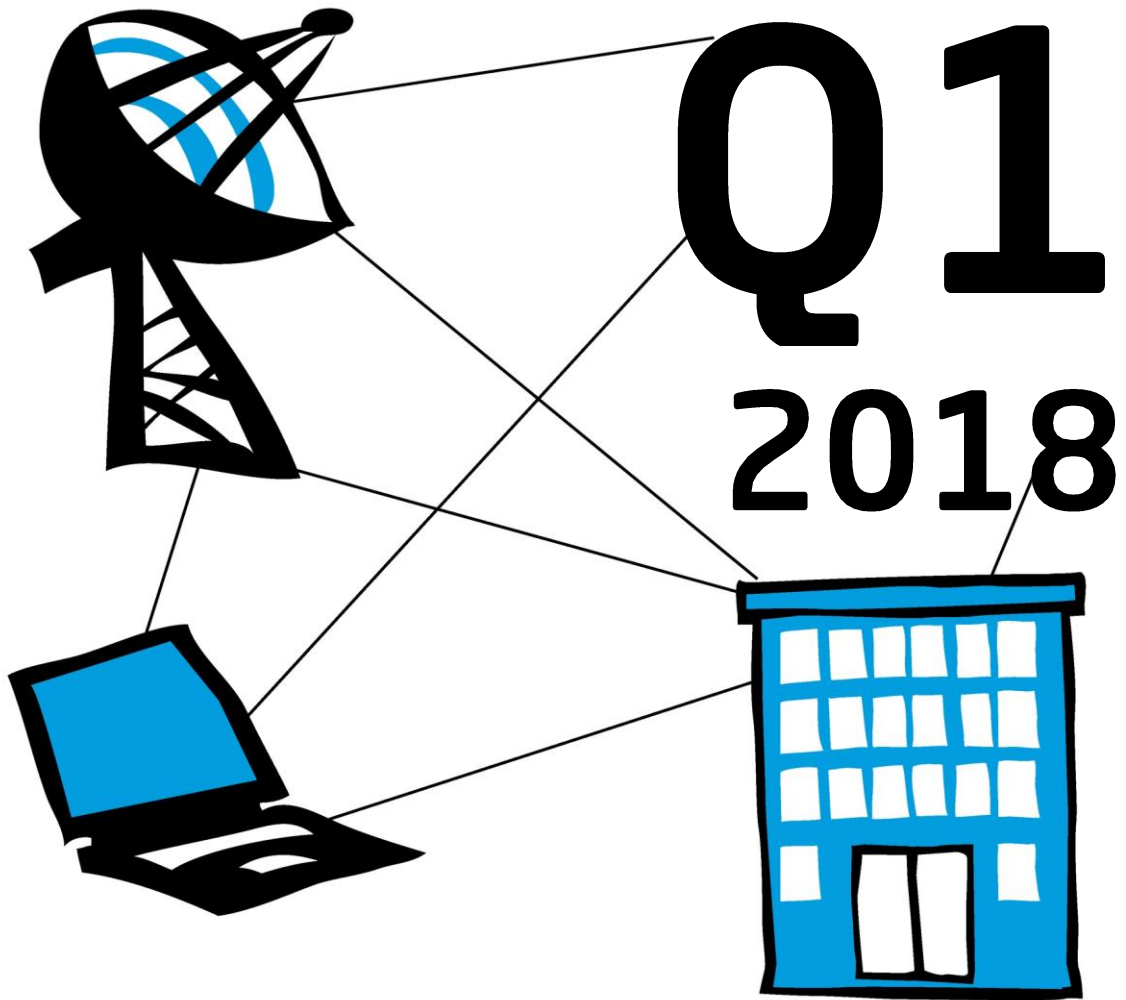


Interim Report January–March 2018



**Year 2018 got off  
to a good start**

ETTEPLAN Oyj Interim Report May 3, 2018 at 1:00 pm

## **ETTEPLAN Q1 2018: Year 2018 got off to a good start**

### **Review period January-March 2018**

- The Group's revenue growth was 7.6 per cent and was EUR 59.0 million (1-3/2017: EUR 54.8 million). At comparable exchange rates, growth was 8.9 per cent.
- Organic revenue growth was 6.2 per cent. At comparable exchange rates, organic growth was 7.5 per cent.
- EBIT from business operations\* improved and amounted to EUR 4.9 (4.3) million or 8.3 (7.9) per cent of revenue. EBIT from business operations included exceptional items with a combined negative effect of EUR 0.2 (0.4) million.
- Operating profit (EBIT) was EUR 4.4 (3.8) million or 7.5 (7.0) per cent of revenue.
- The profit for the review period was EUR 3.3 (2.9) million.
- Operating cash flow improved and was EUR 3.3 (1.9) million.
- Undiluted earnings per share were EUR 0.13 (0.12).
- The number of personnel increased by 9.1 per cent and the Group had 2,868 (2,628) employees at the end of the review period.
- The Annual General Meeting approved the Board of Directors' dividend proposal. A dividend of EUR 0.23 (0.16) per share was paid on April 16, 2018.
- Etteplan revises its financial guidance: we expect the revenue and operating profit for the year 2018 to grow clearly compared to 2017.

*\* EBIT from business operations is an alternative performance measure that is presented because it reflects the Company's operational performance better than operating profit (EBIT). EBIT from business operations does not include the amortization of fair value adjustments at acquisitions or premeasurements of contingent considerations. More information on page 17.*

### **Market outlook 2018**

The most important factor affecting Etteplan's business is the global development of the machinery and metal industry. Our business environment is currently developing favorably in all market areas. The development of the Central European markets is expected to remain unchanged. The favorable situation in the Swedish market is expected to continue. The market situation in Finland is good. In Asia, the growth of the service market is expected to continue.

### **Financial guidance 2018, updated on May 3, 2018**

We expect the revenue and operating profit for the year 2018 to grow clearly compared to 2017.

### **Previous financial guidance 2018, updated on February 8, 2018**

We expect the revenue and operating profit for the year 2018 to grow compared to 2017.

## Key figures

(EUR 1,000)	1-3/2018	1-3/2017	1-12/2017
Revenue	58,964	54,802	214,768
EBIT from business operations	4,871 (8.3 % )	4,329 (7.9 % )	17,163 (8.0 % )
Operating profit (EBIT)	4,415 (7.5 % )	3,827 (7.0 % )	15,484 (7.2 % )
Basic earnings per share, EUR	0.13	0.12	0.47
Equity ratio, %	43.0	42.1	40.7
Operating cash flow	3,278	1,904	18,254
ROCE, %	20.6	18.1	17.8
Personnel at end of the period	2,868	2,628	2,802

### President and CEO Juha Näkki:

The year 2018 got off to a good start overall. In Europe, the demand situation remained good in all of our market areas and the positive development of the Chinese market continued. Our revenue grew and our profitability improved year-on-year. Also the good development of our cash flow continued.

The development of the Engineering Services service area was excellent and profitability improved clearly, boosted by strong demand. The share of Managed Services declined slightly in the service area as customers were buying more individual resources in the good market environment.

The profitability of the Embedded Systems and IoT service area was still short of our expectations. We have taken measures to improve the efficiency of the business and we started to see results of these measures towards the end of the review period. The share of Managed Services declined due to measures directed at the project business as well as customers buying more individual resources. The service area's profitability nevertheless improved from the previous quarter, and we expect the positive development to continue. We acquired Koodain Solutions Oy, which supports the development of the service area.

The growth of the Technical documentation service area continued, but the service area was burdened by further delays in deliveries for a significant project as well as challenges with certain customers in Germany. We are nevertheless seeing strong demand for our service solutions, which provides us with excellent growth opportunities.

Our business in China is in an interesting phase. Hours sold to the Chinese market grew by more than 40 per cent during the review period. After the end of the review period we received an order from a major state-owned Chinese corporation. With this deal we will expand our operations in China to Qingdao, in Shandong province. Until now, mainly the Western companies have used our services in China. When the market opens up to Chinese customers as well, the potential of the market multiplies. This offers an excellent ground for further growth and we will continue to invest in China.

The prevailing political situation has increased uncertainty in the markets to some extent. However, we expect the favorable demand situation to continue and, buoyed by the positive development of our business, we are updating our financial guidance for 2018: we expect revenue and operating profit to grow clearly compared to 2017.

## **Operating environment**

Etteplan's business is affected by global megatrends as well as industry-specific developments. The Internet of Things, digitalization, requirements concerning environmentally friendly products and shorter product life cycles are creating a need for intelligent and efficient engineering solutions in all industrial sectors. Companies continue to direct their investments to these areas, which creates opportunities for operators in the engineering industry. The continued trend of service outsourcing had a positive effect on the industry's development. The trend of centralizing service purchasing continued, presenting growth opportunities for global engineering companies.

The most important factor in Etteplan's development is the global development of the machinery and metal industry. Our operating environment developed favorably and the market situation was good in all of our market areas.

There were no significant changes in the industry-specific demand for our services in the first quarter of the year, but customer-specific differences were substantial. Activity in the mining industry continued to increase. Demand in the paper industry remained strong. Demand among lifting and hoisting equipment manufacturers remained at a good level on average. Demand in the energy and power transmission industry continued at a relatively good level. Demand among forest industry equipment manufacturers remained at a good level. Demand from aerospace and defense equipment manufacturers was at a good level. In the transportation and vehicle industry, good demand for testing and analysis services requiring special expertise continued. Demand in the ICT industry has improved slightly from the end of the previous year.

Market development was positive in all of Etteplan's main markets. Competition for employees in the good market situation and the lower availability of specialized experts in certain areas affected the development of the sector as a whole in all market areas. The prevailing political situation has increased uncertainty in the markets to some extent.

In Finland, the general market demand was good. The orders received and backlog of companies in the technology industry remained at a high level. In January-March 2018 the value of new orders was 20 per cent less than in the previous quarter, but 17 per cent more than in the corresponding period in 2017. The total revenue of companies in the technology industry grew by 9 per cent in 2017 compared to the previous year, and in January 2018 three per cent compared to 2017.

Based on the development of orders in the past few months, the total revenue of companies in the technology industry is estimated to be higher this spring and summer than at the corresponding time last year, but based on the report by Technology Industries of Finland the revenue growth is, however, showing signs of a slowdown. The number of orders received by Etteplan's customer base in January-March was at a higher level, on average, than in October-November.

In Sweden, market demand remained at a very good level. In Germany, the Netherlands and Poland, the demand for engineering services remained at a good level.

In China, demand was at a good level. Demand was high particularly in automated production systems and robotics. The opening up of the service market continued, presenting growth opportunities for operators in the engineering industry.

## **Revenue**

Etteplan's revenue grew by 7.6 per cent in January-March and amounted to EUR 59.0 million (1-3/2017: EUR 54.8 million). Revenue increased by 8.9 per cent at comparable exchange rates. Organic growth was 6.2 (14.9) per cent. At comparable exchange rates, organic growth was 7.5 per cent.

Etteplan's strong organic growth continued in the first quarter thanks to the favorable overall market situation. Growth was supported by Etteplan's service offering and strong market position. The timing of Easter decreased the amount of working days compared to the same period last year.

Revenue growth continued to be slowed down by the challenges of the Embedded Systems and IoT service area's project business as well as a delay in a significant project delivery in technical documentation.

Etteplan's business is subject to periodic fluctuation. The periodic fluctuation is affected by the number of working days, holiday seasons and the timing of product development and investment projects in customer companies mainly in the spring and the latter part of the year. The revenue in the third quarter is typically lower than that of other quarters.

The revenue of acquired companies is not included in organic growth of revenue for the 12 months following the acquisition.

## **Result**

EBIT from business operations increased in January-March by 12.5 per cent and was EUR 4.9 million (1-3/2017: EUR 4.3 million), or 8.3 (7.9) per cent of revenue. Operating profit included exceptional items with a combined negative effect of EUR 0.2 (0.4) million. Operational costs increased by 7.3 (37.8) per cent.

The utilization rate was high, which improved Etteplan's profitability and that of the Engineering services service area in particular.

The project business of the Embedded Systems and IoT service area continued to be burdened by the challenges that began in 2017. The effect of the measures taken to improve the efficiency of the project business started to become evident, and the service area's profitability improved towards the end of the review period. In addition, profitability was weighed down by further delays in a significant project delivery in technical documentation and challenges related to certain technical documentation customers in Germany.

In January-March, operating profit (EBIT) improved by 15.4 per cent and amounted to EUR 4.4 million (1-3/2017: EUR 3.8 million), or 7.5 (7.0) per cent of revenue.

In January-March, financial expenses amounted to EUR 0.5 million (1-3/2017: EUR 0.4 million).

Profit before taxes for January-March was EUR 4.3 million (1-3/2017: EUR 3.6 million). Taxes in the income statement amounted to 23.0 (20.5) per cent of the result before taxes. The amount of taxes was EUR 1.0 (0.7) million.

The profit for January-March was EUR 3.3 million (1-3/2017: EUR 2.9 million).

Undiluted earnings per share were EUR 0.13 (1-3/2017: EUR 0.12) in January-March. Equity per share was EUR 2.43 (March 31, 2017: EUR 2.26). Return on capital employed (ROCE) before taxes was 20.6 (18.1) per cent.

## **Financial position and cash flow**

The Group's cash and cash equivalents stood at EUR 9.0 million at the end of March (March 31, 2017: EUR 3.7 million). The Group's interest-bearing debt amounted to EUR 32.7 (34.0) million. The total of unused short-term credit facilities stood at EUR 8.7 (7.3) million.

Operating cash flow improved again significantly and was EUR 3.3 million in January-March (1-3/2017: EUR 1.9 million). Cash flow after investments was EUR 1.9 million (1-3/2017: EUR 0.4 million) in January-March. Cash flow improved further due to the optimization of working capital and a better distribution of customers' payment terms. Cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.

Total assets on March 31, 2018 were EUR 141.5 million (March 31, 2017: EUR 134.3 million). Goodwill on the balance sheet was EUR 58.9 (58.2) million.

At the end of March, the equity ratio was 43.0 per cent (March 31, 2017: 42.1 per cent).

### **Capital expenditure**

The Group's gross investments in January-March were EUR 2.2 million (1-3/2017: EUR 1.5 million). The gross investments mainly consisted of an acquisition, growth-related equipment purchases and license fees for engineering software.

### **Personnel**

The number of personnel increased by 9.1 per cent year-on-year and stood at 2,868 at the end of March 2018 (March 31, 2017: 2,628). The Group employed 2,855 people on average in January-March (1-3/2017: 2,596). International growth continued and, at the end of March, 1,021 people were employed by the Group outside of Finland (March 31, 2017: 875). A total of 8 employees were temporarily laid off at the end of March.

### **Business review**

The success of the outsourcing business and the significant acquisitions carried out in 2016 strengthen Etteplan's market position and support the Company's growth. The demand for Managed Services and services related to the digitalization of machinery and equipment remained at a good level.

The demand for Etteplan's services continued to develop favorably in all market areas. The lower availability of specialized experts in certain areas affected the development of our business. The demand for new product development and equipment engineering projects as well as plant engineering investments remained good. The demand situation in Finland remained at a good level. In Sweden, Etteplan strengthened its market position and business developed favorably. The demand for the Company's services remained good in the Netherlands, Germany and Poland.

Boosted by the improved market situation, the new offices opened in 2017 and the opening up of the service markets, the number of hours sold in the Chinese market increased by 41 per cent in January-March. After the end of the review period we received an order from a major state-owned Chinese corporation. With this deal we will expand our operations in China to Qingdao, in Shandong province.

Key accounts grew by 4.0 per cent in January-March compared to the corresponding period in 2017.

Etteplan's target is to achieve a share of 65 per cent of revenue for Managed Services by 2019. The growth in the share of Managed Services enhances Etteplan's capacity management and improves profitability.

The share of revenue represented by Managed Services was 53 per cent in January-March (1-3/2017: 57 per cent). The share of Managed Services decreased slightly year-on-year due to measures taken to improve the profitability of the project business in the Embedded Systems and IoT service area. A further factor was that in the good market environment our customers were buying more individual resources to ensure their deliveries.

The demand for our services related to the digitalization of machinery and equipment continued to develop well. Etteplan's customers are investing in digitalization and intelligent devices, which presents significant growth opportunities for the Company. Etteplan reinforced its software design expertise by acquiring the Finnish software development and technology consultancy company Koodain Solutions Oy. The acquisition is in line with Etteplan's growth strategy, which has at its heart organic growth and the strengthening of expertise through acquisitions.

Etteplan continued to develop its service solutions and related technology solutions. We strengthened our expertise in areas such as additive manufacturing, digital twin solutions and other digital technologies.

### Engineering services

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

(EUR 1,000)	1-3/2018	1-3/2017	Change to prev. year	1-12/2017
Revenue	33,643	31,060	8.3 %	120,868
EBIT from business operations	3,071	2,342	31.1 %	9,796
EBIT from business operations, %	9.1	7.5		8.1
Managed Services index	51	53		53

The share of Etteplan's revenue represented by Engineering Services in January-March was 57 per cent (1-3/2017: 57 per cent).

The service area's revenue increased by 8.3 per cent in January-March and amounted to EUR 33.6 million (1-3/2017: EUR 31.1 million).

The excellent development of the Engineering services service area continued in the first quarter of 2018, buoyed by the favorable market situation. Industrial investments remained at a good level: the demand for new product development and equipment engineering projects as well as plant engineering investments remained good.

In engineering services, EBIT from business operations in January-March was EUR 3.1 million (1-3/2017: EUR 2.3 million), or 9.1 (7.5) per cent of revenue. The good utilization rate improved profitability.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 51 per cent in January-March (1-3/2017: 53 per cent).

The utilization rate of Engineering services was generally at a good level in the first quarter of 2018.

## Embedded systems and IoT

Embedded systems and IoT refer to product development services and technology solutions that allow the controlling of machines and equipment and enable their digital connectivity as part of the Internet of Things. A common challenge faced by our customer is the need to develop a service based on a new business model that takes advantage of the opportunities presented by digitalization.

(EUR 1,000)	1-3/2018	1-3/2017	Change to prev. year	1-12/2017
Revenue	14,096	13,555	4.0 %	51,961
EBIT from business operations	1,120	1,331	-15.8 %	4,353
EBIT from business operations, %	7.9	9.8		8.4
Managed Services index	42	56		53

The share of Etteplan's revenue represented by Embedded systems and IoT was 24 per cent in January-March (1-3/2017: 25 per cent). The service area's revenue in January-March grew by 4.0 per cent, amounting to EUR 14.1 million (1-3/2017: EUR 13.6 million).

The demand situation in the service area is generally good in all business areas, but the reduced availability of competent professionals, particularly in the software business, slowed growth. In addition, the decline in the demand situation of certain customers in late 2017 continued to affect the development of revenue and profitability in the early part of the review period.

In Embedded Systems and IoT, EBIT from business operations declined year-on-year in January-March but increased compared to the final quarter of 2017. EBIT from business operations in January-March was EUR 1.1 million (1-3/2017: EUR 1.3 million), or 7.9 (9.8) per cent of revenue.

The challenges in the project business, which began in 2017, continued. The effect of the measures taken to improve the efficiency of the project business started to become evident, and the service area's profitability improved toward the end of the review period.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 42 per cent in January-March (1-3/2017: 56 per cent). MSI decreased slightly year-on-year due to measures taken to improve the profitability of the project business.

Etteplan reinforced its software design expertise on February 5, 2018, by acquiring Koodain Solutions Oy, a Finnish software development and technology consultancy company. Koodain, which specializes in Android software design and solutions, is included in Etteplan's figures as of February 1, 2018. Koodain Solutions' 11 experts were transferred to Etteplan as existing employees and cooperation with subcontractors also continues.

The utilization rate of the Embedded systems and IoT service area was at a satisfactory level in the first quarter of the year.



## Technical documentation

Technical documentation refers to the documentation of a product's technical attributes, such as manuals and service instructions for the users of a product, as well as related content management and distribution in print or digital form. For an industrial customer, technical documentation is typically a non-core operation that has a significant impact on the efficiency of the end customer's maintenance service operations.

(EUR 1,000)	1-3/2018	1-3/2017	Change to prev. year	1-12/2017
Revenue	11,213	10,123	10.8 %	41,796
EBIT from business operations	849	802	5.9 %	3,809
EBIT from business operations, %	7.6	7.9		9.1
Managed Services index	76	75		77

The share of Etteplan's revenue represented by technical documentation in January-March was 19 per cent (1-3/2017: 18 per cent).

The service area's revenue in January-March grew by 10.8 per cent, amounting to EUR 11.2 million (1-3/2017: EUR 10.1 million). The service area continued to develop well. Organic growth was strong due to the success of the outsourcing business. Further delays in a significant project delivery affected the development of revenue.

The technical documentation service area's EBIT from business operations in January-March was EUR 0.8 million (1-3/2017: EUR 0.8 million), or 7.6 (7.9) per cent of revenue. Profitability was weighed down by further delays in a significant project delivery in technical documentation and challenges related to certain customers in Germany.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 76 per cent in January-March (1-3/2017: 75 per cent).

The utilization rate of technical documentation was generally at a good level in the first quarter of 2018.

Etteplan signed a framework agreement with E.ON Energilösningar AB regarding the management of asset information and technical documentation of E.ON's new combined heat and power plant in Högbytorp, Bro in Sweden.

## GOVERNANCE

### Annual General Meeting

Etteplan Oyj's Annual General Meeting was held on April 5, 2018, at the Company's premises in Vantaa. 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 2017.

In accordance with the proposal of the Nomination and Remuneration Committee of the Board of Directors, the Annual General Meeting resolved that the Board of Directors shall consist of six members. In accordance with the proposal of the Nomination and Remuneration Committee of the Board of Directors, the Annual General Meeting re-elected **Cristina Andersson, Matti Huttunen, Robert Ingman, Leena Saarinen, Mikko Tepponen** and **Patrick von Essen** as members of the Board of Directors.

KPMG Oy Ab, Authorized Public Accountants, with Authorized Public Accountant **Ari Eskelinen** as the main responsible auditor. Certified Auditor **Olli Wesamaa** was elected as the other auditor. The auditors' fees were resolved to be paid according to invoices approved by the Company.

#### **Board authorization**

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 OMX 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 also be used for carrying out the 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, 2018 and ending on October 5, 2019. The authorization replaces the corresponding previous authorization.

#### **Shares**

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

The Company's share capital on December 31, 2017 was EUR 5,000,000.00, and the total number of shares was 24,771,492. The Company has one series of shares. All shares confer an equal right to a dividend and the Company's funds.

The number of Etteplan Oyj shares traded during the review period was 291,435 (1-3/2017: 739,979), for a total value of EUR 2.3 (4.8) million. The share price low was EUR 7.20, the high EUR 9.14, the average EUR 7.87 and the closing price EUR 7.76. Market capitalization on March 31, 2018, was EUR 191.78 (171.93) million.

#### **Treasury shares**

Etteplan Oyj's Board of Directors decided on December 19, 2017 to initiate a share repurchase program of Etteplan's own shares in accordance with the authorization given to it by the Annual General Meeting on April 4, 2017. The shares will be repurchased for use in fulfilling obligations pertaining to the share-based incentive plan for the Group's key personnel.

The repurchasing of shares began on January 2, 2018, and it will end on June 30, 2018, at the latest. The number of repurchased shares will not exceed 100,000 shares and the corresponding number of voting rights, which corresponds to approximately 0.4 per cent of the current total number of Etteplan's shares. A maximum sum of EUR 890,000 can be spent on the repurchase program.

The Company held 58,139 of its own shares on March 31, 2018 (March 31, 2017: 209,629), which corresponds to 0.23 per cent of all shares and voting rights (March 31, 2017: 0.85).

### **Incentive plan for key personnel**

The Board of Directors of Etteplan Oyj decided on May 31, 2017, to establish a new share-based incentive plan for the Group's key personnel. The incentive plan includes one earning period comprising calendar years 2017-2019. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). The potential reward will be paid partly in the Company's shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel. Approximately 20 people belong to the target group of the incentive plan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 260,000 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 and, therefore, the incentive plan will have no diluting effect on the value of the share.

### **Flaggings**

Etteplan Oyj received no flagging notices in January-March 2018.

### **Corporate Governance Statement, Remuneration Statement and statement of non-financial information**

Etteplan has published a Corporate Governance Statement, Remuneration Statement and statement of non-financial information separately from the Annual Report by the Board of Directors. The statements are available on Etteplan's website at <https://www.etteplan.com/investors/reports-presentations>

### **Operating risks and uncertainty factors**

Etteplan's financial results are exposed to a number of strategic, operational and financial risks. The uncertainties caused by the general economic development continue to constitute risks for Etteplan's business. 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 increased difficulties in recruiting professional staff, particularly in certain expert disciplines, continued to present a business risk.

Etteplan's risk management review was published on pages 80-83 of the Financial Review 2017.

**Financial information in 2018**

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

Half Year Financial Report 1-6/2018: Tuesday, August 14, 2018

Interim report 1-9/2018: Tuesday, October 30, 2018

Vantaa, May 3, 2018

Etteplan Oyj

Board of Directors

Additional information:

Juha Näkki, President and CEO, tel.: +358 10 307 2077

Outi Tornainen, SVP, Communications and Marketing, tel.: +358 10 307 3302

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-3/2018	1-3/2017	1-12/2017
<b>Revenue</b>	<b>58,964</b>	<b>54,802</b>	<b>214,768</b>
Other operating income	62	52	446
Materials and services	-5,173	-4,599	-20,429
Staff costs	-40,456	-38,167	-144,965
Other operating expenses	-7,686	-6,919	-29,021
Depreciation and amortization	-1,297	-1,341	-5,315
<b>Operating profit (EBIT)</b>	<b>4,415</b>	<b>3,827</b>	<b>15,484</b>
Financial income	352	168	538
Financial expenses	-507	-386	-1,277
<b>Profit before taxes</b>	<b>4,260</b>	<b>3,610</b>	<b>14,745</b>
Income taxes	-978	-742	-3,160
<b>Profit for the review period</b>	<b>3,282</b>	<b>2,868</b>	<b>11,586</b>
<b>Other comprehensive income, that may be reclassified to profit or loss</b>			
Currency translation differences	-1,178	126	-727
Change in fair value of investments available-for-sale	0	6	9
<b>Other comprehensive income, that will not be reclassified to profit or loss</b>			
Change in fair value of equity investments at fair value through other comprehensive income	7	0	0
<b>Other comprehensive income, net of tax</b>	<b>-1,171</b>	<b>132</b>	<b>-718</b>
<b>Total comprehensive income for the review period</b>	<b>2,111</b>	<b>3,000</b>	<b>10,868</b>
<b>Profit for the review period attributable to</b>			
Equity holders of the parent company	3,282	2,850	11,470
Non-controlling interest	0	18	115
	3,282	2,868	11,586
<b>Total comprehensive income for the review period attributable to</b>			
Equity holders of the parent company	2,111	2,983	10,759
Non-controlling interest	0	16	108
	2,111	3,000	10,868
<b>Earnings per share calculated from the profit attributable to equity holders of the parent company</b>			
Basic earnings per share, EUR	0.13	0.12	0.47
Diluted earnings per share, EUR	0.13	0.12	0.47

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	58,888	58,164	59,014
Other intangible assets	17,602	18,193	17,875
Tangible assets	3,793	2,940	3,524
Investments available-for-sale	0	687	691
Investments at fair value through other comprehensive income	699	0	0
Other non-current receivables	88	87	88
Deferred tax assets	108	413	79
<b>Non-current assets, total</b>	<b>81,179</b>	<b>80,485</b>	<b>81,270</b>
<b>Current assets</b>			
Inventory	275	358	250
Work in progress	23,090	24,170	19,246
Trade and other receivables	27,927	25,344	33,260
Current tax assets	22	194	326
Cash and cash equivalents	8,968	3,728	10,074
<b>Current assets, total</b>	<b>60,281</b>	<b>53,794</b>	<b>63,157</b>
<b>TOTAL ASSETS</b>	<b>141,460</b>	<b>134,279</b>	<b>144,427</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	18,524	18,607	18,524
Own shares	-172	-386	-80
Cumulative translation adjustment	-3,879	-1,854	-2,701
Other reserves	235	225	228
Retained earnings	30,251	24,460	18,780
Profit for the review period	3,282	2,850	11,470
<b>Capital attributable to equity holders of the parent company, total</b>	<b>59,941</b>	<b>55,603</b>	<b>57,923</b>
Non-controlling interest	0	181	0
<b>Equity, total</b>	<b>59,941</b>	<b>55,784</b>	<b>57,923</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	3,548	3,184	3,442
Interest-bearing liabilities	18,147	22,611	19,634
Other non-current liabilities	1,005	53	700
<b>Non-current liabilities, total</b>	<b>22,700</b>	<b>25,848</b>	<b>23,776</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	14,504	11,424	15,329
Advances received	1,985	1,623	2,057
Trade and other payables	41,469	38,484	43,667
Current income tax liabilities	861	1,117	1,675
<b>Current liabilities, total</b>	<b>58,819</b>	<b>52,648</b>	<b>62,728</b>
<b>Liabilities, total</b>	<b>81,519</b>	<b>78,495</b>	<b>86,504</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>141,460</b>	<b>134,279</b>	<b>144,427</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1,000)	1-3/2018	1-3/2017	1-12/2017
<b>Operating cash flow</b>			
Cash receipts from customers	60,472	53,721	211,280
Operating expenses paid	-55,481	-50,779	-189,949
Operating cash flow before financial items and taxes	4,991	2,942	21,331
Interest and payment paid for financial expenses	-276	-225	-773
Interest received	10	10	55
Income taxes paid	-1,447	-822	-2,359
<b>Operating cash flow (A)</b>	<b>3,278</b>	<b>1,904</b>	<b>18,254</b>
<b>Investing cash flow</b>			
Purchase of tangible and intangible assets	-368	-397	-2,105
Acquisition of subsidiaries, net of cash acquired	-972	-1,093	-3,108
Proceeds from sale of tangible and intangible assets	0	4	26
Proceeds from sale of investments	1	0	0
<b>Investing cash flow (B)</b>	<b>-1,339</b>	<b>-1,486</b>	<b>-5,187</b>
<b>Cash flow after investments (A+B)</b>	<b>1,939</b>	<b>418</b>	<b>13,067</b>
<b>Financing cash flow</b>			
Purchase of own shares	-184	0	-262
Acquisition of non-controlling interest	0	0	-1,696
Issue of new current loans	116	757	607
Repayments of current loans	-2,593	-1,708	-5,855
Issue of new non-current loans	0	0	5,000
Repayments of non-current loans	0	-109	0
Payment of finance lease liabilities	-423	-375	-1,642
Dividend paid and other profit distribution	0	0	-3,930
<b>Financing cash flow (C)</b>	<b>-3,085</b>	<b>-1,436</b>	<b>-7,777</b>
<b>Variation in cash (A+B+C) increase (+) / decrease (-)</b>	<b>-1,146</b>	<b>-1,018</b>	<b>5,290</b>
Assets at the beginning of the period	10,074	4,750	4,750
Exchange gains or losses on cash and cash equivalents	40	-4	35
Assets at the end of the period	8,968	3,728	10,074

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Legends for table columns

A) Share Capital	F) Cumulative Translation Adjustment
B) Share Premium Account	G) Retained Earnings
C) Unrestricted Equity Fund	H) Capital attributable to equity holders of the parent company, total
D) Other Reserves	I) Non-controlling Interest
E) Own Shares	J) Equity total

(EUR 1,000)	A	B	C	D	E	F	G	H	I	J
<b>Equity Jan 1, 2017</b>	<b>5,000</b>	<b>6,701</b>	<b>18,524</b>	<b>219</b>	<b>-386</b>	<b>-1,981</b>	<b>24,535</b>	<b>52,613</b>	<b>165</b>	<b>52,777</b>
<b>Comprehensive income</b>										
Profit for the review period	0	0	0	0	0	0	11,470	11,470	115	11,586
Fair value reserve, available-for-sale assets	0	0	0	9	0	0	0	9	0	9
Cumulative translation adjustment	0	0	0	0	0	-720	0	-720	-7	-727
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>-720</b>	<b>11,470</b>	<b>10,759</b>	<b>108</b>	<b>10,868</b>
<b>Transactions with owners</b>										
Dividends	0	0	0	0	0	0	-3,930	-3,930	0	-3,930
Acquisition of NCI without change in control	0	0	0	0	0	0	-1,671	-1,671	-273	-1,945
Purchase of own shares	0	0	0	0	-262	0	0	-262	0	-262
Share-based incentive plan	0	0	0	0	567	0	-154	413	0	413
<b>Transactions with owners, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>306</b>	<b>0</b>	<b>-5,755</b>	<b>-5,449</b>	<b>-273</b>	<b>-5,723</b>
<b>Equity Dec 31, 2017</b>	<b>5,000</b>	<b>6,701</b>	<b>18,524</b>	<b>228</b>	<b>-80</b>	<b>-2,701</b>	<b>30,251</b>	<b>57,923</b>	<b>0</b>	<b>57,923</b>

(EUR 1,000)	A	B	C	D	E	F	G	H	I	J
<b>Equity Jan 1, 2018</b>	<b>5,000</b>	<b>6,701</b>	<b>18,524</b>	<b>228</b>	<b>-80</b>	<b>-2,701</b>	<b>30,251</b>	<b>57,923</b>	<b>0</b>	<b>57,923</b>
<b>Comprehensive income</b>										
Profit for the review period	0	0	0	0	0	0	3,282	3,282	0	3,282
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	7	0	0	0	7	0	7
Cumulative translation adjustment	0	0	0	0	0	-1,178	0	-1,178	0	-1,178
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>-1,178</b>	<b>3,282</b>	<b>2,111</b>	<b>0</b>	<b>2,111</b>
<b>Transactions with owners</b>										
Purchase of own shares	0	0	0	0	-184	0	0	-184	0	-184
Share-based incentive plan	0	0	0	0	92	0	0	92	0	92
<b>Transactions with owners, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-92</b>	<b>0</b>	<b>0</b>	<b>-92</b>	<b>0</b>	<b>-92</b>
<b>Equity Mar 31, 2018</b>	<b>5,000</b>	<b>6,701</b>	<b>18,524</b>	<b>235</b>	<b>-172</b>	<b>-3,879</b>	<b>33,533</b>	<b>59,941</b>	<b>0</b>	<b>59,941</b>

(EUR 1,000)	A	B	C	D	E	F	G	H	I	J
<b>Equity Jan 1, 2017</b>	<b>5,000</b>	<b>6,701</b>	<b>18,524</b>	<b>219</b>	<b>-386</b>	<b>-1,981</b>	<b>24,535</b>	<b>52,613</b>	<b>165</b>	<b>52,777</b>
<b>Comprehensive income</b>										
Profit for the review period	0	0	0	0	0	0	2,850	2,850	18	2,868
Fair value reserve available-for-sale assets	0	0	0	6	0	0	0	6	0	6
Cumulative translation adjustment	0	0	0	0	0	127	0	127	-1	126
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>127</b>	<b>2,850</b>	<b>2,983</b>	<b>16</b>	<b>3,000</b>
<b>Transactions with owners</b>										
Share-based incentive plan	0	0	83	0	0	0	-76	7	0	7
<b>Transactions with owners, total</b>	<b>0</b>	<b>0</b>	<b>83</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-76</b>	<b>7</b>	<b>0</b>	<b>7</b>
<b>Equity Mar 31, 2017</b>	<b>5,000</b>	<b>6,701</b>	<b>18,607</b>	<b>225</b>	<b>-386</b>	<b>-1,854</b>	<b>27,310</b>	<b>55,603</b>	<b>181</b>	<b>55,784</b>



## **NOTES**

### **General**

Etteplan provides industrial equipment and plant engineering, embedded systems, IoT (Internet of Things), and technical documentation solutions to 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 2017, Etteplan had a turnover of approximately EUR 215 million. The company currently has over 2,800 professionals in Finland, Sweden, the Netherlands, Germany, Poland and China. Etteplan's shares are listed on Nasdaq Helsinki Ltd under the ETTE ticker.

The Etteplan Oyj Board of Directors has approved this interim report for publication at its meeting on May 3, 2018.

### **Basis for preparation**

Figures are presented in thousands or millions of euros as described in connection with each figure. The figures are rounded from exact figures and consequently, the sum of figures presented individually can deviate from the presented sum figure. Key figures have been calculated using exact figures.

This interim report has not been prepared in accordance with all the requirements in IAS 34 (Interim Financial Reporting) standard. The Interim Report has been prepared according to the recognition and valuation principles presented in the 2017 Annual Financial Statements, except for the following changes in standards, effective from January 1, 2018 onwards:

IFRS 15, 'Revenue from contracts with customers' establishes principles for recognizing revenue from the entity's contracts with customers and for the related disclosures. Recognition of revenue can happen over time or at a certain point in time depending on when a customer obtains control of a good or service. The Group has implemented the standard fully retrospectively on January 1, 2018.

The implementation of the new standard does not have an effect neither on the amount nor timing of revenue recognition. The Group's revenue is mainly consistent of services, the revenue for which is recognized over time as the service is being performed. Identifying separate performance obligations in customer agreements and recognizing revenue according to standalone transaction prices does not affect the timing of revenue recognition. There are no material financing components involved in the Group's transaction prices. The Group's previous accounting policies regarding accounting for variable considerations have been in line with IFRS 15. The Group has not identified incremental costs of obtaining a contract or costs to fulfill a contract to be activated. Contract assets are presented in the statement of financial position in line item 'Work in progress' and contract liabilities in line item 'Advances received'.

IFRS 9 'Financial Instruments' includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets.

The Group has implemented the standard on January 1, 2018, but does not present restated comparatives. The Group uses the simplified approach included in the standard, under which the expected credit losses of receivables are measured over the entire lifetime of the receivables.

The implementation of the standard does not have a material impact on the Group's figures. Investments in listed and unlisted companies, previously classified as available-for-sale (AFS) under IFRS 39 are classified at fair value through other comprehensive income (FVTOCI) under IFRS 9. The main difference between AFS and FVTOCI is that gains and losses resulting from changes in the fair value of equity investments accounted for under FVTOCI are not recycled to the income statement upon impairment or disposal, with only the dividend income recognized in the income statement.

Hedge accounting principles have also been renewed in the new standard. The Group does not have derivatives or hedged items, the accounting for which would have been changed.

Future changes in standards, which are published, but not effective yet in 2018 will not have material impact on the Group's figures, except for the following:

IFRS 16 'Leases' -standard replaces the current IAS 17 -standard requires the lessees to recognize the lease agreements on the balance sheet as a right-of-use assets and related lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, which relate to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5,000 or less. The new standard will have a material effect on the Group's balance sheet and key figures, as at the moment the rental agreements for the Groups offices are classified as operating leases, which are not recognized in the balance sheet. The Group will adopt the standard on January 1, 2019.

### **Non-IFRS measures**

The Group's key non-IFRS performance metric is EBIT from business operations, which is presented, because it reflects the Company's operational performance better than Operating profit (EBIT). EBIT from business operations does not include amortization of fair value adjustments at acquisitions or premeasurements of contingent considerations. The table below shows a reconciliation between EBIT from business operations and Operating profit (EBIT).

<b>(EUR 1,000)</b>	<b>1-3/2018</b>	<b>1-3/2017</b>	<b>1-12/2017</b>
<b>EBIT</b>	4,415	3,827	15,484
Amortization on fair value adjustments at acquisitions	473	517	1,903
Premeasurements of contingent considerations	-18	-15	-224
<b>EBIT from business operations</b>	<b>4,871</b>	<b>4,329</b>	<b>17,163</b>

In addition, the Group presents non-IFRS measure organic growth, where the growth created by companies acquired within 12 months of the reporting period is deducted from the total growth of revenue.

Formulas for key figures (IFRS and Non-IFRS) are presented at the end of this release.

### **Accounting policies requiring management's judgment and key sources of uncertainty concerning estimates**

This release includes forward-looking statements, which are based on the current expectations, known factors, decisions and plans of the management. The management believes that the expectations reflected in such forward looking statements are reasonable. However, outcomes could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions as well as changes in the regulatory environment and fluctuations in exchange rates. The key sources of estimation uncer-

tainty were the same as those that applied to the 2017 consolidated financial statements. Management pays special attention to fair value measurements in connection with acquisitions and revenue recognition for fixed price projects.

The Group's management may have to make judgement-based decisions relating to the choice and application of accounting policies. This particularly concerns situations, where effective IFRS standards allow alternative valuation, recording and presenting manners. The Group's management has exercised judgment in implementing the new IFRS standards effective in 2018. Management judgment is exercised, among other things, in determining timing of the transfer of control when recognizing revenue under IFRS 15 and in determining the amount of expected credit losses under IFRS 9.

## Key figures

(EUR 1,000)	1-3/2018	1-3/2017	1-12/2017	Change to prev. year
Revenue	58,964	54,802	214,768	7.6 %
EBIT from business operations	4,871	4,329	17,163	12.5 %
EBIT from business operations, %	8.3	7.9	8.0	
Operating profit (EBIT)	4,415	3,827	15,484	15.4 %
EBIT, %	7.5	7.0	7.2	
Profit before taxes	4,260	3,610	14,745	18.0 %
Profit before taxes, %	7.2	6.6	6.9	
Return on equity, %	22.3	21.1	20.9	
ROCE, %	20.6	18.1	17.8	
Equity ratio, %	43.0	42.1	40.7	
Gross interest-bearing debt	32,651	34,035	34,963	-4.1 %
Net gearing, %	39.5	54.3	43.0	
Balance sheet, total	141,460	134,279	144,427	5.3 %
Gross investments	2,216	1,530	7,589	44.8 %
Operating cash flow	3,278	1,904	18,254	72.1 %
Basic earnings per share, EUR	0.13	0.12	0.47	8.3 %
Diluted earnings per share, EUR	0.13	0.12	0.47	8.3 %
Equity per share, EUR	2.43	2.26	2.34	7.1 %
Personnel, average	2,855	2,596	2,711	10.0 %
Personnel at end of the period	2,868	2,628	2,802	9.1 %

## Revenue

### Disaggregation of revenue

In the table below, revenue is disaggregated by primary geographical market and timing of revenue.

<b>(EUR 1,000)</b>	<b>1-3/2018</b>	<b>1-3/2017</b>	<b>1-12/2017</b>
<b>Primary geographical location</b>			
Finland	39,900	38,466	146,506
Sweden	13,298	11,542	45,512
China	1,554	1,140	5,688
Central Europe	4,212	3,654	17,062
<b>Total</b>	<b>58,964</b>	<b>54,802</b>	<b>214,768</b>
<b>Timing of revenue recognition</b>			
Transferred at a point in time	397	315	1,588
Transferred over time	58,568	54,487	213,180
<b>Total</b>	<b>58,964</b>	<b>54,802</b>	<b>214,768</b>

### Exceptional items

Items that are material either because of their size or their nature, and that are non-recurring, are considered as exceptional items and are presented within the line items to which they best relate. The line items in which they are included in the income statement are specified in the table below.

<b>(EUR 1,000)</b>	<b>1-3/2018</b>	<b>1-3/2017</b>	<b>1-12/2017</b>
Other operating income	18	15	224
Staff costs and other operating expenses	-177	-383	-660
<b>Operating profit (EBIT)</b>	<b>-159</b>	<b>-368</b>	<b>-436</b>

## Formulas for key figures

### Organic growth

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

### EBIT from business operations

Operating profit (EBIT) + amortization on fair value adjustments at acquisitions +/- premeasurements of contingent considerations

### Return on equity (ROE)

$$\frac{\text{Profit for the review period} \times 100}{\text{(Equity, total) average}}$$

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

$$\frac{(\text{Profit before taxes} + \text{Financial expenses}) \times 100}{\text{(Total equity and liabilities} - \text{non-interest bearing liabilities) average}}$$

### Equity ratio, %

$$\frac{\text{Equity, total} \times 100}{\text{Total equity and liabilities} - \text{Advances received}}$$

### Net gearing, %

$$\frac{(\text{Interest-bearing liabilities} - \text{Cash and cash equivalents}) \times 100}{\text{Equity, total}}$$

### Earnings per share

$$\frac{\text{Profit for the review period attributable to equity holders of the parent company} \times 100}{\text{Adjusted average number of shares during the review period}}$$

### Equity per share

$$\frac{\text{Equity, total}}{\text{Adjusted number of shares at the end of the review period}}$$