



Interim Report January-March 2016

# Growth Continued

Engineering with  
**a difference**



## **ETTEPLAN OYJ INTERIM REPORT APRIL 28, 2016 AT 2:00 PM**

### **ETTEPLAN Q1: GROWTH CONTINUED**

#### **Review Period January-March 2016**

- The Group's revenue increased by 11.4% and was EUR 38.6 million (1-3/2015: EUR 34.7 million). At comparable exchange rates revenue increased by 11.2%.
- EBIT from business operations was EUR 2.2 million (EUR 2.3 million), or 5.6% (6.5%) of revenue.
- Operating profit (EBIT) was EUR 1.9 million (EUR 2.1 million), or 4.9% (5.9%) of revenue.
- The profit for the review period was EUR 1.5 million (EUR 1.4 million).
- Operating cash flow was EUR -1.7 million (EUR 0.1 million).
- Earnings per share were EUR 0.07 (EUR 0.07).
- The number of personnel increased and the Group had 2,080 employees at the end of the review period (1,873).
- Etteplan extended its service concept into industrial internet solutions by acquiring the entire share capitals of Espotel Oy and Soikea Solutions Oy. The acquisitions were announced on March 15, 2016, and the transactions were finalized after the review period on April 4, 2016, at which time the acquired companies' business operations were transferred to Etteplan. The business operations of the acquired companies are consolidated in Etteplan's group reporting from April 1, 2016.
- Etteplan's Board of Directors is planning a rights issue of approximately EUR 14 million to finance the acquisitions. The rights issue is estimated to take place in the second quarter of 2016.
- Etteplan keeps its estimate of market outlook and financial guidance unchanged.

#### **Market Outlook**

The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. In 2016, there are signs of improvement of European growth. Uncertainty has increased in the Finnish market, and the market situation is expected to remain weaker than in the rest of Europe. In spite of the slowing down of growth in Asian markets and increased uncertainty, the service market development is expected to continue. We expect that the good market situation in North America will continue. The demand for engineering services and technical documentation services got off to a slow start at the beginning of the year.

#### **Financial Guidance**

We expect the revenue and operating profit for the full year 2016 to grow significantly compared to 2015.

## Key Figures

(EUR 1,000)	1-3/2016	1-3/2015	1-12/2015
Revenue	38,603	34,650	141,143
EBIT from business operations	2,178 ( 5.6% )	2,254 ( 6.5% )	9,540 ( 6.8% )
Operating profit (EBIT)	1,896 ( 4.9% )	2,051 ( 5.9% )	8,594 ( 6.1% )
Basic earnings per share, EUR	0.07	0.07	0.31
Equity ratio, %	40.0	36.3	37.8
Operating cash flow	-1,682	137	9,932
ROCE, %	15.0	17.5	17.4
Personnel at end of the period	2,080	1,873	2,074

## President and CEO Juha Näkki:

“The year 2016 began with substantial growth, boosted by acquisitions made in 2015. However, organic growth was slow due to the market situation and large number of holidays in the review period. Uncertainty in the global markets was reflected in demand, and the market situation was particularly difficult in Finland. Our profitability declined due to these reasons.

In the area of engineering services, new projects were slow to get started and the difficult market situation prolonged price negotiations, which had a negative impact on our profitability. The number of new investment projects was very low, which resulted in plant engineering falling short of our expectations. Nevertheless, our quotation base in plant engineering is very strong and we expect that projects will start during the year. In China, the development of the services market continued positively in spite of the slowing economic development. We acquired several new customers and, at the end of the review period, we achieved a turnaround in the number of working hours sold in the Chinese market.

In technical documentation, the development of our business was again excellent. Profitability was weakened in the review period, as expected, by the slow development of business operations in Germany and the fact that the software business accounted for a lower share of revenue than it normally does. Corrective measures to improve profitability are underway and we expect our excellent development in technical documentation to continue in 2016.

In spite of the difficult market situation, we continued the determined implementation of the Company's growth strategy and carried out the largest acquisition in the Company's history by acquiring the entire share capitals of Espotel Oy and Soikea Solutions Oy. These acquisitions significantly strengthened our position in the rapidly growing market for embedded systems and industrial internet solutions. We combine intelligent devices, documentation and industrial internet applications to create a unique service concept in the engineering industry. Our service concept will enable us to produce even greater value added for our customers; for example, in the service and maintenance business. I am eagerly looking forward to pursuing these new growth opportunities.”

## Accounting Principles

The interim report has not been prepared in accordance with all of the requirements in IAS 34 (Interim Financial Reporting) standard (condensed notes). The accounting policies presented in the 2015 annual financial statements have been followed in the preparation of the interim report with the exception of changes in standards and interpretations in effect in 2016, which concern the Group. These changes did not have material effect on the interim report.

This interim report includes forward-looking estimates and assumptions. Accordingly, outcomes may deviate from these estimates, which are based on the management's best knowledge at the time of interim report.

## Market Review

The year 2016 began in a market situation characterized by uncertainty. The development of industrial production showed a downward trend globally but, at the same time, the service and maintenance business in the engineering industry developed relatively favorably and investments in digitization continued to grow. Etteplan's key customers estimate that their growth and results for 2016 will be close to the 2015 level. In engineering services and technical documentation, the demand situation in the first quarter was largely unchanged from the previous quarter. There were significant differences in demand during the review period, specific to markets and customer industries.

Etteplan's main markets developed in different directions. The economic situation in Finland deteriorated in the second half of 2015 and the same trend continued in the first quarter of 2016. Demand remained weak, which was particularly reflected in new investment projects being slow to get started. However, there are several significant investment projects being planned in Finland that are expected to start this year. Excluding investment projects, the demand for engineering services saw a slight recovery towards the end of the review period in Finland.

In Sweden, the demand for engineering services and technical documentation remained good throughout the review period. Economic growth in Sweden is faster than elsewhere in Europe and the Swedish export industry is doing well. Nevertheless, there are substantial differences between industries. Competition remained characteristically intense in the engineering industry in Sweden.

Economic development in Central Europe was stable during the review period, and demand was at a slightly better level than in emerging market economies. The German economy was on a stable and strong foundation, while the economy in the Netherlands showed growth. This was reflected in relatively good demand for technical documentation services.

Demand remained low in Russian projects.

The development of the demand for engineering services in China was influenced by polarized trends. The development of the Chinese economy remained uncertain, and economic growth is expected to be substantially lower than in previous years. Some of Etteplan's key customers expect sales in China to slow down and fall short of the 2015 level. At the same time, the Chinese service markets continue to open up. The demand for engineering services and technical documentation is influenced by the development of the service market, which is not parallel with China's economic development.

In the first quarter, the demand for engineering services and technical documentation continued to be affected by the favorable development of outsourcing services in all of the Company's market areas. However, market uncertainty slowed down customers' decision-making. Outsourcing offers customer companies the opportunity to improve their efficiency and focus even more on the development of their core business.

Compared to the previous quarter, there were no significant changes in the customer industry-specific demand for engineering services and technical documentation. The demand for engineering services and technical documentation among metal and mining industry equipment manufacturers was at a low level. The demand for engineering services among lifting and hoisting equipment manufacturers weakened slightly. The demand for engineering services in the energy and power transmission industry remained at a good level. The demand for engineering services among forest industry equipment manufacturers was at a good level. Demand from aerospace and defense equipment manufacturers improved slightly from the comparison period. In the transportation and vehicle industry, the demand for testing and analysis services requiring special expertise remained unchanged.

## Revenue

Etteplan's revenue grew 11.4 per cent in the review period and was EUR 38.6 million (1-3/2015: EUR 34.7 million). Revenue increased by 11.2 per cent at comparable exchange rates. The increase in revenue was attributable to acquisitions made in 2015. Organic growth was 0.5 per cent. Organic growth was slow due to the market situation and large number of holidays in the review period.

Etteplan's business is subject to periodic fluctuation. The periodic fluctuation is affected by holiday seasons and the timing of product development and investment projects in customer companies, mainly at the beginning of the year as well as in the fall. The revenue in the third quarter is typically lower than that of other quarters.

## Result

EBIT from business operations was EUR 2.2 million (1-3/2015: EUR 2.3 million). Exceptional items had a combined negative effect of EUR 0.2 million (1-3/2015: EUR 0.1 million) on EBIT from business operations. The operative EBIT margin was 5.6 per cent (1-3/2015: 6.5 per cent). EBIT from business operations is an indicator that reflects the Company's operational performance: it does not include acquisition-related items such as amortization on PPA allocations and earn out revaluations.

Operating profit (EBIT) was EUR 1.9 million (1-3/2015: EUR 2.1 million). The decline in operating profit was attributable to the prolongation of annually held price negotiations in the first quarter. Operational costs increased by 12.9 per cent. The operating profit margin decreased and was 4.9 per cent (1-3/2015: 5.9 per cent). The weaker profitability was attributable to the overall market situation and the prolonged price negotiations.

Financial expenses were EUR 0.3 million (1-3/2015: EUR 0.2 million).

Profit before taxes for the review period was EUR 1.8 million (1-3/2015: EUR 1.8 million). Taxes in the income statement amounted to 18.6 per cent (1-3/2015: 22.6 per cent) calculated of the result before taxes. The amount of taxes was EUR 0.3 million (1-3/2015: EUR 0.4 million).

The profit for the review period was EUR 1.5 million (1-3/2015: EUR 1.4 million).

Earnings per share were EUR 0.07 (1-3/2015: EUR 0.07). Equity per share was EUR 1.77 (March 31, 2015: EUR 1.39). Return on capital employed (ROCE) before taxes was 15.0 per cent (1-3/2015: 17.5) per cent.

## Financial position and cash flow

Total assets on March 31, 2016 were EUR 90.5 million (March 31, 2015: EUR 79.0 million). The increase in the balance sheet total was attributable to acquisitions. Goodwill on the balance sheet was EUR 42.9 million (March 31, 2015: EUR 39.2 million).

The Group's cash and cash equivalents stood at EUR 3.4 million (March 31, 2015: EUR 1.8 million). The Group's financial liabilities amounted to EUR 20.2 million (March 31, 2015: EUR 19.1 million). The total of unused short-term credit facilities stood at EUR 8.8 million (March 31, 2015: EUR 5.7 million).

The equity ratio was at the end of March 40.0 per cent (March 31, 2015: 36.3 per cent). Operating cash flow was EUR -1.7 million (1-3/2015: EUR 0.1 million). Cash flow after investments was EUR -2.0 million (1-3/2015: EUR -0.4 million). Cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.

## Capital Expenditures

The Group's gross investments during the review period were EUR 1.2 million (1-3/2015: EUR 0.4 million). Investments comprised, among other things, of license fees for engineering software and an acquisition.

## Personnel

The average number of personnel increased by 12.3 per cent from the comparison period. The Group employed 2,096 (1-3/2015: 1,867) people on average and 2,080 (March 31, 2015: 1,873) people at the end of the review period. The growth in the number of personnel was attributable to acquisitions and organic growth. At the end of the review period, 745 people (March 31, 2015: 697) were employed by the Group abroad.

## Business Review

Slow market development affected Etteplan's business in the first quarter of 2016. While the Company achieved good revenue growth, organic growth remained low at 0.5 per cent. Key accounts grew by 3.6 per cent. Revenue growth was faster in technical documentation than engineering services in January-March. The share of revenue represented by high value-added services grew in line with the Company's targets and stood at 49 per cent (1-3/2015: 44 per cent).

Etteplan's market position in Finland remained strong in both design engineering and technical documentation. Nevertheless, market growth is slow in Finland, and the new orders and order books of Etteplan's key Finnish customers did not show significant growth in the first quarter. New plant engineering projects were slow to get started in Finland in the first quarter, which meant that revenue from plant engineering did not develop as expected. The number of temporarily laid off personnel was moderate at 45 employees.

The Company's business in Sweden developed favorably in the good market situation. The competition for experts continued to burden business operations in Sweden. In the Netherlands, business developed steadily.

The number of working hours sold in the Chinese market decreased by 8.2 per cent compared to January-March last year. The decline was attributable to the prevailing uncertainty in the Chinese market. However, the prolonged postponement of assignments ended and we acquired several new customers. The development of the Company's business in China turned to positive at the end of the review period. The positive development was not the result of an improvement in the overall market situation, but rather a consequence of the development of the service markets. In the first quarter, Chinese offshoring as part of Etteplan's service solutions was at a higher level than in the comparison period.

Etteplan strengthened its position in embedded systems and expanded its service concept to cover industrial internet applications by acquiring the entire share capital of Espotel Oy and Soikea Solutions Oy. This allows us to meet the needs of our customers even better as they develop their businesses towards knowledge-intensive services. The rapidly growing markets of embedded systems and the industrial internet will provide significant growth opportunities for the Company going forward. The acquisitions were announced on March 15, 2016, and the transactions were finalized after the review period on April 4, 2016, at which time the acquired companies' business operations were transferred to Etteplan. The business operations of the acquired companies are consolidated in Etteplan's group reporting from April 1, 2016.

Etteplan and Suomen Unit Oy agreed in the review period that the business operations of Suomen Unit Oy will be transferred to Etteplan as of April 1, 2016. The company's 17 experts including the management, will continue as Etteplan's employees. The transaction strengthens further Etteplan's market position in plant engineering, where it became one of the largest companies providing plant engineering services in Finland after the acquisition of SAV Oy in August last year.



## Engineering Services

Engineering services refer to the innovation, engineering, and technical calculations of machinery or equipment for the purpose of product development and manufacturing. Assignments are typically product development or delivery engineering for a new product, involving the customization of the product in accordance with end customer requirements and the legislation of the market area in question.

(EUR 1,000)	1-3/2016	1-3/2015	Change to prev. year	1-12/2015
Revenue	29 971	27 651	8,4 %	112 341
EBIT from business operations	1 384	1 553	-10,9 %	6 805
EBIT from business operations, %	4,6	5,6		6,1
Managed Services index	45	41		44

Engineering services accounted for 77.6 per cent (1-3/2015: 79.8 per cent) of Etteplan's revenue. The service area's revenue grew by 8.4 per cent from the review period and was EUR 30.0 million (1-3/2015: EUR 27.7 million). The growth in revenue was attributable to acquisitions.

The development of the service markets in China continued, with new customers acquired during the review period including JPG, Ingersoll-Rand and Mondragon. The opening up of the service markets is continuing to create significant new growth opportunities.

In engineering services, EBIT from business operations declined in January-March compared to the corresponding period last year and amounted to EUR 1.4 million (1-3/2015: EUR 1.6 million), or 4.6 per cent (1-3/2015: 5.6 per cent) of revenue. The decline in profitability was attributable to the exceptional prolongation of price negotiations in the weak market situation of the first quarter, as well as the tight competitive situation. The share of revenue accounted for by high value-added services was 45 per cent (1-3/2015: 41 per cent). The utilization rate of engineering services was at a relatively good level.

## Technical Documentation

Technical documentation refers to product-related documentation, such as manuals and service instructions for the users of a product, as well as related content production and distribution. Technical documentation services include the software business and SaaS services. For an industrial customer, technical documentation is typically a non-core operation that has a significant impact on the end customer's user experience and the efficiency of Etteplan's customer's maintenance service operations.

(EUR 1,000)	1-3/2016	1-3/2015	Change to prev. year	1-12/2015
Revenue	8 625	6 942	24,3 %	28 837
EBIT from business operations	673	585	15,1 %	2 714
EBIT from business operations, %	7,8	8,4		9,4
Managed Services index	66	58		64

The share of Etteplan's revenue represented by technical documentation in the review period was 22.3 per cent (1-3/2015: 20.0 per cent), and the service area's revenue grew by 24.3 per cent from the review period and was EUR 8.6 million (1-3/2015: EUR 6.9 million). The increase in revenue from technical documentation was mainly attributable to the acquisitions made in 2015. New agreements on the outsourcing of technical documentation were signed at a steady rate in January-March 2016.

In technical documentation, EBIT from business operations improved by 15.1 per cent from the comparison period and was EUR 0.7 million (1-3/2015: EUR 0.6 million). Acquisitions contributed to the increase in operating profit. The operative EBIT margin declined and was 7.8 per cent (1-3/2015: 8.4 per cent). The factors contributing to the decline in profitability included the expected slow development of

the businesses acquired in Germany, as well as the software business accounting for a lower share of revenue than it normally does.

The share of revenue accounted for by high value-added services in the review period was 66 per cent (1-3/2015: 58 per cent). This was attributable to strong demand for outsourcing solutions. The utilization rate of technical documentation services was at a satisfactory level.

## **Governance**

### **Annual General Meeting**

The Annual General Meeting of Shareholders of Etteplan Oyj (the "Company") was held on April 5, 2016, at the premises of the Company in Vantaa. In accordance with the proposal of the Nomination and Remuneration Committee of the Board of Directors, the Annual General Meeting re-elected Robert Ingman, Patrick von Essen, Matti Huttunen, Pertti Nupponen, Teuvo Rintamäki and Leena Saarinen as members of the Board of Directors.

The Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2015.

PricewaterhouseCoopers Oy, Authorized Public Accountants, with Authorized Public Accountant Lauri Kallaskari as the main responsible auditor and Certified Auditor Olli Wesamaa were elected as the Company's auditors. The auditors' fees were resolved to be paid according to invoice approved by the Company.

The Annual General Meeting authorized the Board of Directors to resolve on the repurchase of the Company's own shares in one or more tranches using the Company's unrestricted equity. A maximum of 2,000,000 shares in the Company may be repurchased. The Company may deviate from the obligation to repurchase shares in proportion to the shareholders' current holdings, i.e., the Board has the right to decide on a directed repurchase of the Company's own shares.

The authorization includes the right for the Board to resolve on the repurchase of the Company's own shares through a tender offer made to all shareholders on equal terms and conditions and at the price determined by the Board, or in public trading organized by the Nasdaq Helsinki Ltd at the market price valid at any given time, so that the Company's total holding of own shares does not exceed ten (10) per cent of all the shares in the Company. The minimum price for the shares to be repurchased is the lowest market price quoted for the shares in the Company in public trading and, correspondingly, the maximum price is the highest market price quoted for the shares in the Company in public trading during the validity of the authorization.

Should the shares in the Company be repurchased in public trading, such shares will not be purchased in proportion to the shareholders' current holdings. In that case there must be a weighty financial reason for the Company to repurchase its own shares. The shares may be repurchased in order to be used as consideration in potential acquisitions or in other structural arrangements. The shares may as well be used for carrying out Company's incentive schemes for its personnel. The repurchased shares may be retained by the Company, invalidated or transferred further.

The repurchase of the Company's own shares will reduce the non-restricted equity of the Company.

The authorization is valid for 18 months from the date of the resolution of the Annual General Meeting starting on April 5, 2016 and ending on October 4, 2017. The authorization will replace the corresponding previous authorization.

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of a maximum of 6,000,000 shares through issuance of shares, option rights or other special rights entitling to shares under Chapter 10, Section 1 of the Finnish Companies Act in one or more issues. The authorization includes a right to issue new shares or assign Company's own shares held by the Company.

The authorization includes a right to deviate from the existing shareholders' pre-emptive subscription right as set forth in Chapter 9, Section 3 of the Finnish Companies Act. Therefore, the Board of Directors has a right to direct the share issue, or issuance of the option rights or other special rights entitling to shares. The authorization includes also a right to determine on all the terms of share issue, option rights or other special rights entitling to shares. The authorization includes therefore a right to determine



on share subscription prices, persons entitled to subscribe the shares and other terms and conditions applicable to the subscription. In order to deviate from the shareholders' pre-emptive subscription right, the Company must have a weighty financial reason such as financing of a company acquisition, other arrangement in connection with the development of the Company's business or equity or an incentive scheme to the personnel. In connection with the share issuance the Board of Directors is entitled to decide that the shares may be subscribed against contribution in kind or otherwise under special terms and conditions. The authorization includes a right to determine whether the subscription price will be entered into the share capital or into the reserve of invested non-restricted equity.

The authorization is valid for two (2) years from the date of the resolution of the Annual General Meeting starting on April 5, 2016 and ending on April 4, 2018.

## **Dividend**

The Annual General Meeting on April 5, 2016 resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.15 per share for the financial year 2015. The remaining funds shall be left to the unrestricted equity. The dividend was paid to the shareholders registered on the record date in the shareholders' register maintained by Euroclear Finland Ltd. The record date of the payment of dividend was April 7, 2016. The dividend was paid on April 14, 2016.

## **Shares**

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Small Cap market capitalization group in the Industrials sector under the ETT1V ticker.

The Company's share capital on March 31, 2016 was EUR 5,000,000.00, and the total number of shares was 20,665,559. The Company has one series of shares. All shares confer an equal right to a dividend and the Company's funds.

The Company held 356,196 of its own shares on March 31, 2016, which corresponds to 1.7 per cent of all shares and voting rights (March 31, 2015: 308,886). In January-March, the Company acquired 31,913 of its own shares. The Company did not transfer any of its own shares in January-March.

The number of Etteplan Oyj shares traded during the review period was 193,243, for a total value of EUR 0.9 million. The share price low was EUR 4.01, the high EUR 5.03, the average EUR 4.54 and the closing price EUR 5.00. Market capitalization on March 31, 2016 was EUR 101.55 million.

On March 31, 2016, the members of the Company's Board of Directors and the President and CEO owned or had authority of a total of 13,691,907 shares (March 31, 2015: 41,876 shares), or 66.25 per cent of the total share capital.

## **Rights Issue**

Etteplan's Board of Directors is planning a rights issue of approximately EUR 14 million to finance the acquisitions of Espotel Oy and Soikea Solutions Oy. The plan was announced in a stock exchange release on March 15, 2016. The required shareholders' authorization for the rights issue was obtained at Etteplan's Annual General Meeting held on April 5, 2016: the Annual General Meeting authorized the Board of Directors to pass a resolution on the issuance of a maximum of 6,000,000 shares.

The lead manager of the rights issue has been selected. The rights issue is estimated to take place in the second quarter of 2016.

## **Flaggings**

Etteplan Oyj received no flagging notices in January-March 2016.

## **Share-based incentive plans**

The Board of Directors of Etteplan Oyj decided on February 12, 2014 on a new share-based incentive plan for the Company's President and CEO. The new Restricted Stock Plan includes one three year vesting period. The potential reward of the Plan is bound to the validity of the CEO's service. The reward from the vesting period will be paid partly in the Company's shares and partly in cash in February

2017. The reward to be paid on the basis of the Restricted Stock Plan 2014 will amount up to a maximum total of 25,000 Etteplan Oyj shares. In addition, the Company will pay taxes and tax-related costs arising from the reward to the CEO.

The Board of Directors of Etteplan Oyj decided on June 3, 2014 to establish a new share-based incentive plan for the Group key personnel. The Plan includes one earning period which includes calendar years 2014, 2015 and 2016. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). Approximately 15 people belong to the target group of the Plan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 450,000 Etteplan Oyj shares (including also the proportion to be paid in cash).

The shares to be paid out as potential rewards will be transferred from the shares held by the Company or shares acquired from the market.

## **Major events after the review period**

The acquisitions of Espotel Oy and Soikea Solutions Oy were finalized on April 4, 2016, at which time the entire share capital and business operations of the two companies were transferred to Etteplan. The business operations of the acquired companies are consolidated in Etteplan's group reporting from April 1, 2016.

Etteplan Oyj has on April 8, 2016 transferred a total of 221,365 treasury shares to the key private owners of Espotel Oy and Soikea Solutions Oy as a part of the acquisition of the total share capital of Espotel Oy and Soikea Solutions Oy. The price for the transferred treasury shares is EUR 4.51 per share and EUR 998,356.15 in total. A three-year (3) lock-up period is associated with the share transfer. For the transfer, Board of Directors used the authorization granted by the Annual General Meeting on March 26, 2014.

In Sweden, industrial peace was threatened after the review period due to disagreements between employer federations and labor unions concerning issues related to pension arrangements.

## **Operating risks and uncertainty factors**

Etteplan's financial results are exposed to a number of strategic, operational and financial risks.

Etteplan's risk management review is included in the 2015 Annual Report, which was published in week 10/2016.

## **Operating risks and uncertainty factors in the review period**

The uncertainty caused by the general economic development continued in January-March. The demand for engineering services and technical documentation remained at a relatively good level on average in the review period. However, there were significant differences between countries.

The Company's operations are based on skilled staff. The availability of competent professionals is an important factor for ensuring profitable growth and operations. In January-March, increased difficulties in recruiting professional staff in Sweden continued to present a business risk.

## **Estimate of operating risks and uncertainty factors in the near future**

The uncertainty caused by the general economic development continues to be a risk for Etteplan's business. The slow growth of the global economy poses a risk to Etteplan's business. Uncertainty is expected to continue particularly in the Chinese market. The possibility of changes in customers' business operations is a significant risk to Etteplan's operations.

The Company's operations are based on skilled staff. The availability of competent professionals is an important factor for ensuring profitable growth and operations. The availability of personnel in Sweden continues to present a business risk.

Risks related to business operations are still at a significant level, but they are not estimated to grow.

## Market Outlook

The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. In 2016, there are signs of improvement of European growth. Uncertainty has increased in the Finnish market, and the market situation is expected to remain weaker than in the rest of Europe. In spite of the slowing down of growth in Asian markets and increased uncertainty, the service market development is expected to continue. We expect that the good market situation in North America will continue. The demand for engineering services and technical documentation services got off to a slow start at the beginning of the year.

## Financial Guidance

We expect the revenue and operating profit for the full year 2016 to grow significantly compared to 2015.

## Financial information in 2016

Etteplan Oyj's interim reports will be published as follows:

Second quarter results, 6 months                      Wednesday August 10, 2016

Third quarter results, 9 months                      Thursday October 27, 2016

Vantaa, April 28, 2016

Etteplan Oyj

Board of Directors

Additional information:

Juha Näkki, President and CEO, tel. +358 400 606 372

## APPENDIX:

### Financial Statement Summary and Notes

Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Cash Flows

Consolidated Statement of Changes in Equity

Notes to the Financial Statement Summary

The information presented herein has not been audited.

Releases and other corporate information are available on Etteplan's Web site at [www.etteplan.com](http://www.etteplan.com).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1 000)	1-3/2016	1-3/2015	1-12/2015
<b>Revenue</b>	<b>38 603</b>	<b>34 650</b>	<b>141 143</b>
Other operating income	256	16	309
Materials and services	-1 880	-1 997	-7 918
Staff costs	-28 872	-25 174	-101 452
Other operating expenses	-5 293	-4 760	-20 384
Depreciation and amortization	-918	-683	-3 104
<b>Operating profit (EBIT)</b>	<b>1 896</b>	<b>2 051</b>	<b>8 594</b>
Financial income	245	15	589
Financial expenses	-318	-243	-1 251
Profit before taxes	1 822	1 822	7 933
Income taxes	-338	-411	-1 744
<b>Profit for the financial year</b>	<b>1 484</b>	<b>1 411</b>	<b>6 189</b>
<b>Other comprehensive income, that may be subsequently reclassified to profit or loss</b>			
Foreign subsidiary net investment hedge	9	25	-41
Currency translation differences	-129	325	650
Change in fair value of investments available-for-sale	-3	15	43
Tax from items, that may be subsequently reclassified to profit or loss	-1	-8	0
Other comprehensive income, net of tax	-124	357	652
<b>Total comprehensive income for the year</b>	<b>1 360</b>	<b>1 768</b>	<b>6 841</b>
<b>Income attributable to</b>			
Equity holders of the parent company	1 471	1 425	6 122
Non-controlling interest	14	-14	67
	1 484	1 411	6 189
<b>Total comprehensive income attributable to</b>			
Equity holders of the parent company	1 347	1 792	6 779
Non-controlling interest	14	-24	62
	1 360	1 768	6 841
<b>Earnings per share calculated from the result attributable to equity holders of the parent company</b>			
Basic earnings per share, EUR	0,07	0,07	0,31
Diluted earnings per share, EUR	0,07	0,07	0,31

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1 000)	31.3.2016	31.3.2015	31.12.2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	2 117	2 046	2 179
Goodwill	42 927	39 150	42 734
Other intangible assets	9 961	5 520	9 418
Investments available-for-sale	684	657	687
Other non-current receivables	54	0	54
Deferred tax assets	182	141	161
<b>Non-current assets, total</b>	<b>55 926</b>	<b>47 513</b>	<b>55 232</b>
<b>Current assets</b>			
Trade and other receivables	30 956	29 306	28 296
Current tax assets	177	321	177
Cash and cash equivalents	3 412	1 815	8 807
<b>Current assets, total</b>	<b>34 546</b>	<b>31 441</b>	<b>37 281</b>
<b>TOTAL ASSETS</b>	<b>90 472</b>	<b>78 954</b>	<b>92 513</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital attributable to equity holders of the parent company</b>			
Share capital	5 000	5 000	5 000
Share premium account	6 701	6 701	6 701
Unrestricted equity fund	4 406	2 364	4 406
Own shares	-1 060	-849	-949
Cumulative translation adjustment	-985	-1 130	-863
Other reserves	223	202	225
Retained earnings	20 102	13 980	13 980
Profit for the financial year	1 471	1 425	6 122
Capital attributable to equity holders of the parent	35 857	27 693	34 621
Non-controlling interest	11	-89	-3
<b>Equity, total</b>	<b>35 868</b>	<b>27 604</b>	<b>34 618</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	1 894	1 044	1 754
Financial liabilities	8 642	5 568	8 296
Other non-current liabilities	630	60	92
<b>Non-current liabilities, total</b>	<b>11 165</b>	<b>6 672</b>	<b>10 142</b>
<b>Current liabilities</b>			
Financial liabilities	11 531	13 578	14 925
Trade and other payables	30 910	30 753	31 901
Current income tax liabilities	998	347	927
<b>Current liabilities, total</b>	<b>43 439</b>	<b>44 678</b>	<b>47 753</b>
<b>Liabilities, total</b>	<b>54 604</b>	<b>51 350</b>	<b>57 895</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>90 472</b>	<b>78 954</b>	<b>92 513</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1 000)	1-3/2016	1-3/2015	1-12/2015
<b>Operating cash flow</b>			
Cash receipts from customers	37 444	33 029	138 557
Operating expenses paid	-38 563	-32 462	-126 897
Operating cash flow before financial items and taxes	-1 119	567	11 659
Interest and payment paid for financial expenses	-108	-198	-636
Interest received	14	3	40
Income taxes paid	-469	-234	-1 131
<b>Operating cash flow (A)</b>	<b>-1 682</b>	<b>137</b>	<b>9 932</b>
<b>Investing cash flow</b>			
Purchase of tangible and intangible assets	-88	-108	-1 621
Acquisition of subsidiaries	-418	-440	-1 907
Proceeds from contingent asset	215	0	0
Proceeds from sale of tangible and intangible assets	5	0	1
Proceeds from sale of investments	0	0	1
Loan receivables, decrease	0	0	1
<b>Investing cash flow (B)</b>	<b>-286</b>	<b>-548</b>	<b>-3 526</b>
<b>Cash flow after investments (A+B)</b>	<b>-1 968</b>	<b>-410</b>	<b>6 406</b>
<b>Financing cash flow</b>			
Purchase of own shares	-148	0	-75
Short-term loans, increase	335	5 900	2 567
Short-term loans, decrease	-3 878	-6 045	-8 687
Long-term loans, increase	610	0	10 000
Payment of finance lease liabilities	-289	-220	-985
Dividend paid and other profit distribution	0	0	-2 981
<b>Financing cash flow (C)</b>	<b>-3 371</b>	<b>-366</b>	<b>-160</b>
<b>Variation in cash (A+B+C) increase (+) / decrease (-)</b>	<b>-5 338</b>	<b>-776</b>	<b>6 246</b>
Assets at the beginning of the period	8 807	2 575	2 575
Exchange gains or losses on cash and cash equivalents	-57	16	-14
Assets at the end of the period	3 412	1 815	8 807



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Legends for table columns

- A) Share Capital
- B) Share Premium Account
- C) Unrestricted Equity Fund
- D) Other Reserves
- E) Own Shares
- F) Cumulative Translation Adjustment
- G) Retained Earnings
- H) Total
- I) Non-controlling Interest
- J) Equity total

(EUR 1 000)	A	B	C	D	E	F	G	H	I	J
<b>Equity 1.1.2015</b>	<b>5 000</b>	<b>6 701</b>	<b>2 364</b>	<b>177</b>	<b>-912</b>	<b>-1 472</b>	<b>16 960</b>	<b>28 818</b>	<b>-65</b>	<b>28 753</b>
<b>Comprehensive income</b>										
Profit for the financial year	0	0	0	0	0	0	6 122	6 122	67	6 189
Fair value reserve available-for-sale assets	0	0	0	35	0	0	0	35	0	35
Foreign subsidiary net investment hedge	0	0	0	0	0	-33	0	-33	0	-33
Cumulative translation adjustment	0	0	0	0	0	655	0	655	-5	650
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>622</b>	<b>6 122</b>	<b>6 779</b>	<b>62</b>	<b>6 841</b>
<b>Transactions with owners</b>										
Dividends	0	0	0	0	0	0	-2 981	-2 981	0	-2 981
Directed share issue	0	0	2 042	0	0	0	0	2 042	0	2 042
Purchase of own shares	0	0	0	0	-75	0	0	-75	0	-75
Reclassifications	0	0	0	14	0	-14	0	0	0	0
Share based incentive plan	0	0	0	0	38	0	0	38	0	38
<b>Transactions with owners, total</b>	<b>0</b>	<b>0</b>	<b>2 042</b>	<b>14</b>	<b>-37</b>	<b>-14</b>	<b>-2 981</b>	<b>-976</b>	<b>0</b>	<b>-976</b>
<b>Equity 31.12.2015</b>	<b>5 000</b>	<b>6 701</b>	<b>4 406</b>	<b>225</b>	<b>-949</b>	<b>-863</b>	<b>20 101</b>	<b>34 621</b>	<b>-3</b>	<b>34 618</b>
<b>(EUR 1 000)</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>	<b>J</b>
<b>Equity 1.1.2016</b>	<b>5 000</b>	<b>6 701</b>	<b>4 406</b>	<b>225</b>	<b>-949</b>	<b>-863</b>	<b>20 101</b>	<b>34 621</b>	<b>-3</b>	<b>34 618</b>
<b>Comprehensive income</b>										
Profit for the financial year	0	0	0	0	0	0	1 471	1 471	14	1 484
Fair value reserve available-for-sale assets	0	0	0	-2	0	0	0	-2	0	-2
Foreign subsidiary net investment hedge	0	0	0	0	0	7	0	7	0	7
Cumulative translation adjustment	0	0	0	0	0	-129	0	-129	0	-129
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>-122</b>	<b>1 471</b>	<b>1 347</b>	<b>14</b>	<b>1 360</b>
<b>Transactions with owners</b>										
Purchase of own shares	0	0	0	0	-148	0	0	-148	0	-148
Share-based incentive plan	0	0	0	0	37	0	0	37	0	37
<b>Transactions with owners, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-111</b>	<b>0</b>	<b>0</b>	<b>-111</b>	<b>0</b>	<b>-111</b>
<b>Equity 31.3.2016</b>	<b>5 000</b>	<b>6 701</b>	<b>4 406</b>	<b>223</b>	<b>-1 060</b>	<b>-985</b>	<b>21 571</b>	<b>35 857</b>	<b>11</b>	<b>35 868</b>

(EUR 1 000)	A	B	C	D	E	F	G	H	I	J
<b>Equity 1.1.2015</b>	<b>5 000</b>	<b>6 701</b>	<b>2 364</b>	<b>177</b>	<b>-912</b>	<b>-1 472</b>	<b>16 960</b>	<b>28 818</b>	<b>-65</b>	<b>28 753</b>
<b>Comprehensive income</b>										
Profit for the financial year	0	0	0	0	0	0	1 425	1 425	-14	1 411
Fair value reserve available-for-sale assets	0	0	0	12	0	0	0	12	0	12
Foreign subsidiary net investment hedge	0	0	0	0	0	-20	0	-20	0	-20
Cumulative translation adjustment	0	0	0	0	0	375	0	375	-9	366
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>355</b>	<b>1 425</b>	<b>1 792</b>	<b>-24</b>	<b>1 768</b>
<b>Transactions with owners</b>										
Dividends	0	0	0	0	0	0	-2 981	-2 981	0	-2 981
Reclassifications	0	0	0	14	0	-14	0	0	0	0
Share-based incentive plan	0	0	0	0	64	0	0	64	0	64
<b>Transactions with owners, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>64</b>	<b>-14</b>	<b>-2 981</b>	<b>-2 917</b>	<b>0</b>	<b>-2 917</b>
<b>Equity 31.3.2015</b>	<b>5 000</b>	<b>6 701</b>	<b>2 364</b>	<b>203</b>	<b>-849</b>	<b>-1 131</b>	<b>15 404</b>	<b>27 693</b>	<b>-89</b>	<b>27 604</b>

## NOTES TO THE FINANCIAL STATEMENT SUMMARY

### General

The parent company of Etteplan Group is Etteplan Oyj (the Company), a Finnish public limited company established under Finnish law. The Company is domiciled in Vantaa.

Etteplan's services cover engineering, technical documentation, embedded systems and IoT solutions. Our customers are the world's leading companies in the manufacturing industry. Our services are geared to improve the competitiveness of our customers' products and engineering processes throughout the product life cycle. The results of Etteplan's innovative engineering can be seen in numerous industrial solutions and everyday products.

In 2015, Etteplan had turnover of EUR 141.1 million. The Company has about 2,400 professionals in Finland, Sweden, the Netherlands, Germany, Poland and China. Etteplan's shares are listed on Nasdaq Helsinki Ltd under the ETT1V ticker.

The Etteplan Oyj Board of Directors has approved this financial statement release for publication at its meeting of April 28, 2016.

### Basis for preparation

The interim report has not been prepared in accordance with all of the requirements in IAS 34 (Interim Financial Reporting) standard (condensed notes). The accounting policies presented in the 2015 annual financial statements have been followed in the preparation of the interim report with the exception of changes in standards and interpretations in effect in 2016, which concern the Group. These changes did not have material effect on the interim report.

The annual financial statements 2015 are available at <http://www.etteplan.com/investors/annual-and-interim-reports/2016.aspx> with the accounting policies detailed on pages 58-66. Formulas for the key figures are detailed at the end of this interim report.

Monetary figures in the interim report are presented in thousands of euros. All figures in the tables have been rounded up or down, due to which the sums of figures may deviate from the sum totals presented.

### Use of estimates

This interim report includes forward-looking estimates and assumptions. Accordingly, outcomes may deviate from these estimates, which are based on the management's best knowledge at the time of interim report.

### Income taxes

The taxes listed in the consolidated income statement have been calculated with the tax rate appropriate for the projected full-year result. The estimated average effective tax rate for the year has been set separately for each relevant country. Taxes in the income statement amounted to 18.6 per cent (1-3/2015: 22.6 per cent) calculated of the result before taxes.

### Risks

Etteplan's financial results are exposed to a number of strategic, operational and financial risks. A description of risks can be found in Etteplan's annual report 2015 on pages 20-25. A detailed financial risk analysis can be found in Etteplan's annual report 2015 on pages 66-70.

## KEY FIGURES

(EUR 1 000)	1-3/2016	1-3/2015	1-12/2015	Change to prev. year
Revenue	38 603	34 650	141 143	11,4 %
EBIT from business operations	2 178	2 254	9 540	-3,4 %
EBIT from business operations, %	5,6	6,5	6,8	
Operating profit (EBIT)	1 896	2 051	8 594	-7,6 %
EBIT, %	4,9	5,9	6,1	
Profit before taxes	1 822	1 822	7 933	0,0 %
Profit before taxes, %	4,7	5,3	5,6	
Return on equity, %	16,8	20,0	19,5	
ROCE, %	15,0	17,5	17,4	
Equity ratio, %	40,0	36,3	37,8	
Gross interest-bearing debt	20 172	19 146	23 222	5,4 %
Net gearing, %	46,7	62,8	41,6	
Balance sheet, total	90 472	78 954	92 513	14,6 %
Gross investments	1 176	439	9 867	167,8 %
Operating cash flow	-1 682	137	9 932	-1323,3 %
Basic earnings per share, EUR	0,07	0,07	0,31	0,0 %
Diluted earnings per share, EUR	0,07	0,07	0,31	0,0 %
Equity per share, EUR	1,77	1,39	1,73	27,0 %
Personnel, average	2 096	1 867	1 948	12,3 %
Personnel at end of the period	2 080	1 873	2 074	11,1 %

## EXCEPTIONAL ITEMS

(EUR 1 000)	1-3/2016	1-3/2015	1-12/2015
Other operating income	215	0	0
Staff costs and other operating expenses	-391	-99	-1 007
<b>Operating profit (EBIT)</b>	<b>-176</b>	<b>-99</b>	<b>-1 007</b>
Financial expenses	0	-6	-6
<b>Profit for the financial year</b>	<b>-176</b>	<b>-105</b>	<b>-1 014</b>

## FORMULAS FOR KEY FIGURES

### Organic growth

$$\frac{(\text{Revenue current period} - \text{revenue comparison period} - \text{revenue from acquiree current period}) \times 100}{\text{Revenue comparison period}}$$

### EBIT from business operations

$$\text{Operating profit (EBIT) + amortization on PPA allocations - earn out revaluation items}$$

### Return on equity (ROE)

$$\frac{(\text{Profit before taxes and non-controlling interest} - \text{taxes}) \times 100}{(\text{Shareholders' equity} + \text{minority interest}) \text{ average}}$$

### Return on capital employed (ROCE), before taxes

$$\frac{(\text{Profit before taxes and non-controlling interest} + \text{interest and other financial expenses}) \times 100}{(\text{Balance sheet total} - \text{non-interest bearing debts}) \text{ average}}$$

### Equity ratio, %

$$\frac{(\text{Shareholders' equity} + \text{non-controlling interest}) \times 100}{\text{Balance sheet total} - \text{advances received}}$$

### Net gearing, %

$$\frac{(\text{Interest-bearing debts} - \text{cash and cash equivalents and marketable securities}) \times 100}{\text{Shareholders' equity} + \text{non-controlling interest}}$$

### Earnings per share

$$\frac{(\text{Profit before taxes and non-controlling interest} - \text{taxes} - \text{non-controlling interest})}{\text{Adjusted average number of shares during the financial year}}$$

### Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$$