

Half Year Financial Report
January–June
2019

Q2



**Growth
continued and
profitability
exceeded the
target level**

ETTEPLAN Oyj Half Year Financial Report August 13, 2019, at 1:00 pm

ETTEPLAN Q2 2019: Growth continued and profitability exceeded the target level

Review period April-June 2019

- The Group's revenue grew by 3.7 per cent and was EUR 64.3 million (4-6/2018: EUR 62.0 million). At comparable exchange rates, growth was 4.1 per cent.
- Organic growth was 1.2 per cent. At comparable exchange rates, organic growth was 1.6 per cent.
- Operating profit (EBITA) improved and amounted to EUR 6.5 (6.2) million or 10.1 (10.1) per cent of revenue.
- Operating profit (EBIT) was EUR 5.8 (5.7) million or 9.0 (9.1) per cent of revenue.
- The profit for the review period was EUR 4.5 (4.4) million.
- Operating cash flow was EUR 8.8 (4.5) million.
- Basic earnings per share were EUR 0.18 (0.18).
- Etteplan accelerated its international growth and acquired Devex Mekatronik AB in Sweden in June and EMP Engineering Alliance in Germany after the review period in July. As a result of the acquisitions, Etteplan's number of personnel increased by approximately 250 engineering professionals.
- Etteplan raises its financial guidance: We expect the revenue and operating profit (EBIT) for the year 2019 to grow significantly compared to 2018.

Review period January-June 2019

- The Group's revenue grew by 7.4 per cent and was EUR 130.0 million (1-6/2018: EUR 121.0 million). At comparable exchange rates, growth was 8.1 per cent.
- Organic growth was 4.0 per cent. At comparable exchange rates, organic growth was 4.7 per cent.
- Operating profit (EBITA) improved and amounted to EUR 12.9 (11.1) million or 9.9 (9.2) per cent of revenue.
- Operating profit (EBIT) was EUR 11.6 (10.1) million or 8.9 (8.3) per cent of revenue.
- The profit for the review period was EUR 8.8 (7.6) million.
- Operating cash flow was EUR 14.2 (7.7) million.
- Basic earnings per share were EUR 0.35 (0.31).
- The number of personnel increased by 8.2 per cent and the Group had 3,301 (3,051) employees at the end of June 2019.

Etteplan also monitors non-IFRS performance measures, because they provide information on Etteplan's strategic and financial development in addition to other key indicators. More information on performance measures is provided on pages 22-23.

Etteplan renewed its organization and structure and made changes to its segment reporting effective from January 1, 2019. Starting from the beginning of 2019, the names of the service areas are Engineering Solutions, Software and Embedded Solutions, and Technical Documentation Solutions. Each service area forms a separate reporting segment. More information on the changes and the impacts of IFRS 16 "Leases" is provided on pages 14-15 and 23.

Market outlook 2019

The most important factor affecting Etteplan's business is the global development of the machinery and metal industry. Overall our business environment continues to develop favorably, but the prevailing political situation increases uncertainty and affects demand. In Europe, demand growth is expected to slow down. In Asia, the opening up of the service markets is expected to continue, but growth is expected to slow down.

Financial guidance 2019, updated on August 13, 2019

We expect the revenue and operating profit (EBIT) for the year 2019 to grow significantly compared to 2018.

Financial guidance 2019, updated on May 8, 2019

We expect the revenue and operating profit (EBIT) for the year 2019 to grow clearly compared to 2018.

Key figures

(EUR 1,000)	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Revenue	64,329	62,031	129,954	120,995	236,477
Operating profit (EBITA)	6,483	6,246	12,907	11,134	22,555
EBITA, %	10.1	10.1	9.9	9.2	9.5
Operating profit (EBIT)	5,801	5,653	11,572	10,068	20,184
EBIT, %	9.0	9.1	8.9	8.3	8.5
Basic earnings per share, EUR	0.18	0.18	0.35	0.31	0.62
Equity ratio, %	40.1	38.5	40.1	38.5	42.9
Operating cash flow	8,796	4,469	14,217	7,747	23,055
ROCE, %	22.2	24.4	22.1	22.1	21.3
Personnel at end of the period	3,301	3,051	3,301	3,051	3,055

President and CEO Juha Näkki:

In the second quarter of the year, the market situation remained generally good and our business developed favorably. The share of revenue represented by Managed Services grew, which boosted our profitability beyond our target level. Cash flow was also strong. Our revenue grew for the 23rd consecutive quarter. Growth slowed down slightly though, as the Easter holidays fell entirely in the second quarter.

The operational performance of the Engineering Solutions service area was very strong. Excellent operational efficiency and successes in projects increased profitability.

The development of the Software and Embedded Solutions service area was stable. Profitability was slightly affected by a slow start to certain software projects and by changes in the demand situation of a customer in Poland.

The Technical Documentation Solutions service area also developed favorably. The postponement of software sales to the upcoming quarters and the continued challenges in Germany burdened the service area's profitability. Nevertheless, we believe the situation of our German business will improve toward the end of the year as a result of the measures we have taken. As

strong progress continues in the digitalization of technical documentation, we have also continued to develop our service solutions and we will launch new digital services during the second half of the year.

In the latter part of the review period, we accelerated our growth again and acquired Devex Mekatronik AB in Sweden in June and EMP Engineering Alliance in Germany in July. With these acquisitions we strengthened our position as an international operator in the engineering services market. Although market uncertainty has increased in the prevailing political situation, which affects demand, we expect our business to continue to develop favorably during the second half of the year. Supported by the acquisitions we have made, we raised our financial guidance and we now expect our revenue and operating profit (EBIT) to grow significantly compared to 2018.

Operating environment

Etteplan's business is affected by global megatrends as well as industry-specific developments. Internet of Things (IoT), digitalization of machinery and equipment, environmental regulations 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 and it supports Etteplan's growth. The trend of centralizing service purchasing continued as customer demand became increasingly international, 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 remained generally good. Unpredictable changes in Etteplan's main markets and various customer industries, nevertheless, continued in the second quarter.

There were no significant changes in the industry-specific demand for our services during the second quarter. Demand growth slowed down slightly, but demand remained good. Customer-specific differences increased and were again considerable. Demand in the mining industry was at a good level. 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 continued for testing and analysis services requiring special expertise. Demand in the ICT industry remained good.

In the good market situation, competition for employees and the limited availability of specialized experts in certain areas continued to affect the development of the sector in all market areas. Uncertainty in the markets continued due to the prevailing political situation.

In Finland, the general market demand remained good, but demand growth has slowed down slightly. The combined revenue of technology industry companies in Finland grew 7 per cent in January-April 2019 compared to last year. Based on the order development during the past months, the revenue of technology companies is expected to be higher in the fall than at the same time last year.

The revenue of engineering and consulting companies in the technology industry grew by 7 per cent in January-April 2019 compared to the previous year. According to Technology Industries of Finland new orders and order backlog decreased slightly compared to the previous quarter but were still on a good level. In April-June the euro-denominated value of new orders received by

the engineering and consulting companies was 11 per cent lower than in January-March but 8 per cent higher than during the same period the previous year. The value of the order backlog at the end of June was 8 per cent lower than at the end of March and 6 per cent higher than in June 2018.

In Sweden, market demand was at a good level. In Germany, the Netherlands and Poland, the demand for engineering services remained at a good level. Demand in China weakened due to the prevailing political situation. However, the opening up of the service market continued.

Revenue

Etteplan's revenue grew by 3.7 per cent in April-June and was EUR 64.3 million (4-6/2018: EUR 62.0 million). Revenue increased by 4.1 per cent at comparable exchange rates. Organic growth was 1.2 per cent. At comparable exchange rates, organic growth was 1.6 per cent.

In January-June, Etteplan's revenue grew by 7.4 per cent and was EUR 130.0 million (1-6/2018: EUR 121.0 million). Revenue increased by 8.1 per cent at comparable exchange rates. Organic growth was 4.0 per cent. At comparable exchange rates, organic growth was 4.7 per cent.

Etteplan's growth slowed down in the second quarter, but demand was generally at a good level. Revenue was reduced by the Easter holidays falling entirely in the second quarter. Etteplan's broad service offering, strong market position and the acquisitions made in 2018 and 2019 supported the Company's development. Etteplan accelerated its growth by making two acquisitions in June and July. The Sweden-based Devex Mekatronik AB increases Etteplan's revenue effective from June 1, 2019, and the Germany-based EMP Engineering Alliance from July 1, 2019.

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.

Result

Good operational efficiency continued in all service areas and profitability developed favorably. Operating profit (EBITA) improved by 3.8 per cent in April-June and was EUR 6.5 (6.2) million, or 10.1 (10.1) per cent of revenue.

In January-June, operating profit (EBITA) improved by 15.9 per cent and was EUR 13.0 (11.1) million, or 9.9 (9.2) per cent of revenue.

Etteplan started to measure its profitability using operating profit (EBITA) instead of EBIT from business operations. The Company updated its strategic and financial target concerning profitability on April 4, 2019. The target is to reach 10 per cent operating profit (EBITA) of revenue. More information is provided on page 14.

The combined effect of non-recurring items on operating profit (EBITA) and operating profit (EBIT) was EUR 0.0 (-0.1) million in April-June and EUR -0.2 (-0.3) million in January-June. The non-recurring items include a change in the premeasurement of a contingent consideration, a non-recurring expense related to a share-based incentive plan as well as expenses related to organizational restructuring and acquisitions.

In April-June, operating profit (EBIT) improved by 2.6 per cent and was EUR 5.8 (5.7) million, or 9.0 (9.1) per cent of revenue. In January-June, operating profit (EBIT) improved by 14.9 per cent and was EUR 11.6 (10.1) million, or 8.9 (8.3) per cent of revenue.

In January-June, financial expenses amounted to EUR 0.7 (0.8) million.

Profit before taxes for January-June was EUR 11.3 (9.8) million. Taxes in the income statement amounted to 21.8 (22.0) per cent of the result before taxes. The amount of taxes was EUR 2.5 (2.2) million.

The profit for January-June was EUR 8.8 (7.6) million.

Basic earnings per share were EUR 0.18 (0.18) in April-June and EUR 0.35 (0.31) in January-June. Equity per share was EUR 2.7 (2.4) at the end of June. Return on capital employed (ROCE) before taxes was 22.2 (24.4) per cent in April-June and 22.1 (22.1) per cent in January-June.

Financial position and cash flow

The Group's cash and cash equivalents stood at EUR 8.0 (7.9) million at the end of June.

The Group's interest-bearing debt amounted to EUR 44.3 (40.3) million. At the time of adopting IFRS 16 *Leases*, an interest-bearing lease liability of EUR 12 million was recognized, corresponding to the discounted future rent payments of the leased items. Right-of-use assets were recognized in the balance sheet equal to the amount of the additional liability. More information is provided on pages 14-15 and 23.

The total of unused short-term credit facilities stood at EUR 10.6 (4.7) million.

Operating cash flow developed well and was EUR 14.2 (7.7) million in January-June.

Cash flow after investments was EUR 7.8 (-0.5) million in January-June.

The accrual of cash flow was affected by the good operational result and the adoption of IFRS 16 *Leases*. Operating cash flow increased and financing cash flow decreased by approximately EUR 3.2 million due to the repayment of the principal portion of the lease liability being classified as cash flow from financing activities. More information is provided on pages 14-15 and 23.

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

Total assets on June 30, 2019 were EUR 173.6 (157.0) million. Goodwill on the balance sheet was EUR 67.1 (66.2) million.

At the end of June, the equity ratio was 40.1 (38.5) per cent. The equity ratio weakened by three percentage points in relation to the adoption of IFRS 16 *Leases*, which led to an increase in the Group's lease liabilities. More information is provided on pages 14-15 and 23.

Capital expenditure

The Group's gross investments in January-June were EUR 10.3 (15.8) million. The gross investments mainly consisted of an acquisition, an increase in lease obligations, growth-related equipment purchases and license fees for engineering software.

Personnel

The number of personnel increased by 8.2 per cent year-on-year and stood at 3,301 (3,051) at the end of June 2019. The Group employed 3,212 (2,930) people on average in January-June. International growth continued and, at the end of June, 1,206 (1,049) people were employed by the Group outside of Finland. There were no temporarily laid off employees at the end of June.

Business review

The success of the outsourcing business and acquisitions 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. Etteplan's customers are investing in digitalization and intelligent devices, which presents significant growth opportunities.

Overall the demand for Etteplan's services continued to develop favorably, but growth slowed down slightly. New product development and equipment engineering projects as well as plant engineering investments saw good demand. The decreased availability of specialized experts in certain areas affected the development of the business. The demand situation in Finland remained good. We received several significant orders during the review period. Etteplan's business also continued to develop well in Sweden. The demand for our services also remained good in the Netherlands. Challenges related to certain customer accounts continued to affect our business in Germany. The opening up of the Chinese service markets continued, but the prevailing political situation affected demand. The number of hours sold in the Chinese market grew by one per cent in January-June and decreased by four per cent in April-June. Major corporations operating in China became increasingly cautious about their investments. Nevertheless, we acquired several new accounts during the review period. We invest in developing the competence of our personnel operating in China by conducting various types of training in China and also in Finland.

Revenue from key accounts grew by 3.2 per cent in April-June and by 6.4 per cent in January-June. Long-term customer relationships are important to Etteplan and they are one of our strengths: this year, we are celebrating our 20-year strategic partnership with KONE Corporation.

Etteplan is a profitable growth company with a target of 15 per cent annual growth on average, both organically and through acquisitions. The most important focus areas of growth are the continuous development of service solutions, digitalization and international growth.

To boost the sales of its service solutions, Etteplan introduced a new global organization on January 1, 2019, in which the service areas form the reporting lines instead of the previous country organization. At the same time, the areas of responsibility of the Management Group's members changed and a new member was appointed to the Management Group. A stock exchange release was issued on the subject on December 19, 2018. The aim of the organizational renewal is to boost growth, improve Etteplan's ability to respond to the increasingly global demand of its customers, enhance the development and sales of service solutions and improve the Company's capability to reach its strategic target for Managed Services. Etteplan's target is to achieve a share of 65 per cent of revenue for Managed Services by the end of 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 grew and stood at 59 (55) per cent in April-June and 59 (54) per cent in January-June.

Etteplan accelerated its growth and strengthened its foothold in Sweden by acquiring the engineering company Devex Mekatronik AB in June. Established in 1998, Devex Mekatronik specializes in mechanical and electrical engineering, software development, embedded systems and life science. Devex Mekatronik's revenue in 2018 amounted to approximately EUR 9.2 million and the company's customers operate in a wide range of industries. Devex Mekatronik employs 120 experts in six locations in Sweden: Stockholm, Uppsala, Linköping, Karlstad, Lund and Sundsvall. In addition, in early July, Etteplan acquired EMP Engineering Alliance, a German company specializing in industrial automation and process engineering.

In the recent years, Etteplan has 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 its 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 in all of the Company's service areas in all of our market areas. In June 2019, Etteplan opened a new office in Rotterdam. Located in the western part of the Netherlands, Rotterdam is one of the engines of the country's economic growth. The new office presents Etteplan with opportunities for growth, particularly in the marine, offshore, machine construction and process industries and within the cross-sector digital innovation initiatives ongoing in the area.

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)	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	1-12/2018
Revenue	35,269	35,000	0.8%	70,876	68,643	3.3%	132,061
Operating profit (EBITA)	3,842	3,740	2.7%	7,518	6,811	10.4%	12,985
EBITA, %	10.9	10.7		10.6	9.9		9.8
Managed Services index	57	52		56	52		52
Personnel at end of the period	1,871	1,731	8.1%	1,871	1,731	8.1%	1,740

The figures for Devex Mekatronik AB, acquired in June 2019, are included in the Engineering Solutions service area's figures starting from June 1, 2019.

The share of Etteplan's revenue represented by Engineering Solutions was 55 (56) per cent in April-June and also 55 (56) per cent in January-June.

The service area's revenue increased by 0.8 per cent in April-June and amounted to EUR 35.3 (35.0) million. In January-June, revenue increased by 3.3 per cent, amounting to EUR 70.9 (68.6) million.

The Engineering Solutions service area had 1,871 (1,731) employees at the end of June.

The Engineering Solutions service area developed well in the second quarter despite a slight slowing down of demand growth. Industrial investments remained at a good level. Etteplan strengthened its Engineering Solutions by making an acquisition in Sweden during the review period and in Germany after the review period. The uncertainty caused by the prevailing political situation affected our business in China. In Poland, the sales of Engineering Solutions remained slow in the second quarter. The limited availability of specialized experts in certain areas affected the business to some extent.

The Engineering Solutions service area's operating profit (EBITA) in April-June was EUR 3.8 (3.7) million, or 10.9 (10.7) per cent of revenue. In January-June, operating profit (EBITA) was EUR 7.5 (6.8) million, or 10.6 (9.9) per cent of revenue. Profitability was at a good level as a result to excellent operational efficiency and successful projects.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, increased thanks to good demand in the project business, amounting to 57 (52) per cent in April-June and 56 (52) per cent in January-June.

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

Software and Embedded Solutions

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

(EUR 1,000)	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	1-12/2018
Revenue	17,105	15,767	8.5%	34,419	29,863	15.3%	60,017
Operating profit (EBITA)	1,594	1,361	17.1%	3,283	2,481	32.4%	5,837
EBITA, %	9.3	8.6		9.5	8.3		9.7
Managed Services index	55	46		55	45		47
Personnel at end of the period	731	662	10.4%	731	662	10.4%	653

The figures for Devex Mekatronik AB, acquired in June 2019, are included in the Software and Embedded Solutions service area's figures starting from June 1, 2019.

The figures for Eatech Oy, acquired in May 2018, are included in the Software and Embedded Solutions service area's figures starting from May 1, 2018.

The share of the Group's total revenue represented by Software and Embedded Solutions was 27 (25) per cent in April-June and 26 (25) per cent in January-June.

The service area's revenue grew by 8.5 per cent in April-June, amounting to EUR 17.1 (15.8) million. In January-June, revenue increased by 15.3 per cent and was EUR 34.4 (29.9) million.

The Software and Embedded Solutions service area had 731 (662) employees at the end of June.

The service area's demand situation was generally good in all customer industries. The slow start of certain software design projects in the first quarter and early in the second quarter affected the development of the service area. The reduced availability of competent professionals,

particularly in the software business, slowed growth to some extent. In Poland, orders from one customer decreased significantly as the focus of the operations shifted partly to other countries.

The Software and Embedded Solutions service area's operating profit (EBITA) improved thanks to the higher share of Managed Services and amounted to EUR 1.6 (1.4) million, or 9.3 (8.6) per cent of revenue, in April-June. In January-June, operating profit (EBITA) was EUR 3.3 (2.5) million, or 9.5 (8.3) per cent of revenue. Operational efficiency was at a good level.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, improved and stood at 55 (46) per cent in April-June and 55 (45) per cent in January-June. The service area's project business has improved thanks to the measures we have taken, which enabled us to further grow our project business at a profitability level that is in line with our targets.

In 2018, Etteplan strengthened its expertise particularly as a provider of comprehensive digital solutions, agile software development and cloud software solutions by acquiring Eatech Oy and Koodain Solutions Oy. We combined these two companies and the previously acquired Soikea Solutions Oy to create Etteplan's software and digital services unit, which operates in Finland under the Etteplan MORE brand.

During the review period, Etteplan, Nokia and Ukkoverkot began a cooperation intended to provide industrial customers with solutions based on private LTE/4G or NR 5G radio networks to serve these rapidly growing markets. Typical applications include ports, industrial areas and mines.

Technical Documentation Solutions

Technical Documentation Solutions refer 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)	4-6/2019	4-6/2018	Change	1-6/2019	1-6/2018	Change	1-12/2018
Revenue	11,845	11,272	5.1%	24,354	22,485	8.3%	44,305
Operating profit (EBITA)	1,048	1,074	-2.4%	2,291	1,923	19.1%	3,684
EBITA, %	8.8	9.5		9.4	8.6		8.3
Managed Services index	75	73		75	74		75
Personnel at end of the period	611	571	6.9%	611	571	6.9%	587

The share of the Group's total revenue represented by Technical Documentation Solutions was 18 (19) per cent in April-June and 19 (19) per cent in January-June.

The service area's revenue grew by 5.1 per cent in April-June and was EUR 11.8 (11.3) million. In January-June, the rate of growth was 8.3 per cent and revenue amounted to EUR 24.4 (22.5) million.

The Technical Documentation Solutions service area had 611 (571) employees at the end of June.

The service area's demand situation was good in the second quarter. The demand for outsourcing solutions has picked up and we are continuing discussions on new outsourcing agreements

with several customers. Certain software sales transactions were postponed to the upcoming quarters. Operational efficiency was at a good level.

In April-June, the Technical Documentation Solutions service area's operating profit (EBITA) was EUR 1.0 (1.1) million, or 8.8 (9.5) per cent of revenue. In January-June, operating profit (EBITA) was EUR 2.3 (1.9) million, or 9.4 (8.6) per cent of revenue.

Challenges in Germany continued to burden the profitability of Technical Documentation Solutions during the review period. A significant long-delayed project delivery in Germany started in the second quarter with a test batch. The majority of the deliveries will take place in the third and fourth quarters of the year. The delay in the project was due to problems in the functioning of a particular component chosen by the customer. We replaced the part with a more expensive component, which will affect the project's profitability. We estimate that the other changes we made during the early part of the year will improve the German unit's performance during the remainder of the year.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 75 (73) per cent in April-June and 75 (74) per cent in January-June. As strong progress continues in the digitalization of technical documentation, we have also continued to develop our service solutions.

During the review period, Etteplan and Škoda Transtech Oy agreed on cooperation concerning the production of technical product documentation of the City of Tampere's ForCity Smart Artic trams and the Artic trams of the Jokeri Light Rail (Raide-Jokeri) line, which will be built in the Helsinki capital region. For Etteplan, the Škoda Transtech agreement is a significant order that supports the company's target of increasing the share of Managed Services of its revenue.

Etteplan and Fortum announced they are looking into the possibilities of automating Fortum's documentation process using cognitive technologies and artificial intelligence. The scope of the initiative includes Fortum's 120 hydropower plants in Sweden and the hundreds of thousands of drawings, lists and project documents that have been accumulated in various systems over the years.

GOVERNANCE

Change in Etteplan's Management Group

M. Sc. (Industrial Engineering & Management.) **Minna Tornikoski** was appointed Etteplan's Senior Vice President, Human Resources and a member of Etteplan's Management Group. Tornikoski transferred to Etteplan from Huhtamäki Oyj, where she was the Head of Human Resources for the Flexible Packaging business area. She has extensive experience in HR positions in multinational corporations such as Tieto and Nokia. She reports to President and CEO **Juha Näkki**. Minna Tornikoski replaced Marcus Reijonen, who acted as Etteplan's SVP for Human Resources on an interim basis after Outi-Maria Liedes retired.

Annual General Meeting 2019

Etteplan Oyj's Annual General Meeting was held on April 4, 2019. 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 2018.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.30 per share for the financial year 2018 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 8, 2019, and the date of dividend payout April 15, 2019.

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 five 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 and Mikko Tepponen as members of the Board of Directors.

KPMG Oy Ab, Authorized Public Accountants, 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. Leena Saarinen was elected the Chairman and Robert Ingman and Matti Huttunen as members of the Nomination and Remuneration Committee of Etteplan Oyj.

Change in Etteplan's Main Responsible Auditor

Etteplan's Auditor KPMG Oy Ab, Authorized Public Accountants has informed the company that Authorized Public Accountant Kim Järvi will act as the main responsible auditor for Etteplan going forward. The change took effect immediately.

Board authorizations

The Annual General Meeting decided to authorize 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 4, 2019, and ending on October 4, 2020. The authorization replaces the corresponding previous authorization.

The Annual General Meeting 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 4, 2019, and ending on April 4, 2021.

Shares

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Mid Cap market capitalization group in the Industrials sector under the ETTE ticker. Etteplan moved from the Small Cap group to the Mid Cap group on January 1, 2019. 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 June 30, 2019, 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-June was 672,331 (1-6/2018: 541,153), for a total value of EUR 5.6 (4.4) million. The share price low was EUR 7.46, the high EUR 9.20, the average EUR 8.39 and the closing price EUR 9.10. Market capitalization on June 30, 2019, was EUR 225.9 (209.1) million.

Treasury shares

On February 7, 2019, Etteplan Oyj's Board of Directors decided 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 5, 2018. The shares are repurchased in order to be used to fulfill obligations pertaining to the share-based incentive plan for the Group's key personnel. The repurchasing of shares began on February 8, 2019, and it will end on December 31, 2019, at the latest. The number of repurchased shares will not exceed 60,000 shares and the corresponding

number of voting rights, which corresponds to approximately 0.24 per cent of the current total number of Etteplan's shares.

On April 4, 2019, Etteplan Oyj's Board of Directors decided to continue the share repurchase program of Etteplan's own shares initiated on February 7, 2019, in accordance with the authorization given to it by the Annual General Meeting on April 4, 2019. The terms of the program remained unchanged. Since a total of 41,971 of the Company's own shares were repurchased between February 8, 2019, and July 13, 2019, a total of 18,029 shares can still be repurchased as part of the share repurchase program.

In January-June 2019, Etteplan repurchased a total of 40,451 of the Company's own shares. The Company held 136,654 of its own shares on June 30, 2019 (June 30, 2018: 66,949), which corresponds to 0.55 per cent of all shares and voting rights.

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 the 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. The potential non-recurring reward of the incentive plan will be paid after the earning period in 2020.

Flaggings

Etteplan Oyj received no flagging notices in January-June 2019.

Changes in segment reporting

On January 1, 2019, Etteplan introduced a new global organization in which the service areas form the reporting lines instead of the previous country organization. Starting from the beginning of 2019, Etteplan has three service areas: Engineering Solutions, Software and Embedded Solutions and Technical Documentation Solutions.

Etteplan's business was previously conducted in one operating segment. With the organizational changes, Etteplan also changed the internal reporting provided for the chief operating decision-maker, i.e. Etteplan's Management Group, for decision-making. From the first Interim Report 2019 onwards, each of Etteplan's service areas will form an operating and reporting segment of its own. With the changes to the segment reporting, Etteplan aims to increase the transparency of the implementation of the company's business strategy and the realization of targets.

Starting from the interim report for the first quarter of 2019, Etteplan will report, in addition to revenue and the MSI Index, Operating profit (EBITA), EBITA-% and the number of personnel for each reporting segment/service area. As the premeasurements of contingent considerations are only included at the Group level, the operating profit (EBITA) equals the previously reported

EBIT from business operations at the reporting segment/service area level both for the quarters and the full year 2018.

Changes to Etteplan's financial reporting and financial and strategic targets

Etteplan will start to measure its profitability with operating profit (EBITA) instead of EBIT from business operations both for the Group and for the service areas. Based on the decision of the Board of Directors, the related strategic and financial targets will also be updated. Etteplan's target is to reach 10 per cent operating profit (EBITA) of revenue.

Operating profit (EBITA) is more commonly used among Etteplan's peer companies and by starting to report it, Etteplan makes it easier for investors to compare its performance against other companies in the industry.

Comparison figures for 2018

(1 000 EUR)	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Liikevoitto (EBIT)	5 731	4 385	5 653	4 415
Yrityshankintojen käyvän arvon arvostusten poistot	652	652	593	473
Liikevoitto (EBITA)	6 384	5 038	6 246	4 888
Ehdollisten velkojen arvostuksen muutos	-250	-213	-200	-18
Operatiivinen liikevoitto	6 134	4 824	6 046	4 871

Operating profit (EBITA) = Operating profit (EBIT) + amortization on fair value adjustments in acquisitions

EBIT from business operations = Operating profit (EBIT) + amortization on fair value adjustments in acquisitions +/- premeasurements of contingent considerations

Both operating profit (EBITA) and EBIT from business operations are non-IFRS performance measures, which provide additional information on Etteplan's strategic and financial development.

Etteplan's strategic and financial targets as of April 4, 2019

Growth: 15 per cent average annual revenue growth (unchanged)

Profitability: 10 per cent operating profit (EBITA) of revenue (new target)

Managed Services: 65 per cent of revenue represented by Managed Services (Managed Services Index, MSI) by the end of 2019 (unchanged)

Balance sheet: >30 per cent equity ratio (unchanged)

Effects of the adoption of IFRS 16 Leases

IFRS 16 'Leases' standard requires lessees to recognize lease agreements on the balance sheet as right-of-use assets and related lease liabilities.

The new standard has an effect on the Group's balance sheet, cash flow statement and key figures, as the rental agreements for the Group's offices were previously classified as operating leases, which were not recognized in the balance sheet. The Group adopted the standard on January 1, 2019, and reports according to it for the first time in this Interim Report.

Operating profit (EBIT) improved slightly because the interest on lease liabilities is treated as a financial expense. Operating cash flow increased and financing cash flow decreased by approximately the same amount due to the repayment of the principal portion of the lease liability being classified as cash flow from financing activities. The Group's liabilities are also increased, which has the effect of reducing the equity ratio.

At the time of adoption, an interest-bearing lease liability of EUR 12 million was recognized, corresponding to the discounted future rent payments of the leased items. Right-of-use assets were recognized in the balance sheet equal to the amount of the additional liability. More information is provided on page 21-22.

Event after the review period: Etteplan expands its operations in Germany into engineering services and acquires EMP Engineering Alliance

On July 4, 2019 Etteplan announced it is expanding its operations in Germany to engineering services and acquiring EMP Engineering Alliance, a company specializing in industrial automation and process engineering. The acquisition is in line with Etteplan's growth strategy, at the core of which is organic growth and strengthening the company's expertise and market position through acquisitions. Etteplan previously offered technical documentation services in Germany. The acquisition supports our existing business in Germany and creates a stronger and wider growth platform for us in the important engineering market in Germany. In 2018, EMP Engineering Alliance's revenue totaled EUR 16.8 million, and it employs more than 130 experts in process automation in four different cities: Leverkusen, Berlin, Bottrop and Frankfurt.

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 64-67 of the Financial Review 2018.

Financial information in 2019

Etteplan Oyj will publish financial information as follows:

- Interim Report 1-9/2019: Thursday, October 31, 2019

Vantaa, August 13, 2019

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)	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Revenue	64,329	62,031	129,954	120,995	236,477
Other operating income	667	348	806	410	1,172
Materials and services	-5,809	-5,767	-11,539	-10,940	-21,822
Staff costs	-42,618	-40,672	-86,930	-81,128	-156,183
Other operating expenses	-7,421	-8,862	-14,186	-16,548	-33,667
Depreciation and amortization	-3,347	-1,425	-6,532	-2,722	-5,792
Operating profit (EBIT)	5,801	5,653	11,572	10,068	20,184
Financial income	192	220	381	572	791
Financial expenses	-321	-342	-672	-849	-1,580
Profit before taxes	5,671	5,531	11,282	9,791	19,396
Income taxes	-1,153	-1,178	-2,461	-2,157	-4,116
Profit for the review period	4,517	4,352	8,821	7,634	15,280
Other comprehensive income, that may be reclassified to profit or loss					
Currency translation differences	-511	-528	-794	-1,706	-1,200
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	-107	8	-95	14	3
Other comprehensive income, net of tax	-618	-520	-889	-1,692	-1,197
Total comprehensive income for the review period	3,899	3,832	7,931	5,942	14,083
Profit for the review period attributable to					
Equity holders of the parent company	4,517	4,352	8,821	7,634	15,280
Total comprehensive income for the review period attributable to					
Equity holders of the parent company	3,899	3,832	7,931	5,942	14,083
Earnings per share calculated from the profit attributable to equity holders of the parent company					
Basic earnings per share, EUR	0.18	0.18	0.35	0.31	0.62
Diluted earnings per share, EUR	0.18	0.18	0.35	0.31	0.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
ASSETS			
Non-current assets			
Goodwill	67,116	66,236	65,165
Other intangible assets	22,067	21,936	20,856
Tangible assets	16,193	3,936	4,065
Investments at fair value through other comprehensive income	576	709	695
Other non-current receivables	54	88	54
Deferred tax assets	237	135	161
Non-current assets, total	106,243	93,039	90,995
Current assets			
Inventory	409	334	362
Work in progress	26,023	23,347	20,503
Trade and other receivables	32,860	32,348	32,367
Current tax assets	45	25	223
Cash and cash equivalents	7,995	7,852	16,115
Current assets, total	67,332	63,905	69,569
TOTAL ASSETS	173,575	156,944	160,564
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	-547	-188	-452
Cumulative translation adjustment	-4,696	-4,407	-3,901
Other reserves	136	243	231
Retained earnings	32,392	24,567	24,567
Profit for the review period	8,821	7,634	15,280
Equity, total	67,910	59,651	67,527
Non-current liabilities			
Deferred tax liabilities	4,840	4,415	4,518
Interest-bearing liabilities	27,084	26,250	24,105
Other non-current liabilities	27	3,840	2,036
Non-current liabilities, total	31,951	34,505	30,659
Current liabilities			
Interest-bearing liabilities	17,195	14,097	12,147
Advances received	4,221	2,127	3,064
Trade and other payables	50,407	44,958	45,386
Current income tax liabilities	1,892	1,607	1,782
Current liabilities, total	73,714	62,788	62,378
Liabilities, total	105,665	97,293	93,037
TOTAL EQUITY AND LIABILITIES	173,575	156,944	160,564

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1,000)	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Operating cash flow					
Cash receipts from customers	65,726	60,124	127,510	120,596	239,983
Operating expenses paid	-55,932	-54,984	-110,571	-110,465	-212,081
Operating cash flow before financial items and taxes	9,793	5,140	16,939	10,132	27,903
Interest and payment paid for financial expenses	-236	-124	-476	-399	-956
Interest received	28	22	121	32	59
Income taxes paid	-789	-570	-2,368	-2,017	-3,950
Operating cash flow (A)	8,796	4,469	14,217	7,747	23,055
Investing cash flow					
Purchase of tangible and intangible assets	-550	-325	-1,135	-693	-1,752
Acquisition of subsidiaries, net of cash acquired	-4,479	-6,630	-5,303	-7,602	-8,262
Proceeds from sale of tangible and intangible assets	15	4	17	4	21
Proceeds from sale of investments	0	0	0	1	1
Investing cash flow (B)	-5,014	-6,950	-6,421	-8,290	-9,992
Cash flow after investments (A+B)	3,782	-2,482	7,796	-543	13,063
Financing cash flow					
Purchase of own shares	-190	-75	-345	-259	-516
Expenses paid for directed share issue	0	-7	0	-7	-7
Issue of new current loans	520	2,398	729	2,514	3,559
Repayments of current loans	-4,695	-2,805	-4,702	-5,398	-24,743
Issue of new non-current loans	0	8,000	0	8,000	22,102
Payment of lease liabilities	-2,151	-422	-4,222	-845	-1,765
Dividend paid	-7,454	-5,684	-7,454	-5,684	-5,684
Financing cash flow (C)	-13,970	1,405	-15,994	-1,680	-7,054
Variation in cash (A+B+C) increase (+) / decrease (-)	-10,187	-1,077	-8,197	-2,222	6,009
Assets at the beginning of the period	18,178	8,968	16,115	10,074	10,074
Exchange gains or losses	4	-39	77	1	32
Assets at the end of the period	7,995	7,852	7,995	7,852	16,115

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, 2018	5,000	6,701	18,524	228	-80	-2,701	30,251	57,923
Comprehensive income								
Profit for the review period	0	0	0	0	0	0	15,280	15,280
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	3	0	0	0	3
Cumulative translation adjustment	0	0	0	0	0	-1,200	0	-1,200
Total comprehensive income for the year	0	0	0	3	0	-1,200	15,280	14,083
Transactions with owners								
Dividends	0	0	0	0	0	0	-5,684	-5,684
Directed share issue	0	0	1,577	0	0	0	0	1,577
Purchase of own shares	0	0	0	0	-516	0	0	-516
Share-based incentive plan	0	0	0	0	144	0	0	144
Transactions with owners, total	0	0	1,577	0	-372	0	-5,684	-4,478
Equity Dec 31, 2018	5,000	6,701	20,101	231	-452	-3,901	39,846	67,527

(EUR 1,000)	A	B	C	D	E	F	G	H
Equity Jan 1, 2019	5,000	6,701	20,101	231	-452	-3,901	39,846	67,527
Comprehensive income								
Profit for the review period	0	0	0	0	0	0	8,821	8,821
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	-95	0	0	0	-95
Cumulative translation adjustment	0	0	0	0	0	-794	0	-794
Total comprehensive income for the year	0	0	0	-95	0	-794	8,821	7,931
Transactions with owners								
Dividends	0	0	0	0	0	0	-7,454	-7,454
Purchase of own shares	0	0	0	0	-345	0	0	-345
Share-based incentive plan	0	0	0	0	250	0	0	250
Transactions with owners, total	0	0	0	0	-95	0	-7,454	-7,549
Equity Jun 30, 2019	5,000	6,701	20,101	136	-547	-4,696	41,213	67,910

(EUR 1,000)	A	B	C	D	E	F	G	H
Equity Jan 1, 2018	5,000	6,701	18,524	228	-80	-2,701	30,251	57,923
Comprehensive income								
Profit for the review period	0	0	0	0	0	0	7,634	7,634
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	14	0	0	0	14
Cumulative translation adjustment	0	0	0	0	0	-1,706	0	-1,706
Total comprehensive income for the year	0	0	0	14	0	-1,706	7,634	5,942
Transactions with owners								
Dividends	0	0	0	0	0	0	-5,684	-5,684
Directed share issue	0	0	1,577	0	0	0	0	1,577
Purchase of own shares	0	0	0	0	-259	0	0	-259
Share-based incentive plan	0	0	0	0	152	0	0	152
Transactions with owners, total	0	0	1,577	0	-107	0	-5,684	-4,214
Equity Jun 30, 2018	5,000	6,701	20,101	243	-188	-4,407	32,201	59,651

NOTES

General

Etteplan provides solutions for industrial equipment and plant engineering, software and embedded solutions, 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 2018, Etteplan had a turnover of approximately EUR 236 million. The company currently has some 3,400 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 Half Year Financial Report for publication at its meeting on August 13, 2019.

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 Half Year Financial Report has been prepared in accordance with the requirements in IAS 34 (Interim Financial Reporting) standard. The Half Year Financial Statement Report has been prepared according to the recognition and valuation principles presented in the 2018 Annual Financial Statements, except for the following change in standard, effective from January 1, 2019 onwards:

IFRS 16 "Leases" -standard requires the lessees to recognize lease agreements on the balance sheet as lease liabilities and related right-of-use assets.

The Group adopted the standard on January 1, 2019 using the simplified approach and does not restate comparative figures. The new standard has a material effect on the Group's balance sheet, cash flow statement and key figures, as the rental agreements for the Group's office premises were classified as operating leases, which were not recognized in the balance sheet before implementing the standard. At the time of implementing the standard a lease liability of EUR 12 million was recognized, corresponding to the discounted future rent payments. Right-of-use assets were recognized in the balance sheet equal to the amount of the additional liability. The table below describes the formation of IFRS 16 lease liability on Jan 1, 2019.

(EUR 1,000)	
Operating lease commitment at Dec 31, 2018 as disclosed in the Group's consolidated financial statements	9,758
Discounted with Group weighted average incremental borrowing rate, 2%	9,542
Extension and termination options reasonably certain to be exercised	2,795
Finance lease liability recognized as at Dec 31, 2018	3,899
IFRS 16 lease liability at Jan 1, 2019	16,236

In applying the IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristic
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 uncertainty were the same as those that applied to the 2018 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 16 standard effective in 2019. Management judgment is exercised, among other things, in determining the extent to which extension options included in lease agreements are used. The Group's management has determined the available extension options to be used in such a way that extension options are used up to 18 months in lease agreements with non-cancellable term of under 18 months and for lease agreements with non-cancellable term of 18 months or more no extension options are used, which the management believes to give the most accurate view of the Group's total lease liability.

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)	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Operating profit (EBIT)	5,801	5,653	11,572	10,068	20,184
Amortization on fair value adjustments at acquisitions	683	593	1,335	1,066	2,371
Operating profit (EBITA)	6,483	6,246	12,907	11,134	22,555

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 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.

Key figures without effects of IFRS 16 implementation

To improve comparability between years 2018 and 2019 Etteplan provides during 2019 additional financial information without the effects of IFRS 16 "Leases" -standard on those of its key figures which are most affected by the implementation of the standard (on Jan 1, 2019).

(EUR 1,000)	1-6/2019	1-6/2019 without IFRS 16 effects
Operating profit (EBIT)	11,572	11,521
Operating cash flow	14,217	11,043
Financing cash flow	-15,994	-12,820
Gross interest-bearing debt	44,278	32,666
Equity ratio, %	40.1	43.1
Net gearing, %	53.4	36.3
Gross investments	10,311	7,739
Tangible assets	16,193	4,581

Key Figures

(EUR 1,000)	1-6/2019	1-6/2018	1-12/2018	Change
Revenue	129,954	120,995	236,477	7.4 %
Operating profit (EBITA)	12,907	11,134	22,555	15.9 %
EBITA, %	9.9	9.2	9.5	
Operating profit (EBIT)	11,572	10,068	20,184	14.9 %
EBIT, %	8.9	8.3	8.5	
Profit before taxes	11,282	9,791	19,396	15.2 %
Profit before taxes, %	8.7	8.1	8.2	
Return on equity, %	26.1	26.0	24.4	
ROCE, %	22.1	22.1	21.3	
Equity ratio, %	40.1	38.5	42.9	
Gross interest-bearing debt	44,278	40,347	36,252	9.7 %
Net gearing, %	53.4	54.5	29.8	
Balance sheet, total	173,575	156,944	160,564	10.6 %
Gross investments	10,311	15,844	16,527	-34.9 %
Operating cash flow	14,217	7,747	23,055	83.5 %
Basic earnings per share, EUR	0.35	0.31	0.62	12.9 %
Diluted earnings per share, EUR	0.35	0.31	0.62	12.9 %
Equity per share, EUR	2.74	2.40	2.72	14.2 %
Personnel, average	3,212	2,930	2,995	9.6 %
Personnel at end of the period	3,301	3,051	3,055	8.2 %

Revenue

The tables below present the division 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. Etteplan China operations sell their services both locally and through other Group companies thus this revenue is partly included in the revenue from other countries.

(EUR 1,000)	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Primary geographical location					
Finland	45,044	42,147	91,090	82,047	161,571
Sweden	13,656	13,298	27,457	26,596	50,353
China	1,801	1,994	3,487	3,549	7,587
Central Europe	3,828	4,591	7,920	8,803	16,966
Total	64,329	62,031	129,954	120,995	236,477
Timing of revenue recognition					
Transferred at a point in time	623	428	1,265	825	1,969
Transferred over time	63,706	61,603	128,688	120,170	234,508
Total	64,329	62,031	129,954	120,995	236,477

Segment Information

The Group has three reportable segments, the revenue of which consist mainly of rendering of services. Etteplan renewed its organization and structure and made changes to its segment reporting effective from January 1, 2019. Starting from the beginning of 2019, the names of the service areas are Engineering Solutions; Software and Embedded Solutions; and Technical Documentation Solutions. Each service area forms a separate reporting segment.

Non-current assets are presented according to the location of the asset, because the Group's chief operating decision-maker follows asset items at country level.

(EUR 1,000)	Engineering Solutions	Software and Embedded Solutions	Technical Documentation Solutions	Reportable segments total	Other segments	Total
4-6/2019						
External revenue	35,269	17,105	11,845	64,219	110	64,329
Operating profit (EBITA)	3,842	1,594	1,048	6,483	0	6,483
Personnel at end of the period	1,871	731	611	3,213	88	3,301
4-6/2018						
External revenue	35,000	15,767	11,272	62,039	-9	62,031
Operating profit (EBITA)	3,740	1,361	1,074	6,174	71	6,246
Personnel at end of the period	1,731	662	571	2,965	86	3,051
1-6/2019						
External revenue	70,876	34,419	24,354	129,649	305	129,954
Operating profit (EBITA)	7,518	3,283	2,291	13,093	-185	12,907
Personnel at end of the period	1,871	731	611	3,213	88	3,301
1-6/2018						
External revenue	68,643	29,863	22,485	120,991	4	120,995
Operating profit (EBITA)	6,811	2,481	1,923	11,214	-80	11,134
Personnel at end of the period	1,731	662	571	2,965	86	3,051

Reconciliation of Operating profit (EBITA) and Profit before taxes

(EUR 1,000)	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Operating profit (EBITA)	6,483	6,246	12,907	11,134	22,555
Amortization on fair value adjustments at acquisitions	-683	-593	-1,335	-1,066	-2,371
Operating profit (EBIT)	5,801	5,653	11,572	10,068	20,184
Financial income	192	220	381	572	791
Financial expenses	-321	-342	-672	-849	-1,580
Profit before taxes	5,671	5,531	11,282	9,791	19,396

Non-current assets* by location of asset

(EUR 1,000)	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Finland	65,697	61,442	58,983
Sweden	29,984	23,089	23,646
China	2,512	2,233	2,171
Central Europe	7,237	5,431	5,339
Total	105,430	92,195	90,140

*Other non-current assets excluding financial instruments and deferred tax assets.

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)	4-6/2019	4-6/2018	1-6/2019	1-6/2018	1-12/2018
Other operating income	500	200	536	218	681
Staff costs and other operating expenses	-468	-347	-708	-524	-1,012
Operating profit (EBIT)	32	-147	-171	-306	-331

Revenue and Operating profit (EBIT) by quarter

(EUR 1,000)	1-3/2019	1-3/2018	4-6/2019	4-6/2018
Revenue	65,625	58,964	64,329	62,031
Operating profit (EBIT)	5,772	4,415	5,801	5,653
EBIT, %	8.8	7.5	9.0	9.1

Business combinations

Devex Mekatronik AB

Etteplan strengthened its foothold in Sweden with the acquisition of engineering company Devex Mekatronik AB on June 12, 2019. Established in 1998, Devex Mekatronik specializes in mechanical and electrical engineering, software development, embedded systems and life science. Devex Mekatronik's turnover in 2018 amounted to approximately EUR 9.2 million (SEK 97.6 million), and the company's customers operate in a wide range of industries. Devex Mekatronik employs 120 experts in six locations in Sweden: Stockholm, Uppsala, Linköping, Karlstad, Lund and Sundsvall.

The acquisition consideration recognized at the time of the acquisition was EUR 5,325 thousand in total. The acquisition consideration consists of a cash payment and a contingent consideration. The cash consideration amounts to EUR 4,662 thousand. In addition, a contingent consideration of EUR 0 - 2,000 thousand (undiscounted amount) is agreed upon. The contingent consideration will be paid in full provided that the threshold set in the share transfer agreement for operating profit in year 2019 is met. The fair value of the contingent consideration is estimated by applying the income approach. At the time of acquisition the provisional fair value of the contingent consideration was EUR 663 thousand.

The provisional goodwill of EUR 2,580 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 recognized at the time of acquisition.

Consideration transferred:	(EUR 1,000)
Cash payment	4,662
Contingent consideration	663
Total consideration transferred	5,325
Assets and liabilities	
Tangible assets	472
Customer relationships (intangible assets)	2,035
Contractual intangible assets	511
Trade and other receivables	2,246
Cash and cash equivalents	182
Total assets	5,446
Non-current liabilities	328
Current liabilities	1,829
Deferred tax liability	545
Total liabilities	2,702
Total identifiable net assets	2,744
Formation of Goodwill:	
Consideration transferred	5,325
Total identifiable net assets	-2,744
Goodwill	2,580

Trade and other receivables comprise gross contractual amounts of EUR 2,246 thousand, none of which was expected to be uncollectible at time of acquisition.

Costs related to acquisition, EUR 60 thousand, are included in other operating expenses in the consolidated statement of comprehensive income.

Changes in contingent considerations

A profit of EUR 536 thousand was recognized in the income statement from premeasurements of a contingent consideration related to a previous acquisition.

Intangible assets

Intangible assets 2019

(EUR 1,000)	Intangible rights	Internally created intangible assets	Fair value adjustments in acquisitions	Intangible right-of-use assets*	Advance payments	Goodwill	Total
Acquisition cost Jan 1	10,992	2,265	26,419	3,966	657	65,165	109,464
Translation difference	0	0	-68	-9	0	-650	-728
Acquisition of subsidiaries	0	0	2,567	0	0	2,601	5,169
Additions	354	21	0	514	4	0	893
Reclassifications between items	38	581	0	0	-581	0	38
Disposals	-114	0	0	0	0	0	-114
Acquisition cost Jun 30	11,269	2,867	28,918	4,472	80	67,116	114,721
Cumulative amortization Jan 1	-9,079	-1,834	-9,314	-3,216	0	0	-23,443
Translation difference	2	0	17	8	0	0	27
Cumulative amortization on disposals and reclassifications	114	0	0	0	0	0	114
Amortization for the financial period	-410	-137	-1,335	-356	0	0	-2,237
Cumulative amortization Jun 30	-9,372	-1,971	-10,632	-3,564	0	0	-25,538
Book value Jun 30, 2019	1,897	896	18,286	907	80	67,116	89,183

*2018: Other intangible assets, finance lease

Intangible assets 2018

(EUR 1,000)	Intangible rights	Internally created intangible assets	Fair value adjustments in acquisitions	Other intangible assets, finance lease	Advance payments	Goodwill	Total
Acquisition cost Jan 1	12,270	2,968	21,146	3,649	240	59,014	99,286
Translation difference	-4	0	-99	-17	0	-1,315	-1,436
Acquisition of subsidiaries	0	0	5,346	0	0	8,537	13,883
Additions	150	45	0	176	253	0	625
Reclassifications between items	75	0	0	0	-79	0	-4
Disposals	-581	-217	0	0	0	0	-798
Acquisition cost Jun 30	11,910	2,796	26,393	3,808	414	66,236	111,556
Cumulative amortization Jan 1	-10,998	-1,841	-6,965	-2,595	0	0	-22,399
Translation difference	7	0	27	15	0	0	50
Cumulative amortization on disposals and reclassifications	562	217	0	0	0	0	779
Amortization for the financial period	-323	-109	-1,066	-317	0	0	-1,815
Cumulative amortization Jun 30	-10,752	-1,733	-8,004	-2,897	0	0	-23,385
Book value Jun 30, 2018	1,158	1,064	18,389	911	414	66,236	88,172

Tangible assets

Tangible assets 2019

(EUR 1,000)	Land and water	Machinery and equipment	Other tangible assets	Right-of-use assets		Total
				Machinery and equipment*	Premises	
Acquisition cost Dec 31	19	13,580	923	10,673	0	25,196
IFRS 16 implementation	0	0	0	1,835	10,502	12,337
Acquisition cost Jan 1	19	13,580	924	12,508	10,502	37,533
Translation difference	0	-62	0	-44	0	-106
Acquisition of subsidiaries	0	3	0	142	329	474
Additions	0	737	19	1,050	1,970	3,775
Reclassifications between items	0	-48	48	0	0	0
Disposals	0	-38	-8	-23	-101	-170
Acquisition cost Jun 30	19	14,171	983	13,632	12,699	41,505
Cumulative depreciation Jan 1	0	-11,841	-833	-8,457	0	-21,131
Translation difference	0	60	0	30	0	90
Cumulative depreciation on acquisitions	0	-2	0	0	0	-2
Cumulative depreciation on disposals and reclassifications	0	25	0	0	0	25
Depreciation for the financial period	0	-404	-22	-1,164	-2,706	-4,295
Cumulative depreciation Jun 30	0	-12,161	-855	-9,591	-2,706	-25,312
Book value Jun 30, 2019	19	2,010	128	4,041	9,994	16,193

*2018: Machinery and equipment, finance lease

Tangible assets 2018

(EUR 1,000)	Land and water	Machinery and equipment	Other tangible assets	Machinery and	Total
				equipment, finance lease	
Acquisition cost Jan 1	19	13,710	892	8,967	23,589
Translation difference	0	-135	0	-69	-203
Acquisition of subsidiaries	0	120	44	0	164
Additions	0	229	20	923	1,172
Reclassifications between items	0	4	0	0	4
Disposals	0	-162	0	0	-162
Acquisition cost Jun 30	19	13,766	956	9,821	24,563
Cumulative depreciation Jan 1	0	-11,851	-776	-7,438	-20,065
Translation difference	0	130	0	54	183
Cumulative depreciation on disposals and reclassifications	0	162	0	0	162
Depreciation for the financial period	0	-346	-25	-535	-907
Cumulative depreciation Jun 30	0	-11,905	-802	-7,919	-20,627
Book value Jun 30, 2018	19	1,861	154	1,902	3,936

Interest-bearing liabilities

(EUR 1,000)	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Non-current			
Loans	18,800	24,700	22,302
Lease liabilities*	8,284	1,550	1,803
Non-current total	27,084	26,250	24,105
Current			
Loans	10,491	12,798	10,943
Lease liabilities*	6,703	1,298	1,204
Current total	17,195	14,097	12,147
Interest bearing liabilities total	44,278	40,347	36,252

*Lease liabilities in 2018 include only finance lease liabilities due to IFRS 16 implementation on Jan 1, 2019 without restating comparatives.

Pledges, mortgages and guarantees

(EUR 1,000)	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
For own debts			
Business mortgages	320	320	320
Pledged shares	120	120	120
Other contingencies	531	122	106
For own debts total	971	562	545
Operating Lease liabilities*			
For payment under one year	0	3,712	4,786
For payment 1-5 years	0	4,549	4,972
Operating Lease liabilities total*	0	8,261	9,758
Pledges, mortgages and guarantees total	971	8,823	10,303

*Not recognized in balance sheet before IFRS 16 implementation on Jan 1, 2019.

Related-party transactions

The Group's related-party includes such persons that have control, joint control or significant influence over the Group. Also the Group's key personnel, that is, the members of the Board of Directors and Management Group including the CEO are included in the related-party. Spouses, wards and companies in control or joint control of the before mentioned persons are considered as other related parties. The ultimate controlling party, Ingman Group Oy Ab, and its group companies are also included in related-parties.

Related-party transactions are priced according to Group's normal pricing basis and purchase conditions. The following transactions were carried out with related parties:

(EUR 1,000)	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Sales and purchases of services and related receivables and payables			
Sales of services to other related parties	52	641	1,100
Purchases of services from other related parties	21	44	232
Trade receivables from other related parties	4	294	193
Trade payables to other related parties	0	26	5

Fair values of financial instruments

The tables below analyze financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs that are not based on observable market data (that is, unobservable inputs).

Financial assets recognized at fair value through OCI

(EUR 1,000)	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Quoted shares	211	0	0	211	199	0	0	199
Premises shares	0	335	0	335	0	480	0	480
Unquoted shares	0	0	30	30	0	0	30	30
Total Jun 30	211	335	30	576	199	480	30	709

Reconciliation of financial assets recognized at fair value through OCI

(EUR 1,000)	2019				2018			
	Quoted shares	Premises shares	Unquoted shares	Total	Quoted shares	Premises shares	Unquoted shares	Total
Opening balance at Jan 1	185	480	30	695	181	480	30	691
Gain/loss recognized in other comprehensive income	26	-145	0	-119	18	0	0	18
Disposals	0	0	0	0	0	0	0	0
Closing balance Jun 30	211	335	30	576	199	480	30	709

Financial liabilities recognized at fair value through profit or loss

(EUR 1,000)	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Contingent liability in acquisitions	0	0	2,163	2,163	0	0	5,433	5,433
Total Jun 30	0	0	2,163	2,163	0	0	5,433	5,433

Reconciliation of financial liabilities recognized at fair value through profit or loss

(EUR 1,000)	2019		2018	
	Contingent liability in acquisitions	Total	Contingent liability in acquisitions	Total
Opening balance at Jan 1	2,860	2,860	1,368	1,368
Additions	663	663	4,875	4,875
Revaluation	-536	-536	-218	-218
Translation difference	0	0	-10	-10
Payment	-824	-824	-583	-583
Closing balance Jun 30	2,163	2,163	5,433	5,433

Formulas for key figures

IFRS key figures

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