

Q1

2021

INTERIM REPORT
JANUARY-MARCH

**Back to growth with good
profitability**

ETTEPLAN Oyj Interim Report May 5, 2021, at 1:00 pm

ETTEPLAN Q1 2021: Back to growth with good profitability

Key points January-March 2021

- The Group's revenue increased by 2.3 per cent and was EUR 73.0 million (1-3/2020: EUR 71.3 million). At comparable exchange rates, revenue increased by 1.3 per cent.
- Operating profit (EBITA) improved by 16.7 per cent and was EUR 7.7 (6.6) million, or 10.5 (9.2) per cent of revenue.
- Operating profit (EBIT) improved by 16.6 per cent and was EUR 6.6 (5.7) million, or 9.0 (7.9) per cent of revenue.
- Operating cash flow was EUR 1.3 (2.2) million.
- Basic earnings per share were EUR 0.21 (0.17).
- Etteplan updates its market outlook and financial guidance for 2021. Revenue in 2021 is estimated to be EUR 285-305 million, and operating profit (EBIT) in 2021 is estimated to be EUR 25-28 million.

Etteplan also monitors non-IFRS performance measures, because they provide additional information on Etteplan's development. More information on performance measures is provided on pages 20-21.

Key figures

EUR 1,000	1-3/2021	1-3/2020	1-12/2020
Revenue	72,950	71,292	259,702
Operating profit (EBITA)	7,679	6,580	26,172
EBITA, %	10.5	9.2	10.1
Operating profit (EBIT)	6,594	5,656	22,380
EBIT, %	9.0	7.9	8.6
Basic earnings per share, EUR	0.21	0.17	0.69
Equity ratio, %	42.5	40.6	40.5
Operating cash flow	1,290	2,246	37,997
ROCE, %	18.0	18.4	16.0
Personnel at end of the period	3,331	3,402	3,267

President and CEO Juha Näkki:

The year 2021 started well even though we began the year at a disadvantage compared to the relatively normal comparison period. In the beginning of January 2021 we had 165 temporary laid off employees and the number of employees was approximately 5 per cent lower than a year ago. Nevertheless, we were able to turn our revenue back to growth and our profitability exceeded again our target level, improving clearly compared to the comparison period.

The market situation continued to improve in all of our operating countries and service areas as COVID-19 vaccinations progressed. The pandemic and the related restrictions are still reflected in demand to some extent, but orders received by our customers are growing and investments in product development and production increased. The clearest difference to the market situation in the comparison period was in China, where the worst stage of the pandemic took place during the comparison period. The demand situation in China is very good at the moment. The number of hours sold grew by 121 per cent year-on-year.

Our business developed well in all of our service areas and profitability exceeded our target level in all three service areas due to good operational efficiency. The demand for our service solutions was at a good level. In the Engineering Solutions and Technical Documentation Solutions service areas, we performed particularly well in outsourcing solutions as customers sought flexibility and efficiency in their operations. We signed several outsourcing agreements. In the Software and Embedded Solutions service areas, some projects were slightly slow to get started after the turn of the year, but the demand for digitalization solutions was strong in general. At the beginning of the year, we also started our business in Denmark in this service area by acquiring the software company TekPartner. TekPartner's partner-focused business model is an excellent fit with Etteplan's solution-oriented strategy. It provides a good foundation for growth and selling all of Etteplan's services in the Danish market in the future.

As the market situation has improved, we have resumed our investments in the implementation of our strategy and the development of our service offering. For example, during the review period, we introduced Etteplan HowTo, a digital solution for the creation and interactive distribution of documentation for e.g. mobile devices. The solution has attracted widespread interest among our customers. The service has already been sold to the first customer and we have several POC (proof of concept) projects under way. We also work continuously on developing other new service solutions to increase the value we can create for our customers in the future.

While the pandemic will still influence our business at least in the second quarter, we believe that business will gradually settle into a new normal thereafter. We estimate that the market situation will improve throughout the year. This means that the strong first quarter puts us in a good position for the remainder of the year, and we are increasing our financial guidance accordingly.

Market outlook 2021

The most important factor affecting Etteplan's business is the global development of the machinery and metal industry. The prolongation of the global COVID-19 pandemic continues to have an impact on the global economy and market situation. As vaccinations progress, orders received by customers have turned to growth and investments in product development and production have accelerated. This has improved the demand situation and we estimate that the positive trend will continue during the year.

Updated financial guidance 2021

Etteplan changed its financial guidance practice at the beginning of 2021. Going forward, Etteplan issues guidance for revenue and operating profit (EBIT) as a numerical range: Etteplan updates its previous guidance and issues the following estimates:

Revenue in 2021 is estimated to be EUR 285-305 million, and operating profit (EBIT) in 2021 is estimated to be EUR 25-28 million.

Previous financial guidance 2021 (February 11, 2021)

Revenue in 2021 is estimated to be EUR 280-300 million.
Operating profit (EBIT) in 2021 is estimated to be EUR 23-26 million.

Operating environment

The majority of Etteplan's customers are industrial companies, with several global megatrends currently influencing the development of their operating environment. Structural changes in the global economy, disruptions in international trade, urbanization and climate change are all influencing companies, national economies and people's lives. In addition to these megatrends, the engineering industry is influenced primarily by three trends: digitalization, accelerating technological development and the lack of engineering resources. These trends are creating a need for intelligent and efficient engineering solutions in all indus-

trial sectors. The trend of centralizing service purchasing continues as customer demand becomes increasingly international, presenting growth opportunities for global engineering companies. The continued trend of service outsourcing has a positive effect on the industry's development and it supports Etteplan's growth. As the market situation improves, competition for employees and specialized experts in certain areas is becoming tighter and affecting the development of the sector as a whole in all market areas.

The prolongation of the global COVID-19 pandemic continues to have an impact on the global economy and market situation. The most important factor affecting Etteplan's business is the global development of the machinery and metal industry. As vaccinations have progressed, orders received by customers have turned to growth and investments in product development and production have accelerated. This has improved the demand situation and we estimate that the positive trend will continue during the year.

Development of demand by customer industry

While the pandemic continues to affect demand in all customer industries, the progress of vaccinations has boosted demand. Customer-specific differences were again considerable in the review period. Demand in the Forest, Pulp and Paper industry was at a moderate level. Demand in the Energy industry was at a moderate level. Demand in the Mining industry has picked up and was at a good level. Demand in the Lifting and Hoisting industry was at a moderate level. Demand in the ICT industry remained good. In the Automotive and Transportation industry, demand improved slightly from the previous weak level. Demand in the Chemical industry was at a good level.

Development of demand in Etteplan's operating countries

The general market demand in Finland continued the recovery that began in the final quarter of last year.

The value of new orders received by the companies in the technology industry in Finland decreased by 29 per cent in January-March 2021 compared to October-December 2020. The drop was due to the exceptionally good level of orders in the comparison period and should not, according to Technology Industries of Finland be seen as a negative turn. The value of new orders received by companies in the technology industry in January-March was five per cent higher than in the same period the previous year. In the end of March, the value of the order backlog was four per cent lower than in the end of December and five per cent higher than in March 2020. Based on the order development in the latter part of last year and early part of this year, it is estimated that the combined revenue of technology industry companies in Finland this year will be slightly higher than in the same time last year.

In Sweden and Denmark, demand developed favorably. In the Netherlands, Germany and Poland, the general market demand continued to develop favorably. The pandemic, nevertheless, creates continued uncertainty.

In China, the pandemic did not affect demand in the first quarter, and demand was at a good level.

Revenue

Etteplan's revenue grew by 2.3 per cent in January-March and was EUR 73.0 (1-3/2020: EUR 71.3 million). Revenue increased by 1.3 per cent at comparable exchange rates. The organic decrease in revenue was 4.0 per cent. At comparable exchange rates, the decrease was 5.0 per cent. Revenue from key accounts declined by 6.8 per cent in January-March.

The pandemic had not yet affected Etteplan's business in the first quarter of 2020 in markets other than China. Consequently, the comparison period in this report was a nearly normal quarter. The pandemic continued to affect Etteplan's development in the review period, but the demand situation improved further as vaccinations progressed. We called temporarily laid off employees back to work and focused on new recruitment. Outsourcing and acquisitions had a positive effect on our revenue. The number of subcontractors also increased, particularly in the software business.

Etteplan's business is subject to periodic fluctuation due to the number of working days, holiday seasons and the timing of product development and investment projects in customer companies, which mainly take place 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 the organic growth of revenue for the 12 months following the acquisition. Tegema increased revenue starting from September 1, 2020, and TekPartner starting from January 1, 2021.

Result

The pandemic continued to influence demand and Etteplan's business, but the demand situation developed favorably. Profitability was again at a good level due to good operational efficiency and the temporary changes to the cost structure resulting from the pandemic. The pandemic has reduced travel-related expenses, for example. Operations are expected to settle into the new normal in the latter part of 2021.

Operating profit (EBITA) improved by 16.7 per cent in January-March and was EUR 7.7 (6.6) million, or 10.5 (9.2) per cent of revenue.

Operating profit (EBIT) improved by 16.6 per cent in January-March and was EUR 6.6 (5.7) million, or 9.0 (7.9) per cent of revenue.

The combined effect of non-recurring items on operating profit (EBITA) and operating profit (EBIT) in January-March was EUR 0.0 (-0.2) million.

Financial expenses amounted to EUR 0.4 (0.6) million in January-March.

Profit before taxes for January-March was EUR 6.5 (5.5) million. Taxes in the income statement amounted to 18.0 (23.8) per cent of the result before taxes. The amount of taxes was EUR 1.2 (1.3) million.

The profit for January-March was EUR 5.3 (4.2) million.

Basic earnings per share were EUR 0.21 (0.17) in January-March. Equity per share was EUR 3.69 (3.18) at the end of March. Return on capital employed (ROCE) before taxes was 18.0 (18.4) per cent in January-March.

Cash flow and financial position

Operating cash flow was EUR 1.3 (2.2) million in January-March.

Operating cash flow decreased year-on-year in the first quarter. Operating expenses increased faster than the cash flow from sales as Etteplan called temporarily laid off employees back to work and resumed development projects that had been suspended due to the pandemic. Consequently, the effect on cash flow was the opposite compared to the beginning of the pandemic.

Operating cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.

The Group's cash and cash equivalents stood at EUR 15.3 (11.9) million at the end of March.

The Group's interest-bearing debt amounted to EUR 62.2 (55.3) million. Debt increased due to the growth of lease liabilities related to relocations. Lease liabilities represented EUR 23.2 (17.5) million of interest-bearing liabilities.

The total of unused short-term credit facilities stood at EUR 14.1 (15.9) million.

Total assets on March 31, 2021, were EUR 219.5 (200.1) million. Goodwill on the balance sheet was EUR 86.8 (77.6) million.

At the end of March, the equity ratio was 42.5 (40.6) per cent.

Capital expenditure

The Group's gross investments in January-March were EUR 10.3 (5.5) million. The gross investments mainly consisted of acquisition-related items, an increase in lease liabilities and equipment purchases.

Personnel

The number of personnel increased by 2.0 per cent from the end of 2020. Compared to the end of March 2020, the number of personnel decreased by 2.1 per cent and stood at 3,331 employees (March 31, 2020: 3,402). The Group employed 3,322 (3,420) people on average in January-March. At the end of March, 1,409 (1,354) people were employed by the Group outside of Finland.

Approximately 85 per cent of Etteplan's personnel are still working remotely. Remote work will also increase at Etteplan in the future, and we have invested in the management and development of remote work.

Due to the pandemic, at most, 402 employees were temporarily laid off in 2020. At the end of the year, 165 employees were temporarily laid off. Part of the temporary layoffs were implemented as part-time layoffs. As the demand situation has improved at the end of the year and in the first quarter of 2021, we have called temporarily laid off employees back to work. A total of 69 employees were temporarily laid off at the end of March 2021 in Finland and Germany.

Business review

Etteplan published its renewed strategy, *Increasing value for customers*, and updated its financial targets in December 2019. Etteplan began preparations and planning related to the renewed strategy, but many projects were suspended due to attention being shifted to the COVID-19 pandemic. However, investments in the development of the service offering continued in the second half of 2020. Other projects related to the implementation of the strategy have also now been resumed, and we believe the renewed strategy will drive the success of the company also after the pandemic.

The key objective of the company's strategy is to create even higher value for customers and support them in the industrial change. The three key elements of our strategy are customer value, service solutions and success with people.

The most important focus areas of growth are the continuous development of service solutions, digitalization and international growth. Etteplan's target is to achieve revenue of EUR 500 million by 2024 and increase the share of revenue earned outside Finland to 50 per cent. The company targets an operating profit (EBITA) level of 10 per cent of revenue. A further target is to increase the share of revenue represented by Managed Services to 75 per cent.

The growth in the share of Managed Services enhances Etteplan's capacity management and improves profitability. The share of revenue represented by Managed Services improved in the first quarter and was 64 (59) per cent in January-March.

We continue the development of technology solutions as part of our service solutions. We are strengthening our expertise in areas such as additive manufacturing, digital twin solutions, artificial intelligence and other digital technologies.

Etteplan's customers are investing in digitalization and intelligent devices, which presents significant growth opportunities for the company. In recent years, Etteplan has also invested in digitalization and software development with the aim of expanding its service offering and competence capital in order to respond to the digitalization needs of customers. At the same time, we are investing in organic growth as well as the development of our own business and increasing its rate of digitalization.

Etteplan's goal is to grow internationally and provide solutions from all of the company's service areas in all of its market areas. In January-March, revenue accumulated outside Finland amounted to EUR 31.4 (26.3) million, or 43 (37) per cent of the Group's total revenue.

The development of the Chinese market was excellent, with the number of hours sold increasing by 121 per cent in January-March. The pandemic significantly slowed down growth during the early part of last year.

Acquisitions

In September 2020, Etteplan strengthened its production-related competences and know-how by acquiring Tegema in the Netherlands. Tegema, which employs some 100 people, provides production solutions, production cells and equipment. The acquisition was another step in Etteplan's international growth and also marked the start for engineering services in the Netherlands. Previously, Etteplan offered technical documentation services in the country. Tegema's integration into Etteplan has been slightly delayed from the original plans due to the pandemic.

In January 2021, Etteplan expanded its business in the Nordic region and opened up a new country, Denmark, by acquiring TekPartner, an engineering and IT company that specializes in electronics and software. Founded in 2009, TekPartner covers development of all core disciplines within embedded software, intelligent electronics, FPGA (field-programmable gate array) and IoT (Internet of Things). In 2019, TekPartner's revenue amounted to approximately EUR 8 million. TekPartner delivers its services through a combination of its own team of 19 highly qualified engineering professionals and a network of partners.

Development of the service areas

Engineering Solutions

Engineering Solutions 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	1-3/2021	1-3/2020	Change	1-12/2020
Revenue	41,398	41,332	0.2%	148,884
Operating profit (EBITA)	4,385	3,923	11.8%	14,679
EBITA, %	10.6	9.5		9.9
Managed Services index	63	56		59
Personnel at end of the period	1,955	1,986	-1.6%	1,922

The figures for Tegema, acquired in September 2020, are included in the Engineering Solutions service area's figures starting from September 1, 2020.

The share of Etteplan's revenue represented by Engineering Solutions in January-March was 57 (58) per cent.

The service area's revenue in January-March was at the previous year's level and amounted to EUR 41.4 (41.3) million.

The demand situation in the Engineering Solutions service area improved in the first quarter. We were successful in the sales of outsourcing solutions and we have signed several outsourcing agreements. We are also in discussions with several different customers regarding potential new agreements. At the start of the year, Kalmar outsourced part of its crane engineering operations in China to Etteplan. The health technology company Newlcon, specializing in pharmacy automation systems, outsourced its product development and Engineering-to-Order functions in Finland to Etteplan.

The operating profit (EBITA) of Engineering Solutions improved by 11.8 per cent in January-March and was EUR 4.4 (3.9) million, or 10.6 (9.5) per cent of revenue. Profitability was at a good level due to good operational efficiency.

The Engineering Solutions service area had 1,955 (1,986) employees at the end of March.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 63 (56) per cent in January-March.

Software and Embedded Solutions

Software and Embedded Solutions provides product development services as well as software and technology solutions that enable the digitalization of customers' business processes along with the intelligence and connectivity of machinery and equipment. A typical challenge involves the need to increase the efficiency of business processes or manufacturing or create new products for the market. Through system integration, we can ensure better customer service, cost-efficiency or the creation of new income streams through digitalization.

EUR 1,000	1-3/2021	1-3/2020	Change	1-12/2020
Revenue	18,817	16,962	10.9%	63,694
Operating profit (EBITA)	2,090	1,531	36.5%	7,101
EBITA, %	11.1	9.0		11.1
Managed Services index	51	53		51
Personnel at end of the period	639	663	-3.6%	628

The figures for the Denmark-based TekPartner, acquired in January 2021, are included in the Software and Embedded Solutions service area's figures starting from January 1, 2021.

The share of the Group's total revenue represented by Software and Embedded Solutions was 26 (24) per cent in January-March.

The service area's revenue increased by 10.9 per cent in January-March and was EUR 18.8 (17.0) million. While projects were slightly slow to start in the early part of the year, the general demand situation is good and our customers are investing in digital solutions. For Etteplan, this represents a growth opportunity and an increased need for recruitment. We are also investing in increasingly incorporating new technologies into our service offering. The Danish company TekPartner acquired by Etteplan has had a good start to its operations as part of Etteplan. The reduced availability of highly competent professionals affects the service area's business. For this reason, we have increased the use of subcontractors. TekPartner's operating model has also increased the share of subcontracting of the service area's revenue.

The Software and Embedded Solutions service area's operating profit (EBITA) improved by 36.5 per cent in January-March and was EUR 2.1 (1.5) million. Profitability also improved to 11.1 (9.0) per cent of revenue. Profitability improved due to good operational efficiency.

The Software and Embedded Solutions service area had 639 (663) employees at the end of March.

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

Technical Documentation Solutions

Technical Documentation Solutions refer to the user manuals for individual products or the documentation and information management of the technical attributes of production facilities, such as factories. The service also covers content production and distribution in print and digital form. For an industrial customer, good technical documentation can lift the value of their products and ensure their products are used in the right way. We provide customers ways to improve cost efficiency and lead times, increase quality, and decrease the environmental footprint.

EUR 1,000	1-3/2021	1-3/2020	Change	1-12/2020
Revenue	12,545	12,835	-2.3%	46,531
Operating profit (EBITA)	1,384	1,295	6.9%	4,583
EBITA, %	11.0	10.1		9.8
Managed Services index	82	79		80
Personnel at end of the period	612	656	-6.7%	616

The share of the Group's total revenue represented by Technical Documentation Solutions was 17 (18) per cent in January-March.

The service area's revenue decreased by 2.3 per cent in in January-March and was EUR 12.5 (12.8) million.

The pandemic continued to weaken the Technical Documentation Solutions service area's demand situation. The demand for outsourcing agreements was good and Etteplan is constantly in negotiations regarding new outsourcing agreements, also regarding technical documentation. Etteplan and FläktGroup, a company specializing in smart indoor air systems, signed a two-year outsourcing agreement during the first quarter.

We have continued to develop new solutions and invest in new technology. At the beginning of March, we announced the global commercial availability of the Etteplan HowTo solution. This completely new cloud-based solution enables the efficient creation, secure hosting and on-demand multi-channel distribution of technical information for industrial equipment and other needs of the manufacturing industry. The service has already been deployed by the first customer and several other companies are currently piloting it.

The Technical Documentation Solutions service area's operating profit (EBITA) in January-March was EUR 1.4 (1.3) million or 11.0 (10.1) per cent of revenue. Profitability improved due to good operational efficiency.

The Technical Documentation Solutions service area had 612 (656) employees at the end of March.

The Managed Services Index (MSI), which reflects the share of the service area's revenue represented by Managed Services, was 82 (79) per cent in January-March.

GOVERNANCE

Changes in Etteplan's Management Group

Etteplan strengthens its organization and its Management Group and appoints a Senior Vice President, Mergers & Acquisitions and Business Development, to be responsible for acquisition processes and business development. Per-Anders Gådin, the company's current CFO and member of the Management Group, will be appointed to the position. In his new position, Gådin will continue as a member of Etteplan's Management Group. At the same time, Etteplan has started the process of recruiting a new CFO. The changes will take effect once the new CFO has been appointed and has started in the position.

GENERAL MEETING

Etteplan Oyj's Annual General Meeting was held on April 8, 2021. 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 2020.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.34 per share for the financial year 2020 and to leave the remaining funds in unrestricted equity. The dividend decided on by the Annual General Meeting was paid to the shareholders registered on the record date in the shareholders' register maintained by Euroclear Finland Ltd. The record date for the dividend payout was April 12, 2021, and the date of dividend payout was April 19, 2021.

In accordance with the proposal of Etteplan's Nomination and Remuneration Committee, the Annual General Meeting resolved that the Board of Directors shall consist of five members. In accordance with the proposal of the Nomination and Remuneration Committee, the Annual General Meeting resolved on the annual remuneration of the members of the Board of Directors, the Chairman of the Board and the members of the Nomination and Remuneration Committee and the Audit Committee.

In accordance with the proposal of the Nomination and Remuneration Committee of the Board of Directors, the Annual General Meeting re-elected Matti Huttunen, Robert Ingman, Päivi Lindqvist, Leena Saari-nen and Mikko Tepponen as members of the Board of Directors. KPMG Oy Ab, Authorized Public Accountants, with Authorized Public Accountant Kim Järvi as the main responsible auditor, was elected as the Company's auditor.

In its organization meeting subsequent to the Annual General Meeting, the Board of Directors of Etteplan Oyj elected Robert Ingman as Chairman of the Board of Directors. Matti Huttunen was elected the Chairman and Robert Ingman and Leena Saarinen as members of the Nomination and Remuneration Committee of Etteplan Oyj. Leena Saarinen was elected the Chairman and Päivi Lindqvist and Mikko Tepponen as members of the Audit Committee of Etteplan Oyj.

Board authorizations

The Annual General Meeting 2021 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 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 8, 2021, and ending on October 7, 2022. The authorization replaces the corresponding previous authorization.

The Annual General Meeting 2021 decided to authorize the Board of Directors to resolve on the issuance of a maximum of 2,500,000 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 the right to decide to issue either new shares or shares held by the company.

The authorization includes the right to deviate from the existing shareholders' pre-emptive subscription right as set forth in Chapter 9, Article 3 of the Companies Act. Therefore, the Board of Directors has the right to direct the share issue, or issuance of the option rights or other special rights conferring entitlement to shares. The authorization also includes the right to decide on all the terms of share issue, option rights or other special rights conferring entitlement to shares. The authorization therefore includes the right to determine 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 the right to determine whether the subscription price will be entered into the share capital or into the reserve of invested unrestricted equity.

The authorization is valid for two (2) years from the date of the resolution of the Annual General Meeting, starting on April 8, 2021, and ending on April 7, 2023.

SHARES

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Mid Cap market capitalization group in the Industrials sector under the ETTE ticker. The company has one series of shares. All shares confer an equal right to a dividend and the company's funds.

The company's share capital on March 31, 2021, was EUR 5,000,000.00 and the total number of shares was 24,963,308.

The number of Etteplan Oyj shares traded in January-March was 497,349 (1-3/2020: 574,689), for a total value of EUR 7.56 (5.46) million. The share price low was EUR 12.95, the high EUR 16.60, the average EUR 15.19 and the closing price EUR 16.50. Market capitalization on March 31, 2021, was EUR 410.59 (168.19) million. On March 31, 2021, Etteplan had 3,617 shareholders (March 31, 2020: 3,184).

The Company held 79,046 of its own shares on March 31, 2021 (March 31, 2020: 156,203), which corresponds to 0.32 per cent of all shares and voting rights.

Flaggings

Etteplan Oyj received no flagging notices in January-March 2021.

Etteplan Oyj's incentive plan for key personnel 2020-2022

On February 5, 2020, Etteplan's Board of Directors resolved to establish a new share-based incentive plan for the Group key personnel. The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the company, to commit the key personnel to the company, and to offer them a competitive reward plan based on holding the company shares.

The plan includes one earning period which comprises calendar years 2020-2022. The earning period covers the same years as Etteplan's strategy update published in March 2019. The plan is in line with Etteplan's strategy and supports the achievement of the company's financial targets.

The earning 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 after the end of the earning period. 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 25 people belong to the plan, including the Management Group of Etteplan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 390,000 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 share value.

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, continues to present a business risk. The pandemic has an impact on Etteplan's business and prolonging of the situation will have a negative impact on the company's development.

Etteplan assesses business risks annually. The focus of the assessment is particularly on monitoring changes in already identified risks, identifying new business risks and developing proactive risk management. The results of the assessment are presented in Etteplan's Corporate Governance Statement.

Etteplan's Annual Report 2020, Remuneration Report, Corporate Governance Statement and Statement of non-financial information

Etteplan has published a Remuneration Report, Corporate Governance Statement and Statement of non-financial information separately from the Annual Report by the Board of Directors. Etteplan has also published its Annual Report for 2020, consisting of two parts. Our annual review is called Essential Impact. It covers our strategy and operations. It also includes a sustainability report, which is prepared in accordance with GRI Standards. The Financial Review 2020 contains the financial statements and other investor information. The Finnish version of our financial statements was also published in the European Single Electronic Format (ESEF). The reports and statements are available on Etteplan's website at www.etteplan.com/investors/reports-presentations.

Financial information in 2021

Etteplan Oyj will publish financial information as follows:

- January-June 2021 Half Year Financial Report, Wednesday August 11, 2021
- January-September 2021 Interim Report, Thursday October 28, 2021

Espoo, May 5, 2021

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

The information presented herein has not been audited.

Releases and other corporate information are available on Etteplan's website at www.etteplan.com.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	1-3/2021	1-3/2020	1-12/2020
Revenue	72,950	71,292	259,702
Other operating income	309	205	3,622
Materials and services	-7,388	-6,272	-23,317
Employee benefits expenses	-48,831	-48,820	-177,301
Other operating expenses	-6,037	-6,685	-22,300
Depreciation and amortization	-4,408	-4,065	-18,026
Operating profit (EBIT)	6,594	5,656	22,380
Financial income	281	481	422
Financial expenses	-412	-630	-1,722
Profit before taxes	6,463	5,507	21,080
Income taxes	-1,165	-1,310	-4,003
Profit for the review period	5,298	4,197	17,077
Other comprehensive income, that may be reclassified to profit or loss			
Currency translation differences	-726	-2,143	1,415
Other comprehensive income, that will not be reclassified to profit or loss			
Change in fair value of equity investments at fair value through other comprehensive income	18	0	-7
Other comprehensive income, net of tax	-708	-2,143	1,409
Total comprehensive income for the review period	4,590	2,054	18,486
Profit for the review period attributable to			
Equity holders of the parent company	5,298	4,197	17,077
Total comprehensive income for the review period attributable to			
Equity holders of the parent company	4,590	2,054	18,486
Earnings per share calculated from the profit attributable to equity holders of the parent company			
Basic earnings per share, EUR	0.21	0.17	0.69
Diluted earnings per share, EUR	0.21	0.17	0.69

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS			
Non-current assets			
Goodwill	86,755	77,602	83,685
Other intangible assets	28,027	27,372	26,011
Tangible assets	24,781	18,067	25,698
Investments at fair value through other comprehensive income	400	386	378
Other non-current receivables	54	53	54
Deferred tax assets	562	244	493
Non-current assets, total	140,579	123,725	136,320
Current assets			
Inventory	339	280	336
Work in progress	28,620	31,054	17,764
Trade and other receivables	34,585	32,930	38,883
Current tax assets	70	190	208
Cash and cash equivalents	15,325	11,933	24,407
Current assets, total	78,938	76,387	81,598
TOTAL ASSETS	219,518	200,112	217,918
EQUITY AND LIABILITIES			
Equity			
Share capital	5,000	5,000	5,000
Share premium account	6,701	6,701	6,701
Unrestricted equity fund	20,101	20,101	20,101
Own shares	16	-616	-124
Cumulative translation adjustment	-3,610	-6,442	-2,884
Other reserves	119	107	101
Retained earnings	63,476	54,026	58,178
Equity, total	91,803	78,878	87,074
Non-current liabilities			
Deferred tax liabilities	6,921	6,208	6,502
Loans from financial institutions	11,000	25,400	12,900
Lease liabilities	8,622	8,574	8,608
Other non-current liabilities	1,236	27	27
Non-current liabilities, total	27,780	40,209	28,038
Current liabilities			
Loans from financial institutions	28,013	12,412	27,583
Lease liabilities	14,571	8,921	15,883
Advances received	3,505	5,870	2,770
Trade and other payables	52,467	52,365	54,608
Current income tax liabilities	1,378	1,457	1,962
Current liabilities, total	99,935	81,025	102,806
Liabilities, total	127,714	121,234	130,844
TOTAL EQUITY AND LIABILITIES	219,518	200,112	217,918

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1-3/2021	1-3/2020	1-12/2020
Operating cash flow			
Cash receipts from customers	69,020	68,596	267,784
Operating expenses paid	-65,567	-64,093	-223,600
Operating cash flow before financial items and taxes	3,453	4,503	44,184
Interest and payment paid for financial expenses	-193	-77	-1,257
Interest received	16	16	79
Income taxes paid	-1,987	-2,196	-5,010
Operating cash flow (A)	1,290	2,246	37,997
Investing cash flow			
Purchase of tangible and intangible assets	-618	-446	-1,639
Acquisition of subsidiaries, net of cash acquired	-5,432	0	-5,885
Proceeds from sale of tangible and intangible assets	5	26	30
Investing cash flow (B)	-6,045	-420	-7,494
Cash flow after investments (A+B)	-4,756	1,826	30,503
Financing cash flow			
Issue of new current loans	350	848	11,698
Repayments of current loans	-1,901	-3,707	-12,217
Repayments of non-current loans	0	0	-695
Payment of lease liabilities	-2,904	-2,659	-12,131
Dividend paid	0	0	-8,682
Financing cash flow (C)	-4,455	-5,519	-22,028
Variation in cash (A+B+C) increase (+) / decrease (-)	-9,210	-3,693	8,475
Assets at the beginning of the period	24,407	15,878	15,878
Exchange gains or losses	128	-252	55
Assets at the end of the period	15,325	11,933	24,407

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Legends for table columns

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

EUR 1,000	A	B	C	D	E	F	G	H
Equity Jan 1, 2020	5,000	6,701	20,101	108	-700	-4,299	49,829	76,740
Comprehensive income								
Profit for the review period	0	0	0	0	0	0	17,077	17,077
Other comprehensive income								
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	-7	0	0	0	-7
Cumulative translation adjustment	0	0	0	0	0	1,415	0	1,415
Other comprehensive income, net of tax	0	0	0	-7	0	1,415	0	1,409
Total comprehensive income for the review period	0	0	0	-7	0	1,415	17,077	18,486
Transactions with owners								
Dividends	0	0	0	0	0	0	-8,682	-8,682
Share-based incentive plan	0	0	0	0	576	0	-45	531
Transactions with owners, total	0	0	0	0	576	0	-8,728	-8,152
Equity Dec 31, 2020	5,000	6,701	20,101	101	-124	-2,884	58,178	87,074

EUR 1,000	A	B	C	D	E	F	G	H
Equity Jan 1, 2021	5,000	6,701	20,101	101	-124	-2,884	58,178	87,074
Comprehensive income								
Profit for the review period	0	0	0	0	0	0	5,298	5,298
Other comprehensive income								
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	18	0	0	0	18
Cumulative translation adjustment	0	0	0	0	0	-726	0	-726
Other comprehensive income, net of tax	0	0	0	18	0	-726	0	-708
Total comprehensive income for the review period	0	0	0	18	0	-726	5,298	4,590
Transactions with owners								
Share-based incentive plan	0	0	0	0	140	0	0	140
Transactions with owners, total	0	0	0	0	140	0	0	140
Equity Mar 31, 2021	5,000	6,701	20,101	119	16	-3,610	63,476	91,803

EUR 1,000	A	B	C	D	E	F	G	H
Equity Jan 1, 2020	5,000	6,701	20,101	108	-700	-4,299	49,829	76,740
Comprehensive income								
Profit for the review period	0	0	0	0	0	0	4,197	4,197
Other comprehensive income								
Cumulative translation adjustment	0	0	0	0	0	-2,143	0	-2,143
Other comprehensive income, net of tax	0	0	0	0	0	-2,143	0	-2,143
Total comprehensive income for the review period	0	0	0	0	0	-2,143	4,197	2,054
Transactions with owners								
Share-based incentive plan	0	0	0	0	84	0	0	84
Transactions with owners, total	0	0	0	0	84	0	0	84
Equity Mar 31, 2020	5,000	6,701	20,101	107	-616	-6,442	54,026	78,878

NOTES

General

Etteplan provides software and embedded solution, solutions for industrial equipment and plant engineering 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, services 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 2020, Etteplan had a turnover of approximately EUR 260 million. The company currently has some 3,300 professionals in Finland, Sweden, the Netherlands, Germany, Poland, Denmark 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 5, 2021.

Basis for preparation

Figures are presented in thousands or millions of euros as described in connection with each figure. The figures presented 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 2020 Annual Financial Statements.

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 Group's management may also have to make judgment-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 key sources of estimation uncertainty, as well as areas requiring judgment-based decisions, were the same as those that applied to the 2020 consolidated financial statements.

Management pays special attention to fair value measurements in connection with acquisitions and revenue recognition for fixed price projects.

Key Figures

EUR 1,000	1-3/2021	1-3/2020	1-12/2020	Change
Revenue	72,950	71,292	259,702	2.3%
Operating profit (EBITA)	7,679	6,580	26,172	16.7%
EBITA, %	10.5	9.2	10.1	
Operating profit (EBIT)	6,594	5,656	22,380	16.6%
EBIT, %	9.0	7.9	8.6	
Profit before taxes	6,463	5,507	21,080	17.4%
Profit before taxes, %	8.9	7.7	8.1	
Return on equity, %	23.7	21.6	20.8	
ROCE, %	18.0	18.4	16.0	
Equity ratio, %	42.5	40.6	40.5	
Gross interest-bearing debt	62,207	55,307	64,974	12.5%
Net gearing, %	51.1	55.0	46.6	
Balance sheet, total	219,518	200,112	217,918	9.7%
Gross investments	10,346	5,477	29,697	88.9%
Operating cash flow	1,290	2,246	37,997	-42.6%
Basic earnings per share, EUR	0.21	0.17	0.69	23.5%
Diluted earnings per share, EUR	0.21	0.17	0.69	23.5%
Equity per share, EUR	3.69	3.18	3.50	16.0%
Personnel, average	3,322	3,420	3,320	-2.9%
Personnel at end of the period	3,331	3,402	3,267	-2.1%

Revenue

The table below presents the disaggregation of external revenue by geographical area and by timing of revenue recognition. The external revenue of each geographical area is presented according to the location of the seller. The Group's operations in China sell their services both locally and through other Group companies thus this revenue is partly included in the revenue from other areas.

EUR 1,000	1-3/2021	1-3/2020	1-12/2020
Primary geographical location			
Finland	41,547	44,957	159,277
Scandinavia	17,297	16,665	57,519
Central Europe	11,412	8,421	35,705
China	2,694	1,249	7,201
Total	72,950	71,292	259,702
Timing of revenue recognition			
Transferred at a point in time	607	484	2,044
Transferred over time	72,343	70,808	257,658
Total	72,950	71,292	259,702

Non-recurring items

Items that are material either because of their size or their nature, and that are non-recurring, are considered as non-recurring 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.

EUR 1,000	1-3/2021	1-3/2020	1-12/2020
Other operating income	0	0	652
Employee benefits expenses and other operating expenses	20	-183	-1,568
Operating profit (EBIT)	20	-183	-916

Business combinations

Etteplan expanded its business in the Nordics and opened up a new country, Denmark, by acquiring TekPartner, an engineering and IT company specialized in electronics and software on January 7, 2021. TekPartner, founded 2009, covers development of all core disciplines within embedded software, intelligent electronics, FPGA (field-programmable gate array) and IoT (Internet of things). In 2019 TekPartner's revenue was approximately 8 million euros. TekPartner delivers its services through a combination of its own team of 19 highly qualified engineering professionals and a vast network of international project partners and over 30 freelancers working in Denmark. TekPartner is located in Herlev and Odense in Denmark.

The acquisition consideration recognized at the time of the acquisition, paid in cash, was EUR 5,833 thousand in total. In addition to this payment a contingent consideration of EUR 0-1,900 thousand (undiscounted amount) is agreed upon. The contingent consideration will be paid in full provided that TekPartner A/S's result in the financial years 2021 and 2022 reaches the thresholds set in the share transfer agreement. The fair value of the contingent consideration is estimated by applying the income approach. At the time of acquisition the fair value of the contingent consideration was EUR 1,209 thousand.

The provisional goodwill of EUR 3,530 thousand arising from the acquisition is attributable to the technical know-how of the acquiree's personnel, and the company's operating model. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the provisional values of acquisition consideration, assets acquired and liabilities assumed for the acquisition.

Consideration transferred:	EUR 1,000
Cash payment	5,833
Contingent consideration	1,209
Total consideration transferred	7,042
Assets and liabilities	
Tangible assets	292
Customer relationships (intangible assets)	3,234
Contractual intangible assets	111
Trade and other receivables	1,364
Cash and cash equivalents	521
Total assets	5,522
Non-current liabilities	177
Current liabilities	1,097
Deferred tax liability	736
Total liabilities	2,010
Total identifiable net assets	3,512
Formation of Goodwill:	
Consideration transferred	7,042
Total identifiable net assets	-3,512
Goodwill	3,530

Costs related to the acquisition, EUR 99 thousand, were included in other operating expenses in the consolidated statement of comprehensive income for the financial year 2020.

Non-IFRS key figures

Etteplan presents non-IFRS key figures to supplement its consolidated financial statements which are prepared in accordance with IFRS. These key figures are designed to measure growth and provide insight into the company's underlying operational performance. This section describes the most important non-IFRS key figures used by the Group. Formulas for key figures (IFRS and Non-IFRS) are presented at the end of this release.

Operating profit (EBITA) and EBITA, %

Operating profit (EBITA) is presented, because it reflects the Group's operational performance better than Operating profit (EBIT). Operating profit (EBITA) does not include amortization of fair value adjustments at acquisitions. EBITA, % presents Operating profit (EBITA) as a percentage share of revenue. The table below shows a reconciliation between Operating profit (EBITA) and Operating profit (EBIT).

EUR 1,000	1-3/2021	1-3/2020
Operating profit (EBIT)	6,594	5,656
Amortization on fair value adjustments at acquisitions	1,084	924
Operating profit (EBITA)	7,679	6,580

Organic/un-organic growth and growth in comparable currencies

Organic (revenue) growth is presented in addition to total revenue growth, because it improves the comparability of revenue growth between periods by presenting the revenue growth without the effects of the last 12 months' acquisitions. Organic growth is calculated by comparing revenue between comparison periods excluding revenue from acquisitions that have taken place in the past 12 months. The revenue growth created by the last 12 months' acquisitions is presented as un-organic growth. Revenue growth in comparable currencies is presented, because it improves the comparability of revenue growth between periods by presenting the revenue growth with comparable exchange rates. For the calculation of growth in comparable currencies, revenue for the current period is calculated by using the comparable period's exchange rates. The figure is presented for Group revenue and organic growth.

The share of revenue represented by Managed Services

Etteplan measures the share of revenue represented by Managed Services (MSI Index). Managed Services are service solutions, such as projects and continuous services, where the customer pays for results instead of resources. The share of revenue represented by Managed Services is presented, because it describes Etteplan's strategy implementation and explains, in part, the changes in profitability.

Formulas for key figures

IFRS key figures

Basic earnings per share =	$\frac{(\text{Profit for the review period attributable to equity holders of the parent company}) \times 100}{\text{Issue adjusted average number of shares during the review period}}$
Diluted earnings per share =	$\frac{(\text{Profit for the review period attributable to equity holders of the parent company adjusted with dilutive effect}) \times 100}{\text{Issue adjusted average number of shares during the review period adjusted with dilutive effect}}$

Non-IFRS key figures

Operating profit (EBITA) =	Operating profit (EBIT) + amortization on fair value adjustments in acquisitions
Organic growth =	$\frac{(\text{Revenue current year} - \text{Revenue comparison year} - \text{Revenue from acquirees current year}) \times 100}{\text{Revenue comparison year}}$
Revenue growth from key accounts =	$\frac{(\text{Revenue from key accounts current year} - \text{Revenue from key accounts comparison year}) \times 100}{\text{Revenue from key accounts comparison year}}$
The share of revenue represented by Managed Services =	$\frac{\text{Revenue from Managed Services} \times 100}{\text{Revenue}}$
Return on equity (ROE), % =	$\frac{\text{Profit for the review period} \times 100}{(\text{Equity, total}) \text{ average}}$
Return on capital employed (ROCE), before taxes, % =	$\frac{(\text{Profit before taxes} + \text{Financial expenses}) \times 100}{(\text{Total equity and liabilities} - \text{non-interest bearing liabilities}) \text{ average}}$
Equity ratio, % =	$\frac{\text{Equity, total} \times 100}{\text{Total equity and liabilities} - \text{Advances received}}$
Gross investments =	Total investments made to non-current assets including acquisitions and capitalized development costs
Net gearing, % =	$\frac{(\text{Interest-bearing liabilities} - \text{Cash and cash equivalents}) \times 100}{\text{Equity, total}}$
Equity per share =	$\frac{\text{Equity, total}}{\text{Adjusted number of shares at the end of the review period}}$
Market capitalization =	Number of outstanding shares at the end of the review period x last traded share price of the review period