

AFFECTO PLC - INTERIM REPORT - 11 MAY 2017 at 9:00

## Affecto Plc's Interim Report 1-3/2017

### Q1 at a Glance (January-March 2017)

- Order intake decreased by 2% and was 24.4 MEUR (24.8 MEUR).
- Order backlog increased by 8% and was 52.0 MEUR (48.2 MEUR).
- Revenue increased by 10% and was 30.2 MEUR (27.3 MEUR).
- The Company commences the reporting of Comparable operating profit.
- Comparable operating profit increased to 2.1 MEUR (1.0 MEUR) and was 7.1% (3.7%) of revenue.
- Operating profit increased to 1.9 MEUR (1.0 MEUR) and was 6.2% (3.7%) of revenue.
- Cash flow from operating activities was -2.1 MEUR (-1.3 MEUR).
- The acquisition of BIGDATAPUMP was completed and the business is reported as a part of the Finnish segment.
- The Company changed its 2017 Outlook on 8 May 2017.

### Key Figures

MEUR	1-3/17	1-3/16	2016	last 12m
Revenue	30.2	27.3	112.5	115.3
Operational segment result	2.1	1.0	6.7	7.8
% of revenue	7.1	3.7	5.9	6.8
Comparable operating profit <sup>1</sup>	2.1	1.0	6.3	7.5
% of revenue	7.1	3.7	5.6	6.5
Operating profit	1.9	1.0	6.7	7.5
% of revenue	6.2	3.7	5.9	6.5
Profit before taxes	1.8	0.9	6.1	7.0
Profit for the period	1.3	0.7	4.7	5.3
Equity ratio, %	62.7	61.8	59.6	-
Net gearing, %	1.0	-4.0	-6.7	-
Earnings per share, EUR	0.06	0.03	0.22	0.24
Earnings per share (diluted), EUR	0.06	0.03	0.22	0.24
Equity per share, EUR	3.01	2.93	2.96	-

(1) Items affecting comparability in the first quarter include amortization of intangible assets from a business acquisition of 0.0 MEUR (0.0 MEUR) and costs associated with the earn-out element from a business acquisition of 0.3 MEUR (0.0 MEUR). Additional items affecting comparability include the gain on the sale of a disposed business in Q4/2016 of 0.3 MEUR.

### CEO Juko Hakala comments:

We had a strong sales quarter in Q1 almost matching the order intake of Q1/2016 when we closed several multiyear deals. Our order intake was strong in Finland and Denmark. Our Baltic portfolio order intake grew organically, Sweden grew slightly and Norway weakened. Our order backlog is up 8% y-o-y.

Overall, we delivered positive organic revenue growth of 10% in the quarter and our profitability improved driven by the revenue growth. Also, our Finland and Baltic segments continued their recovery step-by-step. More specifically, in Finland, Baltic and Sweden, FY '16 multi-year sales outcomes drove high chargeability. This impacted positively our revenue and profitability in Q1. Revenue and profitability decreased in Denmark in connection to our Danish business building its skill base to match changing market demand.

The second phase of our evolution progressed in Q1. We closed the acquisition of BIGDATAPUMP, establishing it as one of our key growth platforms. We started the BIGDATAPUMP geographical co-operation

with Scandinavian Affecto businesses and continued to build required enabling capabilities, like stronger people operations, to help drive our transformation in the rapidly changing markets.

We will organize a Capital Markets Day 29 September 2017 to present further information of Affecto and our direction.

## **2017 Outlook**

Affecto expects its FY '17 revenue to be above the previous year (2016: 112.5 MEUR), and its FY '17 operating profit to be at the same level or below the previous year (2016: 6.7 MEUR).

The respective FY '17 operating profit outlook assumes IFRS3 related costs of approximately 1.6 MEUR during FY '17 due to the acquisition of BIGDATAPUMP. The respective IFRS3 related costs are based on the earn out element of the acquisition and the amortization of the intangible assets and the costs didn't exist in FY '16.

## **Analyst and Press Conference**

The Company will arrange a briefing for analysts and media 11 May at 15:00 at the Company's Espoo premises, Keilaranta 17 C, FI-02150 Espoo.

For additional information, please contact:

Juko Hakala  
CEO  
[juko.hakala@affecto.com](mailto:juko.hakala@affecto.com)

Martti Nurminen  
CFO  
+358 40 751 7194  
[martti.nurminen@affecto.com](mailto:martti.nurminen@affecto.com)

This release is unaudited.

## AFFECTO FINANCIALS

### Order Intake

In 1-3/2017, Affecto's order intake decreased by 2% and was 24.4 MEUR (24.8 MEUR). Order intake increased significantly in Denmark and increased slightly in Finland and Sweden. Order intake decreased significantly in Norway and Baltic.

### Order Backlog

In 1-3/2017, the order backlog increased by 8% and was 52.0 MEUR (48.2 MEUR) at the end of the reporting period. Order backlog increased significantly in Baltic, Sweden and Denmark, stayed stable in Finland and decreased significantly in Norway.

### Revenue

Revenue, MEUR	1-3/17	1-3/16	2016	last 12m
Finland	14.0	11.2	48.1	50.8
Norway	5.7	5.6	21.8	21.9
Sweden	5.5	4.6	19.1	19.9
Denmark	3.0	3.2	13.0	12.8
Baltic	3.5	4.2	16.6	15.9
Other	-1.5	-1.5	-6.1	-6.1
Group total	30.2	27.3	112.5	115.3

In 1-3/2017, Affecto's revenue increased by 10 % to 30.2 MEUR (27.3 MEUR). Revenue increased in Finland, Norway and Sweden and decreased in Denmark and Baltic. The decline in Baltic revenue was due to the divestment of the Estonian subsidiary in Q4/2016. In Q1/2016, revenue in Estonia was 1.2 MEUR.

### Profitability

Operational segment result by reportable segments:

Operational segment result, MEUR	1-3/17	1-3/16	2016	last 12m
Finland	1.4	0.1	2.6	3.9
Norway	0.4	0.3	1.3	1.4
Sweden	0.4	0.3	1.7	1.8
Denmark	0.1	0.3	1.3	1.2
Baltic	0.6	0.4	1.2	1.4
Other	-0.8	-0.3	-1.4	-1.9
Operational segment result	2.1	1.0	6.7	7.8
Comparable operating profit	2.1	1.0	6.3	7.5
IFRS 3 related costs	0.3	0.0	0.0	0.3
Operating profit	1.9	1.0	6.7	7.5

The Company commences the reporting of comparable operating profit to give its stakeholders additional, more relevant and comparable information on the underlying business performance of the Company. For the same reason, the Company has amended the definition of Operational segment result to exclude expenses related to earn-out elements of purchase price on acquisitions, due to the acquisition of BIGDATAPUMP.

In 1-3/2017, comparable operating profit increased to 7.1% and was 2.1 MEUR (1.0 MEUR).

## Measures of Profit and Items Affecting Comparability

MEUR	1-3/17	1-3/16	2016	last 12m
<b>Comparable operating profit</b>	2.1	1.0	6.3	7.5
<b>Items affecting comparability:</b>				
IFRS 3 amortization	-0.0	0.0	0.0	-0.0
Earn-out from acquisition	-0.3	0.0	0.0	-0.3
Gain on the sale of disposed business	0.0	0.0	0.3	0.3
<b>Items affecting comparability, total</b>	<b>-0.3</b>	<b>0.0</b>	<b>0.3</b>	<b>0.0</b>
<b>Operating profit</b>	<b>1.9</b>	<b>1.0</b>	<b>6.7</b>	<b>7.5</b>

In 1-3/2017, Affecto's operating profit increased to 6.2% and was 1.9 MEUR (1.0 MEUR). The profitability increased in Finland, Baltic, Norway and Sweden while profitability in Denmark decreased.

Taxes corresponding to the profit of the period have been entered as tax expense. Net profit for the period was 1.3 MEUR, while it was 0.7 MEUR last year.

## Business Performance by Segment

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

In 1-3/2017, the Company completed the acquisition of BIGDATAPUMP and the Company stated that BIGDATAPUMP will be reported as its own reportable segment. However, the company has subsequently decided that BIGDATAPUMP will be reported as part of the Finnish segment.

### Finland

*Continued stable demand for services in traditional IT & Analytics, especially Managed Services. Increasingly positive development of demand for Business Technology & Analytics.*

- Order intake grew slightly and order backlog stayed on the same level:
  - o Established new capabilities and industry focus impacted sales significantly
  - o Strong organic performance. Almost at the same level as Q1/2016 (highest Q1 recorded).
  - o Further order intake contribution by BIGDATAPUMP for two months contributed to overall increase in sales
- Revenue and operational segment result improved substantially:
  - o Organic revenue growth +13% y-o-y, BIGDATAPUMP revenue 1.3 MEUR and Karttakeskus revenue 2.7 MEUR, or +11% y-o-y
  - o FY '16 multi-year sales outcomes drove chargeability in Q1/2017. Improved quality and optimized subcontracting structure of services improved profitability
- Business development focus:
  - o Continued investment into new capability areas, e.g. machine learning, artificial intelligence, cognitive and robotic process automation
  - o Efficient and agile co-operation within Affecto's PowerGrid providing both skills and scalability

## Norway

*Increased interest in Master Data Management within Financial Services and Business to Consumers (B2C) sectors, while Big Data buyers drive demand towards Public to Citizen (P2C).*

- Order intake and order backlog decreased significantly:
  - o Poor sales quarter partly because of big deal timing and partly because customers postponed decisions on new software and consultancy contracts
  - o Exceptionally strong software sales performance in Q1/2016
- Revenue and operational segment result improved:
  - o Revenue growth driven by delivery of FY '16 large professional services wins and increased usage of nearshore
  - o Improved utilization impacted profitability favorably
- Business development focus:
  - o Strengthening the skillset in business technology e.g. recruitment of data scientists and value architects
  - o Continue to strengthen capabilities for managed services, customer and product master data management, big data and unstructured data

## Sweden

*Positive market development continued, creating high demand for the Company's services in both the Traditional IT & Analytics and Business Technology & Analytics.*

- Order intake and Order backlog improved:
  - o Order intake increased due to high demand in all focus industries
  - o Positive development of Managed Services and Digital Workplace solutions
- Revenue increased significantly and operational segment result improved:
  - o Growth in Managed Services and Business Technology & Analytics solutions
  - o High utilization of local consultants combined with increased usage of nearshoring resources
- Business development focus:
  - o Hiring key people such as value architects and senior consultants
  - o BIGDATAPUMP ramp-up focusing on recruitment, investing in activities to grow the pipeline in new focus areas such as EU General Data Protection Regulation (GDPR) and advanced analytics

## Denmark

*High demand in data driven business initiatives by customers in Financial and Industrial industries.*

- Both order intake and order backlog increased significantly:
  - o Growth at existing key customers through Self Service Analytics
- Revenue and operational segment result decreased:
  - o Revenue and profitability decreased due to building its skill base to match changing market demand
  - o Self Service Analytics drove revenue and profitability favorably
- Business development focus:
  - o Investing into capabilities in the Financial Services and Industrial industries, e.g. Internet of Things (IoT) and cloud analytics; BIGDATAPUMP ramp-up focusing on recruitment and pipeline building
  - o Continuing the close cooperation with Malmö boosts capabilities and growth in the region

## Baltic

*All ongoing businesses improved in terms of order intake, revenue and profitability. Steering the Baltic business to continue to transform, strengthening capabilities for private sectors and go-to-market.*

- Order intake decreased significantly and order backlog increased significantly:
  - o Significant organic growth driven by Lithuania local business while decreasing TIA order intake
  - o Order backlog growth also driven by signing of multi-year agreements with AmberGrid, Litgrid and Codan in FY '16
- Revenue decreased significantly, operational segment result improved:
  - o Organic revenue growth +17% y-o-y, organic operational segment result growth +0.3 MEUR y-o-y
  - o Delivering on multi-year agreements signed in FY '16, combined with Nearshore growth drove revenue and operational segment result favorably
- Business development focus:
  - o Developing capabilities for private and energy sectors and continued focus on nearshore development according to the Affecto PowerGrid model
  - o Strengthening go-to-market co-operation with the partners in insurance sector

## **Affecto Evolution**

In 01-03/2017, the most significant evolution activities across Affecto's offices were the following:

- Closed the acquisition of BIGDATAPUMP and kicked off the related integration activities, including expansion to Scandinavia
- Launched go-to-market co-operation between BIGDATAPUMP, Weave and Affecto for seamless and agile business decision maker value proposition.
- Continued to build required enabling capabilities to drive strong transformation in the rapidly changing markets, e.g.
  - o Recruiting, staffing and onboarding key roles in enabling functions both in Affecto countries and group
  - o Introducing a strong change agent network in Affecto offices to better connect its people and customers to the evolution

Industry Growth Topics: growing market to bridge the physical and digital worlds in real-time, enabling data driven organizations and additional customer value. In Q1/2017, the Company continued emerging technology implementations and prototypes across the Nordics. One of the latest wins was an advanced industrial solution for analyzing engine data for AGCO Power.

Expertise Growth Topics: increasing market with technology expertise areas like self service analytics, service design, cloud analytics, managed services, machine learning, modern software development, unstructured data. In Q1/2017, the Company continued to win and deliver new cases in different expertise growth areas, e.g. in cloud analytics space with customers such as HMD and Cint.

## **Financial Position and Cash Flow**

At the end of the reporting period Affecto's balance sheet totaled 115.8 MEUR (12/2016: 117.5 MEUR). Equity ratio was 62.7% (12/2016: 59.6%) and net gearing was 1.0% (12/2016: -6.7%).

The financial loans were 16.5 MEUR (12/2016: 16.5 MEUR) at the end of the reporting period. The Company's cash and liquid assets were 15.8 MEUR (12/2016: 20.8 MEUR). The interest-bearing net debt was 0.7 MEUR (12/2016: -4.3 MEUR).

Cash flow from operating activities for the reported period was -2.1 MEUR (-1.3 MEUR) and cash flow from investing activities was -2.8 MEUR (-0.2 MEUR). Investments in tangible and intangible assets were 0.1

MEUR (0.2 MEUR). The cash flow from operating activities was affected by a negative change in working capital driven by the Swedish segment.

### **Mergers & Acquisition**

The acquisition of BIGDATAPUMP was completed on 2 February 2017. The net debt free, base purchase price paid in cash was 3.5 MEUR. In addition, based on the closing accounts of BIGDATAPUMP, an approximately 1.0 MEUR purchase price adjustment is to be paid in cash based on the cash and net working capital of the acquired entity. The purchase agreement also includes an earn-out element worth a maximum of 3.0 MEUR, to be paid in cash, subject to the achievement of defined financial targets in three years, at the latest five years.

Based on the preliminary purchase price allocation, net assets of 4.5 MEUR were acquired in the acquisition which included 3.3 MEUR in goodwill, 0.1 MEUR in intangible assets related to customer relationships, 0.1 MEUR in intangible assets related to trademarks, 1.3 MEUR in accounts receivable, 0.8 MEUR in cash and 1.1 MEUR in liabilities primarily related to trade and other payables and taxes. The intangible assets will be amortized over their useful life of three years.

### **Personnel**

The number of employees was 988 (972) persons at the end of the reporting period. 484 (389) employees were based in Finland, 90 (99) in Norway, 110 (101) in Sweden, 69 (65) in Denmark and 235 (318) in the Baltic countries where the Company divested its Estonian business in Q4/2016. The average number of employees during the period was 967 (984).

### **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 2016 in the Financial Statements and Annual Report 2016, and on the Company website [www.affecto.com](http://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](http://www.affecto.com).

On 2 January 2017, the Company announced that the market making for Affecto is transferred to Nordea Bank AB (publ) as of 2 January 2017 due to the merger between Nordea Bank Finland Plc and its parent company Nordea Bank AB (publ).

On 24 March 2017, the Company announced that the Board of Directors has resolved to establish a new share-based incentive plan directed to Affecto's non-executive employees. Any rewards paid based on the plan will be paid partly in Affecto Plc shares and partly in cash, and the combined maximum amount to be paid corresponds to the value of 88,011 Affecto Plc shares, including the proportion paid in cash. The new share-based incentive plan includes one vesting period commencing 1 May 2017 and ending on 30 April 2019. The rewards are based on selected program participants' valid and continuing employment during the vesting period.

### **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 the 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. 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**

### Annual General Meeting

Annual General Meeting of Affecto Plc ("AGM") was held on 7 April 2017. The AGM adopted the financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2016. The meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.16 per share and the dividend was paid on 20 April 2017.



Aaro Cantell, Magdalena Persson, Olof Sand and Tuija Soanjärvi were re-elected and Mikko Kuitunen and Timo Vaajoensuu were elected to the Board. Magdalena Persson was elected as the Chairperson and Aaro Cantell as the Vice-Chairperson of the Board.

Audit Committee: Tuija Soanjärvi (chairman) and Timo Vaajoensuu

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

The AGM approved all proposals made by the Board as described in the invitation published on 10 March 2017. The resolutions of the AGM were published as a stock exchange release on 7 April 2017 and can be found on the Company's website [www.affecto.com](http://www.affecto.com).

#### Leadership Team Update

On 12 April 2017, the Company announced a Leadership Team Update according to which Stig Sandberg, Håvard Ellefsen and Mikko Eerola left the Leadership Team.

With these changes, the Affecto Leadership Team is presently:

- Juko Hakala, CEO
- Iikka Lindroos, People Operations, Growth and Transformation, Deputy CEO
- Martti Nurminen, CFO
- Charlotte Darth, Managing Director, Sweden
- Henri Engström, Managing Director, Affecto Industrial and Interim Managing Director, Finland

#### **Financial Calendar 2017**

Affecto will publish the following financial reports during the course of the year:

Interim Report 1 January – 30 June:	22 August 2017
Interim Report 1 January – 30 September:	7 November 2017

In addition, the Capital Markets Day 2017 will be held on 29 September 2017.

#### **2017 Outlook**

Affecto expects its FY '17 revenue to be above the previous year (2016: 112.5 MEUR), and its FY '17 operating profit to be at the same level or below the previous year (2016: 6.7 MEUR).

The respective FY '17 operating profit outlook assumes IFRS3 related costs of approximately 1.6 MEUR during FY '17 due to the acquisition of BIGDATAPUMP. The respective IFRS3 related costs are based on the earn out element of the acquisition and the amortization of the intangible assets and the costs didn't exist in FY '16.

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)	1-3/17	1-3/16	2016	last 12m
Revenue	30 172	27 344	112 505	115 333
Other operating income	-	-	347	347
Changes in inventories of finished goods and work in progress	31	40	86	77
Materials and services	-5 907	-5 800	-26 271	-26 377
Personnel expenses	-17 733	-16 518	-62 612	-63 826
Other operating expenses	-4 501	-3 806	-16 528	-17 224
Other depreciation and amortization	-205	-248	-861	-818
Operating profit	1 856	1 012	6 667	7 511
Financial income and expenses	-31	-124	-586	-493
Profit before income tax	1 824	888	6 081	7 017
Income tax	-572	-198	-1 359	-1 734
Profit for the period	1 252	690	4 721	5 283
Profit for the period attributable to:				
Owners of the parent company	1 252	690	4 721	5 283
Earnings per share (EUR per share):				
Basic	0.06	0.03	0.22	0.24
Diluted	0.06	0.03	0.22	0.24

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1 000 EUR)	1-3/17	1-3/16	2016	last 12m
Profit for the period	1 252	690	4 721	5 283
Other comprehensive income				
Items that may be reclassified subsequently to the statement of income:				
Translation difference	-167	247	466	52
Total Comprehensive income for the period	1 086	937	5 187	5 336
Total Comprehensive income attributable to:				
Owners of the parent company	1 086	937	5 187	5 336

## CONSOLIDATED BALANCE SHEET

(1 000 EUR)	3/2017	3/2016	12/2016
<b>Non-current assets</b>			
Property, plant and equipment	1 225	1 035	1 295
Goodwill	65 385	62 560	62 215
Other intangible assets	274	100	63
Deferred tax assets	534	909	552
Trade and other receivables	112	122	93
	67 531	64 726	64 218
<b>Current assets</b>			
Inventories	424	344	390
Trade and other receivables	31 275	27 697	31 305
Current income tax receivables	779	1 065	787
Cash and cash equivalents	15 811	21 044	20 756
	48 288	50 150	53 239
<b>Total assets</b>	<b>115 819</b>	<b>114 876</b>	<b>117 456</b>
<b>Equity attributable to owners of the parent Company</b>			
Share capital	5 105	5 105	5 105
Reserve of invested non-restricted equity	47 737	47 731	47 737
Other reserves	858	858	858
Treasury shares	-1 993	-2 056	-1 993
Translation differences	-4 619	-4 671	-4 452
Retained earnings	18 116	16 289	16 864
<b>Total equity</b>	<b>65 204</b>	<b>63 257</b>	<b>64 118</b>
<b>Non-current liabilities</b>			
Loans and borrowings	12 484	-	12 483
Deferred tax liabilities	42	176	4
	12 526	176	12 487
<b>Current liabilities</b>			
Loans and borrowings	4 000	18 492	4 000
Trade and other payables	33 273	32 086	36 104
Current income tax liabilities	591	465	529
Provisions	226	401	218
	38 090	51 444	40 851
<b>Total liabilities</b>	<b>50 616</b>	<b>51 620</b>	<b>53 338</b>
<b>Equity and liabilities</b>	<b>115 819</b>	<b>114 876</b>	<b>117 456</b>

## SUMMARY CONSOLIDATED CASH FLOW STATEMENT

(1 000 EUR)	1-3/2017	1-3/2016	2016
<b>Cash flows from operating activities</b>			
Profit for the period	1 252	690	4 721
Adjustments to profit for the period	849	523	2 364
	2 101	1 213	7 085
Change in working capital	-3 727	-2 071	-2 283
Interest and other financial cost paid	-12	-58	-225
Interest and other financial income received	13	18	55
Income taxes paid	-483	-377	-1 026
<b>Net cash from operating activities</b>	<b>-2 107</b>	<b>-1 275</b>	<b>3 606</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible and intangible assets	-146	-154	-1 043
Proceeds from sale of tangible and intangible assets	-	-	6
Proceeds from disposal of business	-	-	1 029
Acquisition of a business, net of cash received	-2 683	-	-
<b>Net cash from investing activities</b>	<b>-2 829</b>	<b>-154</b>	<b>-8</b>
<b>Cash flows from financing activities</b>			
Repayments of current borrowings	-	-	-20 500
Repayments of non-current borrowings	-	-	-
Proceeds from non-current borrowings	-	-	18 482
Dividends paid to the owners of the parent company	-	-	-3 457
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>-5 475</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>-4 936</b>	<b>-1 429</b>	<b>-1 878</b>
<b>Cash and cash equivalents</b>			
at the beginning of the period	20 756	22 375	22 375
Foreign exchange effect on cash	-9	98	259
<b>Cash and cash equivalents at the end of the period</b>	<b>15 811</b>	<b>21 044</b>	<b>20 756</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the parent company

(1 000 EUR)	Share capital	Reserve of invested non-restricted equity	Other reserves	Treasury shares	Trans lat. diff.	Ret. earnings	Total equity
Equity at 1 January 2017	5 105	47 737	858	-1 993	-4 452	16 864	64 118
Profit						1 252	1 252
Translation differences					-167		-167
Total comprehensive income					-167	1 252	1 086
Equity at 31 March 2017	5 105	47 737	858	-1 993	-4 619	18 116	65 204

Equity attributable to owners of the parent company

(1 000 EUR)	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						690	690
Translation differences					247		247
Total comprehensive income					247	690	937
Share-based payments							
Equity at 31 March 2016	5 105	47 731	858	-2 056	-4 671	16 289	63 257

## 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 2016. In material respects, the same accounting policies have been applied as in the 2016 annual consolidated financial statements. The amendments to and interpretations of IFRS standards that entered into force on 1 January 2017 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)	1-3/17	1-3/16	2016	last 12m
<b>Total revenue</b>				
Finland	13 978	11 206	48 061	50 834
Norway	5 682	5 579	21 816	21 919
Sweden	5 470	4 636	19 098	19 932
Denmark	3 038	3 197	12 998	12 839
Baltic	3 539	4 192	16 596	15 943
Other	-1 535	-1 467	-6 065	-6 134
<b>Group total</b>	<b>30 172</b>	<b>27 344</b>	<b>112 505</b>	<b>115 333</b>
<b>Operational segment result</b>				
Finland	1 448	104	2 561	3 904
Norway	382	296	1 330	1 417
Sweden	431	324	1 652	1 760
Denmark	131	267	1 301	1 165
Baltic	560	355	1 233	1 437
Other	-803	-334	-1 411	-1 880
<b>Total operational segment result</b>	<b>2149</b>	<b>1 012</b>	<b>6 667</b>	<b>7 804</b>
<b>IFRS 3 related costs</b>	<b>293</b>	<b>0</b>	<b>0</b>	<b>293</b>
<b>Operating profit</b>	<b>1 856</b>	<b>1 012</b>	<b>6 667</b>	<b>7 511</b>
<b>Financial income and expenses</b>	<b>-31</b>	<b>-124</b>	<b>-586</b>	<b>-493</b>
<b>Profit before income tax</b>	<b>1 824</b>	<b>888</b>	<b>6 081</b>	<b>7 017</b>

#### Revenue by business lines

(1 000 EUR)	1-3/17	1-3/16	2016	last 12m
<b>Information Management</b>				
Solutions	29 103	26 112	107 293	110 284
Karttakeskus	2 675	2 412	10 449	10 712
Other	-1 606	-1 180	-5 237	-5 663
<b>Group total</b>	<b>30 172</b>	<b>27 344</b>	<b>112 505</b>	<b>115 333</b>

## 2.3. Changes in intangible and tangible assets

(1 000 EUR)	1-3/2017	1-3/2016	1-12/2016
Carrying amount at the beginning of period	63 573	63 594	63 594
Additions	3 602	154	1 043
Disposals	-	-	-342
Depreciation and amortization for the period	-205	-248	-861
Exchange rate differences	-84	195	139
Carrying amount at the end of period	66 885	63 695	63 573

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

(1 000 EUR)	Number of shares outstanding	Share capital	Reserve of invested non-restricted equity	Treasury shares
1.1.2016	21 604 510	5 105	47 731	-2 056
31.3.2016	21 604 510	5 105	47 731	-2 056
1.1.2017	21 628 771	5 105	47 737	-1 993
31.3.2017	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)	31.3.2017	31.12.2016
Loans from financial institutions, non-current portion	12 484	12 483
Loans from financial institutions, current portion	4 000	4 000
	16 484	16 483

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)	31.3.2017	31.12.2016
Not later than one (1) year	2 652	2 807
Later than one (1) year, but not later than five (5) years	4 418	4 410
Later than five (5) years	360	484
<b>Total</b>	<b>7 430</b>	<b>7 701</b>

Other securities given on own behalf:

(1 000 EUR)	31.3.2017	31.12.2016
Pledges	52	31
Other guarantees	1 008	1 000

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)	1-3/2017	1-3/2016	1-12/2016
Salaries and other short-term employee benefits	731	523	1 995
Post-employment benefits	129	61	246
Termination benefits	-	-	112
Share-based payments	-	-	-
<b>Total</b>	<b>860</b>	<b>584</b>	<b>2 353</b>

Purchases from related party:

(1 000 EUR)	1-3/2017	1-3/2016	1-12/2016
Purchases from the entity that are controlled by key management personnel of the group	-	13	13
Outstanding balance of purchases from the entity that are controlled by key management personnel of the group	-	-	-



### 3. Key figures

	1-3/17	1-3/16	2016	last 12m
Revenue, 1 000 eur	30 172	27 344	112 505	115 333
EBITDA, 1 000 eur	2 061	1 260	7 528	8 328
Comparable operating profit, 1 000 eur	2 149	1 012	6 347	7 484
Operational segment result, 1 000 eur	2 149	1 012	6 667	7 804
Operating result, 1 000 eur	1 856	1 012	6 667	7 511
Result before taxes, 1 000 eur	1 824	888	6 081	7 017
Profit attributable to the owners of the parent company, 1 000 eur	1 252	690	4 721	5 283
EBITDA, %	6.8 %	4.6 %	6.7 %	7.2 %
Comparable operating profit %	7.1 %	3.7 %	5.6 %	6.5 %
Operational segment result, %	7.1 %	3.7 %	5.9 %	6.8 %
Operating result, %	6.2 %	3.7 %	5.9 %	6.5 %
Result before taxes, %	6.0 %	3.2 %	5.4 %	6.1 %
Net income for equity holders of the parent company, %	4.2 %	2.5 %	4.2 %	4.6 %
Equity ratio, %	62.7 %	61.8 %	59.6 %	
Net gearing, %	1.0 %	-4.0 %	-6.7 %	
Interest-bearing net debt, 1 000 eur	674	-2 552	-4 273	
Gross investment in non-current assets (excl. acquisitions), 1 000 eur	146	154	1 043	
Gross investments, % of revenue	0.5 %	0.6 %	0.9 %	
Order backlog, 1 000 eur	52 002	48 151	55 033	
Average number of employees	967	984	987	
Earnings per share, eur	0.06	0.03	0.22	0.24
Earnings per share (diluted), eur	0.06	0.03	0.22	0.24
Equity per share, eur	3.01	2.93	2.96	
Average number of shares, 1 000 shares	21 629	21 605	21 613	21 619
Number of shares at the end of period, 1 000 shares	21 629	21 605	21 629	21 629

## 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), expenses related to the earn-out from acquisitions and goodwill impairments	
Equity ratio, %	=	$\frac{\text{Total equity}}{\text{Total assets – advance payments}} \times 100$	*100
Gearing, %	=	$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Total equity}} \times 100$	*100
Interest-bearing net debt	=	Interest-bearing liabilities – cash and cash equivalents	
Earnings per share (EPS)	=	$\frac{\text{Profit attributable to owners of the parent company}}{\text{Weighted average number of ordinary shares in issue during the period}}$	
Equity per share	=	$\frac{\text{Total equity}}{\text{Adjusted number of shares at the end of the period}}$	
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	
Comparable operating profit	=	Operating profit – Items affecting comparability.	
Items affecting comparability		Items affecting comparability are related to restructuring measures and charges for events or activities, which are not part of the normal business operations such as, but not limited to, IFRS 3 related costs and goodwill impairments.	
IFRS 3 related costs		IFRS 3 related costs are amortizations on fair value adjustments due to business combinations and expenses related to the earn-out from acquisitions.	