	6.2 %	9.4 %	6.2 %	9.4 %	-6.2 %	
Interest-bearing net debt, 1 000 eur	3 811	5 599	3 811	5 599	-3 891	
Gross investment in non-current assets (excl. acquisitions), 1 000 eur	139	123	465	448	566	
Gross investments, % of revenue	0.6 %	0.5 %	0.6 %	0.5 %	0.5 %	
Order backlog, 1 000 eur	40 475	39 423	40 475	39 423	50 672	
Average number of employees	989	1 008	983	1 012	1 010	
Earnings per share, eur	-0.00	-0.02	0.11	0.15	0.27	0.22
Earnings per share (diluted), eur	-0.00	-0.02	0.11	0.15	0.27	0.22
Equity per share, eur	2.85	2.76	2.85	2.76	2.88	
Average number of shares, 1 000 shares	21 614	21 595	21 608	21 587	21 592	21 607
Number of shares at the end of period, 1 000 shares	21 629	21 605	21 629	21 605	21 605	21 629

Affecto has revised the terminology used in its financial reporting. Prior to Q1-2016 release, the Company used the term ‘*net sales’.* In this report and going forward, the term ‘*net sales’* is replaced with ‘*revenue*’, however, the meaning of the two terms is identical.

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