AFFECTO PLC - FINANCIAL STATEMENTS BULLETIN - 17 FEBRUARY 2017 at 9:00

Affecto Plc's Financial Statements Bulletin 2016

Q4 at a Glance (October-December 2016)

- Order intake increased by 8% and was 46.1 MEUR (42.6 MEUR).
- Order backlog increased by 9% and was 55.0 MEUR at the end of the review period (50.7 MEUR).
- Revenue decreased by 1% and was 31.1 MEUR (31.3 MEUR).
- Operating profit decreased to 2.8 MEUR (3.2 MEUR) and was 9.1% (10.3 %) of revenue.
- Cash flow from operating activities was 7.5 MEUR (9.7 MEUR).
- The Company agreed to purchase BIGDATAPUMP, a privately held cloud analytics company based in Finland.
- The Company launched Weave BCE, an independent and agile business unit focused on service design and modern software development.
- The Company sold its Estonian subsidiary for 1.8 MEUR. The transaction positively affected cash flow by 1.0 MEUR and operating profit by 0.3 MEUR.

Review Period at a Glance (January-December 2016)

- Order intake was at the same level as in the prior year and was 117.3 MEUR (117.1 MEUR).
- Revenue decreased by 3% and was 112.5 MEUR (116.0 MEUR).
- Operating profit decreased to 6.7 MEUR (7.5 MEUR) and was 5.9% (6.4%) of revenue.
- Cash flow from operating activities was 3.6 MEUR (9.3 MEUR).
- Substantial change in portfolio: Growth in multi-year contracts and in Business Technology, reduction in Traditional engagements.
- The Company estimates that approximately 45% of its 2016 revenue is now recurring revenue. Previously the Company estimated that 40% of its 2015 revenue was recurring revenue.
- The Board proposes a dividend of EUR 0.16 per share for the year 2016.
- The Company publishes its Outlook for 2017.

Key Figures

MEUR	10-12/16	10-12/15	2016	2015
Revenue	31.1	31.3	112.5	116.0
Operational segment result	2.8	3.2	6.7	7.5
% of revenue	9.1	10.3	5.9	6.4
Operating profit	2.8	3.2	6.7	7.5
% of revenue	9.1	10.3	5.9	6.4
Profit before taxes	2.7	3.3	6.1	7.5
Profit for the period	2.4	2.6	4.7	5.9
Equity ratio, %	59.6	58.5	59.6	58.5
Net gearing, %	-6.7	-6.2	-6.7	-6.2
Earnings per share, EUR	0.11	0.12	0.22	0.27
Earnings per share (diluted), EUR	0.11	0.12	0.22	0.27
Equity per share, EUR	2.96	2.88	2.96	2.88
Dividend proposal, EUR/share			0.16	0.16

CEO Juko Hakala comments:

In Q4, our sales performance improved, producing an increased order backlog for the beginning of 2017. We saw continued growth in our focus areas, e.g. Self Service Analytics, Business Intelligence as a Managed Service and select Industries. However, our business also continued to decrease in select traditional areas such as new implementations of structured data warehouses. Our revenue and operating profit decreased, driven by transformation in Finland and Baltics segment portfolios.

In Q4, we also established capabilities in growing market areas. BIGDATAPUMP (www.bigdatapump.com) acquisition will serve as the basis for a cross-Nordic cloud analytics growth unit for Affecto. Weave (www.weave.fi) represents a similar action. Weave was launched in Q4 by spinning off a service design and custom development team into a separate unit. At the same time, we completed the sale of our Estonian subsidiary, addressing particular challenges within the Estonian customer market.

Our full year 2016 order intake was at the same level as in 2015, with the order intake of Sweden increasing significantly while being offset by those of Norway and the Baltics. Our full year 2016 revenue and operating profit declined compared to 2015 This is a result attributable to the Baltics, Finland and to incremental evolution-spending in all our offices. By contrast, Sweden and Denmark had a strong year, growing both revenue and operating profit.

During 2016, we moved significantly forward with our business portfolio, people, capabilities and co-operation. We grew a new business platform out of, among other areas, self-service analytics and analytics-as-a-service to offset the decrease in demand in select traditional areas. 200 new Affectones joined our teams to be part of the Affecto family of talent. At the same time, we boosted skill-building and collaboration within our network.

We are now locally industry-organized and stronger in technology skills. During the year we also signed essential new Analytics as a Service contracts which further contribute to our recurring revenue base which is now estimated to be approximately 45% of our revenue.

We will organize a Capital Markets Day on the 29th of September, 2017.

2017 Outlook

Affecto expects its FY’17 revenue to be at the same level or above the previous year, and its FY’17 operating profit to be at the same level or below the previous year.

The Company is going through a transformation period.

In 2016, Affecto divested its Estonian business and acquired a Finnish cloud analytics company BIGDATAPUMP. The divested Estonian business had a revenue of EUR 4.5 million and EUR 0.4 million operating profit in 2016 in addition to the EUR 0.3 million gain from the divestment. BIGDATAPUMP will be its own reportable segment in 2017 and the earn out element of the acquisition will be treated as an IFRS3 cost that will affect the Company’s operating profit.

Analyst and Press Conference

The Company will arrange a briefing for analysts and media 17 February 2017 at 15:00 at the Company’s Espoo premises, Keilaranta 17 C, FI-02150 Espoo.

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This release is based on audited figures.

AFFECTO FINANCIALS

Order Intake

In 10-12/2016, Affecto's order intake increased by 8% and was 46.1 MEUR (42.6 MEUR). Order intake increased significantly in Sweden and Baltics and increased in Denmark. The order intake decreased slightly for Norway and decreased in Finland.

In 1-12/2016, Affecto's order intake was at the same level as in the prior year and was 117.3 MEUR (117.1 MEUR). Order intake increased significantly in Sweden and slightly increased in Denmark. The order intake in Finland remained on the same level as last year. Order intake decreased slightly in Baltic and decreased in Norway.

Order Backlog

The order backlog increased significantly by 9% and was 55.0 MEUR (50.7 MEUR) at the end of the reporting period. Order backlog increased significantly in Sweden and Baltic and increased in Norway. Order backlog decreased in Finland and decreased significantly in Denmark.

Revenue

Revenue, MEUR	10-12/16	10-12/15	2016	2015
Finland	13.4	14.3	48.1	49.5
Norway	5.7	5.5	21.8	21.1
Sweden	5.6	4.8	19.1	18.2
Denmark	3.7	3.2	13.0	11.3
Baltic	4.3	4.7	16.6	20.1
Other	-1.7	-1.2	-6.1	-4.2
Group total	31.1	31.3	112.5	116.0

In 10-12/2016, Affecto's revenue decreased by 1% to 31.1 MEUR (31.3 MEUR). Revenue increased significantly in Sweden and Denmark and increased in Norway. Revenue decreased significantly in Baltic and Finland.

In 1-12/2016, Affecto's revenue decreased by 3% to 112.5 MEUR (116.0 MEUR). Revenue increased significantly in Denmark and increased in Norway and Sweden. Revenue decreased in Finland and decreased significantly in Baltic.

Profitability

Operational segment result by reportable segments:

Operational segment result, MEUR	10-12/16	10-12/15	2016	2015
Finland	1.4	1.9	2.6	3.5
Norway	0.3	0.3	1.3	1.5
Sweden	0.7	0.5	1.7	0.7
Denmark	0.6	0.3	1.3	0.4
Baltic	0.1	0.7	1.2	3.9
Other	-0.3	-0.5	-1.4	-2.5
Operational segment result	2.8	3.2	6.7	7.5
Operating profit	2.8	3.2	6.7	7.5

In 10-12/2016, Affecto's operating profit decreased to 9.1% and was 2.8 MEUR (3.2 MEUR). The profitability increased in Denmark and increased slightly in Sweden. Norway remained on the same level as last year while Finland profitability decreased and Baltic profitability decreased significantly. Net profit for the period was 2.4 MEUR while it was 2.6 MEUR last year. Affecto also completed the sale of its Estonian subsidiary in Q4 for 1.8 MEUR, with a positive impact to Cash Flow of 1.0 MEUR. The sale positively affected the operating profit by 0.3 MEUR in the Other segment

In 1-12/2016, Affecto's operating profit decreased to 5.9% and was 6.7 MEUR (7.5 MEUR). The profitability increased significantly in Denmark and increased in Sweden. The profitability decreased slightly in Finland and Norway and decreased significantly in Baltic. Net profit for the period was 4.7 MEUR while it was 5.9 MEUR last year. The Company had two non-recurring items that impacted the profitability negatively by approximately 1.9 MEUR in total during FY2015: A restructuring provision of approximately 0.9 MEUR was booked in Finland and a non-recurring item of 1.0 MEUR related to the fraud incident impacted the Other segment. Finally, profitability was also impacted by first phase evolution activities carried out during 2016. These 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.

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 10-12/2016, the Finnish market displayed continued demand for services in the area of Traditional IT & Analytics market, especially in the areas of managed services and custom software development. Affecto also observed a positive development of demand for Business Technology & Analytics. Affecto continued transitioning towards Business Technology & Analytics market, renewing its portfolio.

In 10-12/2016, order intake decreased from last year. The total order backlog decreased from last year. Revenue decreased significantly by 6% to 13.4 MEUR (14.3 MEUR). Operational segment result was 1.4 MEUR (1.9 MEUR) or 11 % (13 %) of revenue.

Order intake performance was driven by the Company's transitioning into larger and more complex deals which drives the performance of individual quarters more than before as well as by customers postponing major deals into 2017. On the other hand, existing long-term customers contributed a number of significant deals. The Q4 '16 y-o-y order intake performance was also impacted by the signing of the Yle Areena contract and the stock clearance of nautical charts in Q4 '15.

In 10-12/2016, revenue and operating profit performance was impacted by decline in the traditional areas of the business which was partially offset by increases across new business areas. Affecto estimates a 30% y-o-y run rate growth within the growing areas of the portfolio and a 35% y-o-y run rate reduction within the declining areas. Professional Services revenue also slightly increased. The stock clearance of nautical charts in 2015 equally impacted revenue and profitability as order intake. The Company also continued ramping up a significant new Managed Service for a Nordic telecom operator with a temporary lower profitability related to first phases of the service period, continued until the end of December. Compared with the prior year, profitability was also impacted by a reversal of restructuring costs in 2015.

Finland progressed in renewing its portfolio through transitioning into new demand areas and continued its decided investments into its people and capabilities to drive improvements in business performance. This was further contributed by steering the leadership practices, driving the new, more customer industry focused go-to-market model for improved sales and by a liquid and transparent internal job market for improved consultant utilization. The launch of Weave and the acquisition of BIGDATAPUMP are also seen as contributing to growth going forward.

In 10-12/2016, revenue of Karttakeskus geographical information system ("GIS") business, reported as part of Finland, decreased by 18% to 2.8 MEUR (3.5 MEUR). Karttakeskus lost large contracts in 2015 which continued to negatively affect the revenue. Affecto expects the effect of the lost deals to have ceased at the end of 2016. Business development actions for strengthening the Company's capabilities in digital content and services to complement the traditional cartographic offerings were continued.

In 1-12/2016, 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 1-12/2016, order intake remained on the same level as last year. Revenue decreased to 48.1 MEUR (49.5 MEUR). Operational segment result was 2.6 MEUR (3.5 MEUR) or 5% (7%) of revenue.

In 1-12/2016, the decline in order intake of Karttakeskus geographical information system ("GIS") business was offset by an increase in order intake in the area of Business Technology and Analytics market which resulted the order intake to be on the same level as the year before. The decline in order backlog is mainly attributable to an essential multi-year contract secured in 2015 for the geographical information systems business, delivered during years 2016-2018. Revenue decrease was mainly driven by two large lost contracts during 2015 in the geographical information system business area. During the year, the Company also experienced a decrease in the traditional areas of the business which was partially offset by increases across new business areas. Professional Services revenue remained on the same level as previous year. Operational segment result was impacted especially in Q1-3 by Finland transitioning with larger contracts and into new demand areas and recruitment and onboarding of new technology-business hybrid roles.

In 1-12/2016, revenue of Karttakeskus geographical information system ("GIS") business, reported as part of Finland, decreased by 14% to 10.5 MEUR (12.2 MEUR).

Norway

In 10-12/2016, Affecto continued to experience a shift in demand towards Managed Services and modernization of Information Management platforms within the Traditional IT & Analytics market, and a continuous interest in Self-Service Analytics from the Business Technology & Analytics market. Noticeable in the quarter was an increase of interest in solutions for handling big data and analytics.

In 10-12/2016, order intake decreased slightly and order backlog increased compared to last year's level. Revenue increased to 5.7 MEUR (5.5 MEUR). Operational segment result was 0.3 MEUR (0.3 MEUR) or 5% (5%) of revenue.

The reduced order intake was caused mainly by customers postponing purchasing decisions on software within the quarter, and some key customers committing to shorter contract periods for professional services work than before. Important new managed services deal was won at Norwegian Telecommunications company Telenor, building a stable base of multi-year managed service. Longer term managed services contracts at important customers and an increase in recurring software contracts ensured a positive order backlog development despite a slight decline in order intake. Increased revenue from recurring software contracts was the main driver for revenue growth in the quarter. Profitability was low as consultant utilization continued to be challenged by the transformation of the Company's delivery capabilities to meet changing market requirements and more complex delivery models.

Affecto continued to build its capabilities to sell and deliver solutions within Managed Services, Customer and Product Master Data Management (MDM) as well as big data and unstructured information. The go to market model was changed at the end of the period to strengthen focus on developing the customer segments Business to Consumer (B2C), Financial Services and Public to Citizen.

In 1-12/2016, the Norwegian economy was marked by uncertainty. 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 1-12/2016, the order intake decreased. Revenue increased by 4% to 21.8 MEUR (21.1 MEUR). Operational segment result decreased slightly to 1.3 MEUR (1.5 MEUR) or 6% (7%) of revenue.

Year-over-year order intake comparison is influenced negatively by large multi-year managed services deal won in Q2 2015. Order backlog is up due to increasing recurring software revenue, new and existing managed services contracts. Revenue increased based on a shift from traditional license sales to recurring models, particularly connected to Self-Service Analytics and other modern software solutions. Profitability was low as consultant utilization continued to be challenged by the transformation of the Company's delivery capabilities to meet changing market requirements and more complex delivery models through the year.

Sweden

In 10-12/2016, activity level continued to be high in both the Traditional IT & Analytics market, as well as the developing Business Technology & Analytics market. Activity level on existing managed services customers increased to an all-time high level. In the Business Technology & Analytics market the interest in Digital Workplace solutions and Self-Service Analytics continued to develop favorably.

In 10-12/2016, order intake and order backlog increased significantly. Revenue increased significantly by 16% and was 5.6 MEUR (4.8 MEUR). Operational segment result was 0.7 MEUR (0.5 MEUR) or 13% (11%) of revenue.

Order intake increased due to strong development of customer engagements within Financial Services segment and Digital Workplace solutions within the Business Technology & Analytics market. Also year-end license sales helped increase order intake, while order backlog was also helped by longer term managed services contracts. Revenue growth was driven by all-time high revenue from managed services customers, and a general high utilization of consultants including increased usage of near-shoring. Software sales increased with extensions of traditional solutions at existing customers as well as introducing Self-Service Analytics to new customers. High consultant utilization and growing software revenue ensured good profitability.

The Company strengthened its efforts to recruit consultants to meet market demand, and managed to increase the number of consultants. Use of near-shoring of resources from the rest of the Affecto network grew during the quarter. The close co-operation between the offices in Malmö, Copenhagen and Århus is ongoing with positive results as the Company now has more scalable operation in the region, and the possibility to deliver a broader set of competencies to local customers. Charlotte Darth was appointed as the Managing Director of Affecto Sweden and a member of the Affecto Leadership Team, starting 9 January 2017.

In 1-12/2016, the activity in the Swedish economy was high, and the demand for Affecto's skills and solutions within both the Traditional IT and Analytics and Business Technology and Analytics market likewise. The high demand led to strong competition for talent, but the Company was able to attract new talent and grow its number of local consultants during the year, in addition to increasing usage of near-shoring and resources from the rest of Affecto's network.

In 1-12/2016, order intake increased significantly. Revenue increased by 5% and was 19.1 MEUR (18.2 MEUR). Operational segment result increased to 1.7 MEUR (0.7 MEUR) or 9% (4%) of revenue.

Order intake increased significantly due to new and existing managed services contracts being won and extended. Also, important new contracts were signed expanding the Company's customer base for Digital Workplace solutions, adding new healthcare customers, and new contracts opening Self-Service Analytics and big data opportunities. The Company's Malmö office have been working in close cooperation with the Company's offices in Copenhagen and Århus to open up new customers within both Financial Sector and Industrial, bringing in new capabilities in areas such as anti-money laundering and Internet of Things. Revenue increased from high utilization of consultants, while software sales were down as the Company is transforming to meet the changing software market demand in Sweden. The growing revenue from high consultant utilization throughout the year ensured a positive development of profitability.

Denmark

In 10-12/2016, while the Company continued to focus on customers in the Financial Services and Industrial & Energy sectors, new contracts were won also within Public Sector through self-service analytics. Within the area of Business Technology & Analytics market, self-service concepts were extended into the CFO Services concept through new solutions for cloud based performance management and planning.

In 10-12/2016, order intake increased and order backlog decreased significantly from last year. Revenue increased significantly by 17% and was 3.7 MEUR (3.2 MEUR). Operational segment result increased to 0.6 MEUR (0.3 MEUR) or 16% (10%) of revenue.

Order intake increased while order backlog decreased as growing sales of software, including self-service analytics, increased order intake but not order backlog. Several new contracts were won as pilots in emerging areas where the initial contract value is relatively low with limited effect on order backlog. Revenue increased significantly due to high consultant utilization and growing software sales. Focus on customers within Financial Services and Industrial segments have increased the Company's ability to meet Industry specific demands and grow at key customers. Working with innovation and co-creation of new opportunities at new and existing customers are adding to the growth. High utilization of resources combined with software sales ensured improved profitability.

Account management practices continues to drive growth at Financial Services accounts, while Affecto's Innolab concept (http://www.affecto.com/innolab/) have created a good pipeline and the first pilot cases for Internet of Things related big data and analytics cases within the Industrial segment.

The Company has strengthened its focus and account management practices towards the Financial Services and Industrial customer segments. This has increased the ability to understand and target customer segment specific demands, and bringing in advanced analytics and big data. Continued close cooperation with the Company's office in Malmö have boosted capabilities to meet customer demands in the region, and contributed to the positive development.

In 1-12/2016, the Company's industry oriented focus and improved account management practices has created positive development within the selected Industries where key customers have grown and the Company's capabilities have been better tailored to meet the changing demands and growth opportunities within both the Traditional IT and Analytics and the Business Technology and Analytics markets.

In 1-12/2016, order intake increased slightly and order backlog decreased significantly. Revenue increased significantly by 15% and was 13.0 MEUR (11.3 MEUR). Operational segment result increased significantly to 1.3 MEUR (0.4 MEUR) or 10% (3%) of revenue.

Order intake increased slightly from a combination of increased orders from key customers, growth in software orders and orders of smaller pilots within emerging areas. Self-Service Analytics contributed to the positive development of software orders. The high activity level at key customers contributed to growing revenue from professional services and growth in software revenue, also ensuring improved profitability.

Baltic

In 10-12/2016, in the Lithuanian market, the Company saw continued interest by energy companies to invest into the area of Traditional IT & Analytics while the public sector continued to invest modestly into new IT solutions. In Estonia the public sector investments have been modest causing increased price competition. The Company sold its Estonian subsidiary in December to the subsidiary's acting members of staff. Across the segment, the private sector was mainly 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. On the other hand, the Company saw growing interest for renewal of insurance core systems. The demand for nearshore is increasing as Nordic companies are increasingly investing into managed services.

In 10-12/2016, the Baltic (Lithuania, Latvia, Estonia, Poland and South Africa) order intake increased significantly and order backlog has increased significantly from last year's level. Revenue decreased significantly by 8% and was 4.3 MEUR (4.7 MEUR). Operational segment result was 0.1 MEUR (0.7 MEUR) or 3% (15%) of revenue.

Order intake performance improved significantly as compared to the previous quarters and compared with Q4 2015. Consequently, also order backlog is on the highest level of the year and almost on the same level as year before. The Company signed a multi-year agreement for implementation of Enterprise Asset Management solution for Lithuanian gas transmission system operator AB AmberGrid. The value of the agreement is approximately 1.1 MEUR. The Company signed an agreement with Codan Norway for implementing a core insurance system. The value of the agreement is approximately 2.2 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 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 1-12/2016, the Company invested into meeting new demand areas such as asset management solutions in Lithuania, as the Lithuanian public sector continued to invested modestly into new IT solutions. In Estonia the public sector investments have been modest causing increased price competition. Across the segment, the private sector was mainly interested in investing into Traditional IT & Analytics, renewal projects and solutions while the impact for Affecto was minor in 2016. The Company also saw that the decisiveness within insurance customers for systems upgrades remained low. On the other hand, the Company saw towards the end of the year a growing interest for renewal of insurance core systems. The demand for nearshoring is increasing as Nordic companies are increasingly investing into managed services.

In 1-12/2016, the Baltic order intake decreased slightly. Revenue decreased significantly by 18% and was 16.6 MEUR (20.1 MEUR). Operational segment result was 1.2 MEUR (3.9 MEUR) or 7% (20%) of revenue.

Order intake was on a lower level during the first nine months of the year compared with the previous year. In the last quarter the order intake was significantly better than the during the previous quarters resulting into an order backlog that is almost on the same level as the year before. The Company signed during the year two multi-year agreements for implementation of Enterprise Asset Management solution (Ab LitGrid and AB AmberGrid) and one major agreement for implementation of insurance core system (Codan Norway). 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 revenue development y-o-y was also unfavorably impacted by the successful completion of key insurance sector projects in 2015. The same drivers impacted profitability. The Company continued to focus on local business development in Baltic, especially towards telecommunications, retail and industrial customers, on nearshoring boost for all Affecto countries, and on strong co-operation with its partners within the insurance sector.

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 the second half of 2016 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 10-12/2016, the most significant evolution activities across Affecto’s offices were the following:

- Recruited new people and achieved new wins in focus growth expertise areas like Self-Service Analytics
- Continued to execute customer pilots and capability developments, but started also actual delivery projects in the Company’s select growth programs in B2C and industrial segments
- Launched Affecto’s “Weave BCE” (www.weave.fi), an independent and agile business unit focused on service design and modern software development. Weave complemented and further built Affecto’s PowerGrid, the collaboration network Affecto’s offices and business nodes.
- Sold of its subsidiary business in Estonia (Affecto Estonia OÜ) to the subsidiary’s acting members of staff.
- Announced to acquire BIGDATAPUMP (www.bigdatapump.com) a privately held cloud analytics company based in Finland. BIGDATAPUMP as a joint business with Affecto has to offer an exclusive suite of cloud data analytics offerings with managed service capabilities, including nearshore delivery, as well as service design capabilities. The business will drive a plan of expansion across Finland & Scandinavia in 2017 and further develop and strengthen the PowerGrid.
- Moved and renovated offices and workplaces in Helsinki and Tampere, and continued to investigate workplace developments in Oslo and Stockholm to improve collaboration and its value for employees.

- Prepared for the second phase of its evolution by e.g. establishing evolution champion network in its offices

The above reported Q4 activities are in addition to the activities which have been reported as part of the Company's Half Year and Q3 '16 Interim Reports. During Q2 and Q3 key focus has been on investments to the Company's people and leadership, boosting collaboration and capabilities within the Affecto PowerGrid and continuing to win new contracts within the focus areas of the Company, e.g. in Self Service Analytics and Business Intelligence as a Managed Service.

During Q1 2017 Affecto will launch the second phase of its evolution. Within this phase Affecto will: Boost cooperation in its PowerGrid 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

Industry growth topics: Focus industries and selected industry growth programs

With the Industry growth topics, Affecto sees a growing market to connect physical world with the digital world in real-time, enabling data driven business models for the customer companies. The Company aligned most of its offices by selected focus industries and focus clients resulting larger deal sizes in focus expertise areas. With industry growth programs (B2C and Industrial) The Company worked with customers such as Empower Group's Industry division, City of Tampere Electricity Utility (TKS), Grundfos, Expert ASA and Nokian Tyres with Vianor and Futurice. The total revenue from the industry growth programs in 2016 has been relatively low because of the piloting approach, still growing towards the end of the year.

Expertise growth topics:

In October Affecto launched Weave BCE, its independent and agile business unit to capture the fast growing market of service design and modern software development. During the first quarter of its existence Weave managed to establish its independent, yet Affecto connected business and increased its headcount by 20%. In December Affecto formed a joint cloud analytics business by acquiring BIGDATAPUMP to seize the fast growing Microsoft Cloud Analytics market and ecosystem across the Nordics. During the year Affecto formed cross-office expertise teams resulting in many key wins in areas like Managed Services and Self-Service Analytics.

Through the continuous focus with growth programs and its evolution Affecto has been able to balance the accelerated revenue decline of more traditional expertise areas.

Financial Position and Cash Flow

At the end of the reporting period Affecto's balance sheet totaled 117.5 MEUR (12/2015: 118.3 MEUR). Equity ratio was 59.6% (12/2015: 58.5%) and net gearing was -6.7% (12/2015: -6.2%).

The financial loans were 16.5 MEUR (12/2015: 18.5 MEUR) at the end of reporting period. The Company's cash and liquid assets were 20.8 MEUR (12/2015: 22.4 MEUR). The interest-bearing net debt was -4.3 MEUR (12/2015: -3.9 MEUR). On 17 June 2016, Affecto announced that it has entered into a new 18.5 MEUR term loan agreement. The new loan replaced the previous loan of 18.5 MEUR that expired in the end of June 2016. Affecto will repay the loan in semi-annual instalments of 2.0 MEUR starting in December 2016.

In 10-12/2016, the cash flow from operating activities was 7.5 MEUR (9.7 MEUR) and cash flow from investing activities was 0.5 MEUR (-0.1 MEUR). Investments in tangible and intangible assets were -0.6 MEUR (-0.1 MEUR). The weakened cash flow from operating activities was driven by a negative change in working capital in Norway.

In 1-12/2016, the cash flow from operating activities was 3.6 MEUR (9.3 MEUR) and cash flow from investing activities was 0.0 MEUR (-0.6 MEUR). Investments in tangible and intangible assets were -1.0 MEUR (-0.6 MEUR). The weakened cash flow from operating activities was driven by the negative change in working capital in Norway and Sweden and lower profitability for the period.

Mergers & Acquisitions

On 8 December 2016, the Company announced that it has agreed to sell its subsidiary business in Estonia (Affecto Estonia OÜ) to the subsidiary’s acting members of staff. The transaction was a mutually beneficial decision and is in line with Affecto’ s strategic direction. The selling price was 1.8 MEUR. The transaction positively affected cash flow by 1.0 MEUR and operating profit by 0.3 MEUR in 2016. The Company announced on 21 December 2016 that it has finalized the transaction. Affecto continues to partner with the entity in Estonia which enables joint local delivery solutions to continue for Affecto’s international customers.

On 20 December 2016, the Company announced that it has agreed to purchase BIGDATAPUMP, a privately held cloud analytics company based in Finland. The purchase price consists of a 3.5 MEUR cash payment upon closing of the transaction and an earn-out element worth a maximum of 3.0 MEUR. The earn-out element is also paid in cash, subject to the achievement of defined financial targets in 3 years, at the latest in 5 years. This overall purchase price is on a net debt free basis. The transaction will result in the establishment of a joint business with a suite of cloud data analytics offerings with managed service capabilities, including nearshore delivery, as well as service design capabilities. The business will drive a plan of expansion across Finland & Scandinavia in 2017. This acquisition represents the joining of Affecto’s existing Northern European office network with BIGDATAPUMP’s growing international business footprint. BIGDATAPUMP will retain its brand and focus, while its personnel, customers, and partners will belong to newly formed BIGDATAPUMP under the Affecto Group. Revenue of BIGDATAPUMP was 1.8 MEUR in 2015 and 3.4 MEUR in 2016. BIGDATAPUMP will be its own reportable segment on a going forward basis.

Personnel

The number of employees was 930 (985) persons at the end of the reporting period. 428 (398) employees were based in Finland, 92 (102) in Norway, 108 (106) in Sweden, 70 (64) in Denmark and 232 (315) in the Baltic countries. The average number of employees during the period was 987 (1010).

The decrease in employees in Affecto and the Baltic segment between 2016 and 2015 was due to the sale of its subsidiary business in Estonia in December 2016. The comparable numbers that take into account the sale of the Estonian subsidiary was 930 (910) for the Affecto level and 232 (240) for the Baltic segment.

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.

Additionally, the AGM established the Shareholders' Nomination Board that consists of the representatives of the three largest shareholders of Affecto at 31 October 2016 and the Chairman of the Board of Directors if he is not appointed as a representative of a shareholder. On 16 November 2016, the Company announced that Cantell Oy, Säästöpankki Kotimaa Fund and Ilmarinen have appointed Aaro Cantell, Chairman of Affecto's Board of Directors, Petteri Vaarnanen, Head of Asset Management in SP-Rahastoyhtiö and Mikko Mursula, CIO of Ilmarinen, as members of the Nomination Board. Lombard International Assurance S.A. did not use its right to appoint a member.

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 2016, the largest customer generated approximately 3% and the 10 largest customers together approximately 20% 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.

Affecto executed its first acquisition since 2007 at the end of 2016. The Company recognizes the risk with regards to its ability to complete an effective post-merger integration to achieve the anticipated benefits while maintaining the continuity of the growth track of the acquired company.

The changes in the general economic conditions and the operating environment of customers have direct impact on Affecto's markets. Recently, the US elections and the Brexit have increased global uncertainty. If the macroeconomic environment remains weak, some countries may introduce new regulations. 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, especially in the public sector. 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 2016.

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 36% 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 27 January 2017, the Company announced the proposals of the Shareholder's Nomination Board. It was proposed that Aaro Cantell, Magdalena Persson, Olof Sand and Tuija Soanjärvi shall be re-elected and Mikko Kuitunen and Timo Vaajoensuu shall be elected as new members to the Board. Jukka Ruuska and Lars Wahlström have announced that they are no longer available for re-election. The monthly remuneration of the Chairman of the Board was proposed to be increased from EUR 3,500 to EUR 4,000 and the monthly remuneration of the Chairman of the Audit Committee was proposed to be increased to EUR 2,750 from EUR 2,000. The monthly remuneration of the Deputy Chairman and the other Board members was proposed to remain unchanged at EUR 2,750 and EUR 2,000, respectively. In addition, a fee of EUR 300 was proposed to be paid for participation in each committee meeting and participation in person in Board meetings that are outside the country of residence of the relevant Board member. The Shareholders' Nomination Board proposed that 40 % of the Board remuneration is paid in Affecto's shares.

On 2 February 2017, the Company completed its acquisition of BIGDATAPUMP. BIGDATAPUMP will be its own reportable segment on a going forward basis. The purchase price consists of a 3.5 MEUR cash payment upon closing of the transaction and an earn-out element worth a maximum of 3.0 MEUR. The earn-out element is also paid in cash, subject to the achievement of defined financial targets in 3 years, at the latest 5 years. The overall purchase price is on a net debt free basis. The purchase price allocation has not yet been prepared. The preliminary purchase price allocation will be prepared during the first quarter of 2017.

Dividend Proposal

Distributable funds of the group parent company on 31 December 2016 are 58,676,860.61 euros, of which the distributable profit is 15,163,635.13 euros. Board of Directors proposes that from the financial year 2016 a dividend of 0.16 euros per share will be paid, a total of 3,460,603.16 euros with the outstanding number of shares at the end of the financial period, and the rest is carried forward to the retained earnings account. No material changes have taken place in respect of the Company's financial position after the balance sheet date. The liquidity of the Company is good and in the opinion of the Board of Directors the proposed distribution of profit does not risk the liquidity of the Company.

Financial Calendar 2017

Interim Report January-March 2017: 11 May 2017
Half-yearly Report January-June 2017: 22 August 2017
Interim Report January-September 2017: 7 November 2017

The Financial Statements and the Corporate Governance Statement will be published during the week starting on 13 March 2017. The Annual General Meeting is scheduled to be held 7 April 2017.

2017 Outlook

Affecto expects its FY’17 revenue to be at the same level or above the previous year, and its FY’17 operating profit to be at the same level or below the previous year.

The Company is going through a transformation period.

In 2016, Affecto divested its Estonian business and acquired a Finnish cloud analytics company BIGDATAPUMP. The divested Estonian business had a revenue of EUR 4.5 million and EUR 0.4 million operating profit in 2016 in addition to the EUR 0.3 million gain from the divestment. BIGDATAPUMP will be its own reportable segment in 2017 and the earn out element of the acquisition will be treated as an IFRS3 cost that will affect the Company’s operating profit.

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)	10-12/16	10-12/15	2016	2015
Revenue	31 087	31 305	112 505	116 026
Other operating income	347	21	347	22
Changes in inventories of finished goods and work in progress	-1	-366	86	-195
Materials and services	-7 653	-6 706	-26 271	-23 978
Personnel expenses	-16 412	-16 089	-62 612	-64 957
Other operating expenses	-4 326	-4 671	-16 528	-18 352
Other depreciation and amortisation	-209	-273	-861	-1 089
Operating profit	2 832	3 221	6 667	7 475
Financial income and expenses	-142	115	-586	4
Profit before income tax	2 690	3 336	6 081	7 479
Income tax	-243	-780	-1 359	-1 585
Profit for the period	2 448	2 556	4 721	5 894
Profit for the period attributable to:				
Owners of the parent company	2 448	2 556	4 721	5 894
Earnings per share (EUR per share):				
Basic	0.11	0.12	0.22	0.27
Diluted	0.11	0.12	0.22	0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1 000 EUR)	10-12/16	10-12/15	2016	2015
Profit for the period	2 448	2 556	4 721	5 894
Other comprehensive income				
Items that may be reclassified subsequently to the statement of income:				
Translation difference	227	126	466	-649
Total Comprehensive income for the period	2 675	2 682	5 187	5 245
Total Comprehensive income attributable to:				
Owners of the parent company	2 675	2 682	5 187	5 245

CONSOLIDATED BALANCE SHEET

(1 000 EUR)	12/2016	12/2015
Non-current assets		
Property, plant and equipment	1 295	1 095
Goodwill	62 215	62 367
Other intangible assets	63	132
Deferred tax assets	552	976
Trade and other receivables	93	242
	64 218	64 813
Current assets		
Inventories	390	300
Trade and other receivables	31 305	29 992
Current income tax receivables	787	778
Cash and cash equivalents	20 756	22 375
	53 239	53 445
Total assets	117 456	118 258
Equity attributable to owners of the parent Company		
Share capital	5 105	5 105
Reserve of invested non-restricted equity	47 737	47 731
Other reserves	858	858
Treasury shares	-1 993	-2 056
Translation differences	-4 452	-4 919
Retained earnings	16 864	15 599
Total equity	64 118	62 319
Non-current liabilities		
Loans and borrowings	12 483	-
Deferred tax liabilities	4	177
	12 487	177
Current liabilities		
Loans and borrowings	4 000	18 484
Trade and other payables	36 104	36 401
Current income tax liabilities	529	420
Provisions	218	456
	40 851	55 761
Total liabilities	53 338	55 938
Equity and liabilities	117 456	118 258

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	10-12/2016	10-12/2015	2016	2015
Cash flows from operating activities				
Profit for the period	2 447	2 556	4 721	5 894
Adjustments to profit for the period	79	1 026	2 364	2 850
	2 527	3 582	7 085	8 744
Change in working capital	4 705	6 283	-2 283	2 949
Interest and other financial cost paid	-92	-68	-225	-305
Interest and other financial income received	11	10	55	50
Income taxes paid	369	-95	-1 026	-2 107
Net cash from operating activities	7 520	9 712	3 606	9 332
Cash flows from investing activities				
Acquisition of tangible and intangible assets	-578	-118	-1 043	-566
Proceeds from sale of tangible and intangible assets	6	6	6	6
Proceeds from disposal of business	1 029	-	1 029	-
Net cash from investing activities	457	-112	-8	-561
Cash flows from financing activities				
Repayments of current borrowings	-2 000	-	-20 500	-
Repayments of non-current borrowings	-	-2 000	-	-4 000
Proceeds from non-current borrowings	-	-	18 482	-
Dividends paid to the owners of the parent company	-	-	-3 457	-3 453
Net cash from financing activities	-2 000	-2 000	-5 475	-7 453
(Decrease)/increase in cash and cash equivalents	5 976	7 600	-1 878	1 318
Cash and cash equivalents at the beginning of the period	14 671	14 877	22 375	21 380
Foreign exchange effect on cash	107	-102	259	-324
Cash and cash equivalents at the end of the period	20 756	22 375	20 756	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						4 721	4 721
Translation differences					466		466
Total compre-hensive income					466	4 721	5 187
Treasury shares as compensation to the Board		6		63			68
Dividends paid						-3 457	-3 457
Equity at 31 December 2016	5 105	47 737	858	- 1 993	-4 452	16 864	64 118

(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						5 894	5 894
Translation differences					-649		-649
Total compre-hensive income					-649	5 894	5 245
Share-based payments			23				23
Treasury shares as compensation to the Board		14		55			68
Dividends paid						-3 453	-3 453
Equity at 31 December 2015	5 105	47 731	858	-2 056	-4 919	15 599	62 319

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 financial statement bulletin 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 financial statement bulletin.

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)	10-12/16	10-12/15	2016	2015
Total revenue				
Finland	13 375	14 285	48 061	49 539
Norway	5 732	5 512	21 816	21 068
Sweden	5 584	4 795	19 098	18 219
Denmark	3 738	3 194	12 998	11 297
Baltic	4 338	4 723	16 596	20 128
Other	-1 680	-1 203	-6 065	-4 226
Group total	31 087	31 305	112 505	116 026
Operational segment result				
Finland	1 435	1 874	2 561	3 528
Norway	290	266	1 330	1 451
Sweden	709	526	1 652	718
Denmark	582	314	1 301	355
Baltic	131	706	1 233	3 930
Other	-315	-465	-1 411	-2 507
Total operational segment result	2 832	3 221	6 667	7 475
Operating profit	2 832	3 221	6 667	7 475
Financial income and expenses	-142	115	-586	4
Profit before income tax	2 690	3 336	6 081	7 479

Revenue by business lines

(1 000 EUR)	10-12/16	10-12/15	2016	2015
Information Management Solutions	29 859	28 965	107 293	107 887
Karttakeskus GIS business	2 824	3 453	10 449	12 201
Other	-1 596	-1 112	-5 237	-4 062
Group total	31 087	31 305	112 505	116 026

2.3. Changes in intangible and tangible assets

(1 000 EUR)	1-12/16	1-12/15
Carrying amount at the beginning of period	63 594	64 573
Additions	1 043	566
Disposals	-342	-2
Depreciation and amortization for the period	-861	-1 089
Exchange rate differences	139	-454
Carrying amount at the end of period	63 573	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 2016	21 604 510	5 105	47 731	-2 056
Treasury shares of compensation to the Board of Directors	24 261	-	6	63
31 December 2016	21 628 771	5 105	47 737	-1 993
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
31 December 2015	21 604 510	5 105	47 731	-2 056

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)	31.12.2016	31.12.2015
Interest-bearing non-current liabilities		
Loans from financial institutions, non-current portion	12 483	-
Loans from financial institutions, current portion	4 000	18 484
	16 483	18 484

On 17 June 2016, the Company announced that it has entered into a new 18.5 MEUR term loan agreement. The new loan replaced the previous loan of 18.5 MEUR that expired in the end of June 2016. Affecto will repay the loan in semi-annual instalments of 2.0 MEUR 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)	31.12.2016	31.12.2015
Not later than one (1) year	2 807	3 167
Later than one (1) year, but not later than five (5) years	4 410	1 911
Later than five (5) years	484	-
Total	7 701	5 078

Guarantees given:

(1 000 EUR)	30.12.2016	31.12.2015
Financial loans	-	18 500

The Company renewed its long term financing in 2016. As a part of the termination of the previous loan agreement, Affecto was able to release the guarantees given in relation to the previous loan.

Other securities given on Affecto's behalf:

(1 000 EUR)	31.12.2016	31.12.2015
Pledges	31	36
Other guarantees	1 000	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)	1-12/16	1-12/15
Salaries and other short-term employee benefits	1 995	2 219
Post-employment benefits	246	268
Termination benefits	112	275
Share-based payments	-	1
Total	2 353	2 763

Purchases from related party:

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

3. Key figures

	10-12/16	10-12/15	2016	2015
Revenue, 1 000 eur	31 087	31 305	112 505	116 026
EBITDA, 1 000 eur	3 041	3 493	7 528	8 565
Operational segment result, 1 000 eur	2 832	3 221	6 667	7 475
Operating result, 1 000 eur	2 832	3 221	6 667	7 475
Result before taxes, 1 000 eur	2 690	3 336	6 081	7 479
Profit attributable to the owners of the parent company, 1 000 eur	2 448	2 556	4 721	5 894
EBITDA, %	9.8 %	11.2 %	6.7 %	7.4 %
Operational segment result, %	9.1 %	10.3 %	5.9 %	6.4 %
Operating result, %	9.1 %	10.3 %	5.9 %	6.4 %
Result before taxes, %	8.7 %	10.7 %	5.4 %	6.4 %
Net income for equity holders of the parent company, %	7.9 %	8.2 %	4.2 %	5.1 %
Equity ratio, %	59.6 %	58.5 %	59.6 %	58.5 %
Net gearing, %	-6.7 %	-6.2 %	-6.7 %	-6.2 %
Interest-bearing net debt, 1 000 eur	-4 273	-3 891	-4 273	-3 891
Gross investment in non-current assets (excl. acquisitions), 1 000 eur	578	118	1 043	566
Gross investments, % of revenue	1.9 %	0.4 %	0.9 %	0.5 %
Order backlog, 1 000 eur	55 033	50 672	55 033	50 672
Average number of employees	1 001	1 005	987	1 010
Earnings per share, eur	0.11	0.12	0.22	0.27
Earnings per share (diluted), eur	0.11	0.12	0.22	0.27
Equity per share, eur	2.96	2.88	2.96	2.88
Average number of shares, 1 000 shares	21 629	21 605	21 613	21 592
Number of shares at the end of period, 1 000 shares	21 629	21 605	21 629	21 605

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	