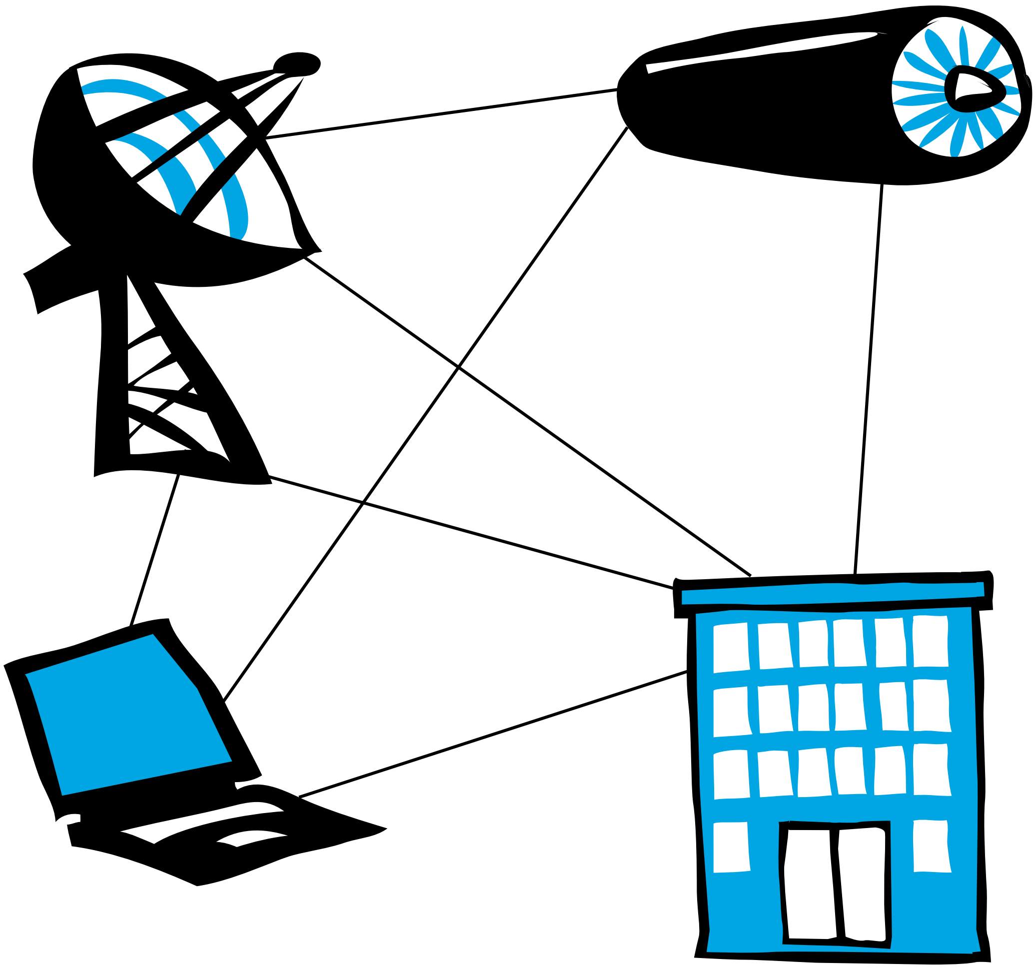
Engineering with a difference



Etteplan

Financial Review 2017

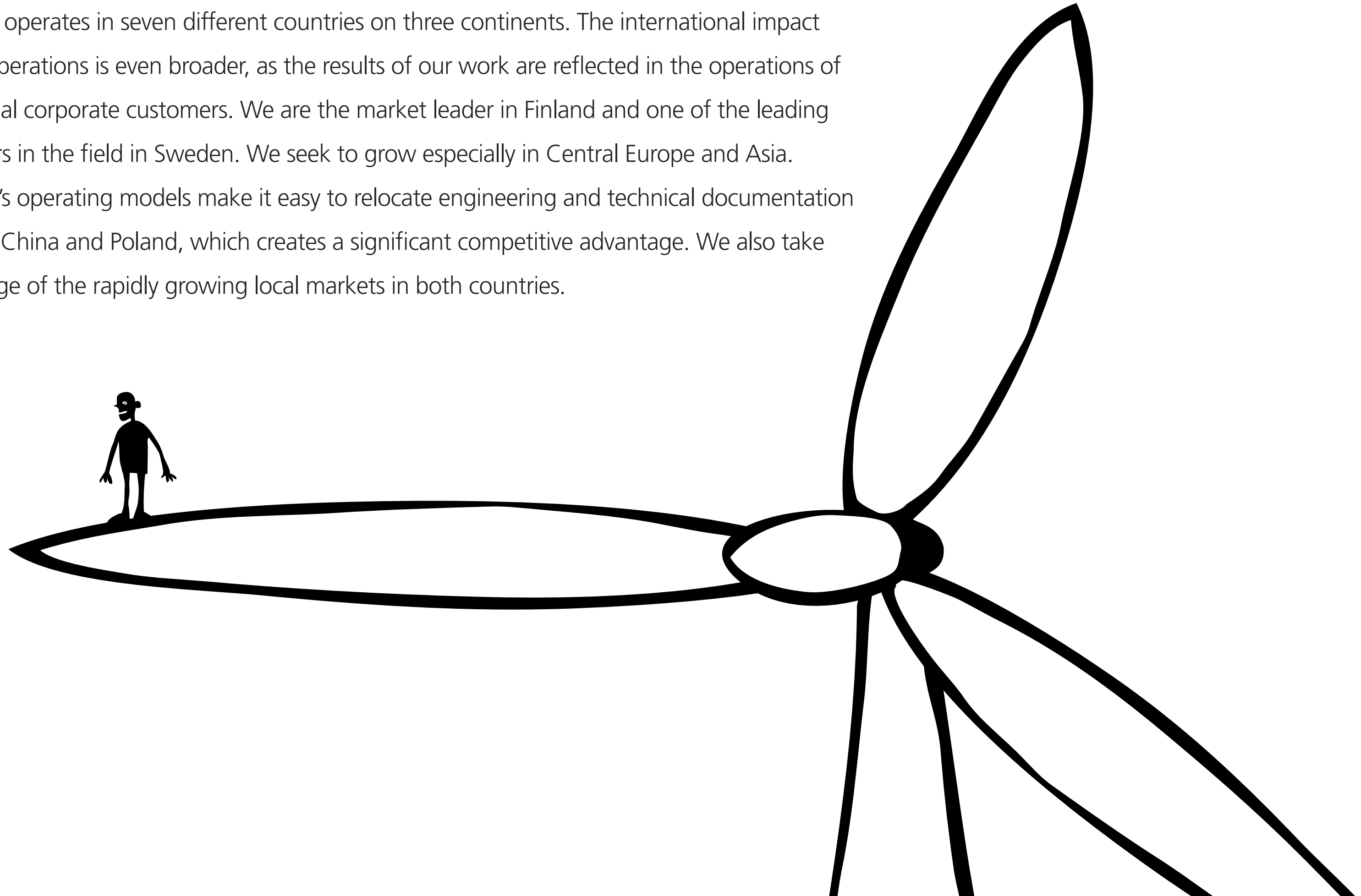
Fast. Dynamic. International.

Engineering with a difference

Etteplan offers engineering with a difference, combining diverse engineering design competence, unique service solutions, extensive partnerships, and digitalization expertise. We believe that solving future challenges requires a sharper approach, people who have a passion for technology, efficient networks, fresh ideas, and the ability and courage to question the traditional ways of doing things. The solutions created by our experts lead the way and play a connecting role in development that changes the world.

Global Etteplan

Etteplan operates in seven different countries on three continents. The international impact of our operations is even broader, as the results of our work are reflected in the operations of our global corporate customers. We are the market leader in Finland and one of the leading operators in the field in Sweden. We seek to grow especially in Central Europe and Asia. Etteplan's operating models make it easy to relocate engineering and technical documentation work to China and Poland, which creates a significant competitive advantage. We also take advantage of the rapidly growing local markets in both countries.



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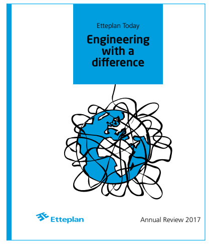


Etteplan's Annual Report 2017 consists of two parts. Annual Review 2017 is available at www.etteplan.com.

A year of strong growth

Etteplan had a successful year in 2017. The implementation of our strategy generated record profits. We developed our operations and continued to invest in growth and improving our service offering.

Etteplan had a very good year in 2017. The work we have done in recent years to implement our strategy produced results in the improved market situation. We were able to surpass our previous achievements as revenue, operating profit and cash flow reached new record highs. We exceeded our 15 per cent growth target and our organic growth was at an excellent level. The number of personnel increased throughout the year and Etteplan employed more than 2,800 experts in seven countries.

The market situation in Etteplan's market areas was good and developed favorably throughout the year. The Finnish market was somewhat slow at the start of the year, but improved rapidly in the first quarter and demand remained at a good level for the rest of the year. In Sweden and Central Europe, the market situation was good throughout the year. In China, the engineering services continued to open up and we were able to acquire new customers and increase our working hours in the Chinese market by 50 per cent. The number of our personnel in China exceeded 300 experts during the year and we opened new offices in Xi'an and Beijing. We will continue to invest in the Chinese market.

In the Engineering Services and Technical Documentation service areas, development was strong throughout the year. The growth of technical documentation, in particular, was at an excellent level. Successful sales of outsourcing solutions contributed to the positive development of both service areas. We also continued to develop our service solutions and we invested in incorporating new technologies into our service offering.

The Embedded systems and IoT service area saw positive development early in the year and the service area's demand situation is generally good, but growth is affected by the reduced availability of competent professionals, particularly in the software business. The challenges that began in the project business in the second and third quarters of the year continued in the final quarter. In addition, a sudden decline in the demand situation of certain customers affected the development of the Embedded Systems and IoT business, and the service area's profitability fell short of our expectations. We have continued to implement measures to improve the efficiency of the project business and we expect the service area's profitability to improve in the coming quarters.

» In 2017, we also implemented several internal development projects that will help us make progress toward our goals in the coming years.

214.8

REVENUE, EUR MILLION
(growth 16.8%)

15.5

OPERATING PROFIT, EUR MILLION
(growth 52.8%)

During the year, we carried out three acquisitions that strengthen our position and expertise. In Sweden, we acquired Sorona Innovation AB, a company that specializes in technical documentation. In Finland, we acquired SDS Aura Oy, whose core strengths lie in steel structure engineering especially for shipbuilding industry. In addition, we acquired full ownership of Etteplan Vataple Technology Centre, Ltd in China. The company previously operated as a joint venture.

In 2017, we also implemented several internal development projects that will help us progress toward our goals in the coming years. We renewed and enhanced our reporting and control systems. We continued our management coaching program, with team leaders from various countries. We carried out a renewal of our recruitment system to enhance recruitment and make the process more convenient for applicants. We also developed our sustainability reporting and started reporting according to the Global Reporting Initiative, GRI reporting framework. In marketing and communications, we invested in the deployment of a new digital platform as well as the renewal of the Etteplan website.

I want to thank our customers for their trust in Etteplan and for positive and constructive cooperation. I also want to thank our shareholders for the opportunity to develop the company and implement our strategy. Finally, I want to express my gratitude to our personnel for their hard work and determination during the year. We enter 2018 boosted by strong growth, in a good market situation. We will continue to invest in growth and we expect to pass the milestone of employing 3,000 experts in 2018.

Juha Näkki
CEO

Board of Directors' review January 1–December 31, 2017

Operating environment

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

The most important factor in Etteplan's development is the global development of the machinery and metal industry. Our operating environment developed favorably and the market situation was good in all of our market areas. While uncertainty decreased, the fourth quarter nevertheless continued to be characterized by unpredictable changes in Etteplan's main markets and various customer industries.

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

In plant engineering, demand had picked up in the previous quarter and remained at a good level. Demand for embedded systems and IoT solutions remained good in all customer industries.

Market development was positive in all of Etteplan's main markets. Competition for employees and the lower availability of specialized experts in certain areas due to the good market situation affected the development of the sector as a whole in all market areas.

In Finland, the general market demand was good. The total revenue of companies in the technology industry increased by 10 per cent in 2017 compared to the previous year. In October-December 2017, new orders received by technology industry companies and their order books grew substantially in value, but the growth in the latter part of the year was particularly attributable to two large new orders for ships. Excluding their effect, new orders and the order book increased slightly after spring 2017.

Based on the development of orders in the past few months, the total revenue of companies in the technology industry is estimated to be higher this coming spring than at the corresponding time last year. The number of orders received by Etteplan's customer base in October-December was at a higher level, on average, than in July-September. The total revenue of engineering services in Finland grew by 8 per cent in 2017 compared to the previous year.

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

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

Revenue

In January–December, revenue increased by 16.8 per cent and was EUR 214.8 million (1–12/2016: EUR 183.9 million). Revenue increased by 17.3 per cent at comparable exchange rates. Organic growth was 10.4 (2.5) per cent. At comparable exchange rates, organic growth was 10.9 per cent.

Etteplan's strong organic growth continued in the final quarter thanks to Etteplan's good service offering and strong market position. The good general market situation continued to support growth. Revenue growth was slowed down by the challenges in the Embedded Systems and IoT service area as well as a significant project delivery in technical documentation being postponed to 2018.

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

The revenue of acquired companies is included in inorganic growth for the 12 months following the acquisition.

Result

EBIT from business operations increased by 42.2 per cent in January–December and amounted to EUR 17.2 million (1–12/2016: EUR 12.1 million), or 8.0 (6.6) per cent of revenue. EBIT from business operations included exceptional items with a combined negative effect of EUR 0.7 (1.7) million. Operational costs increased by 14.7 (30.6) per cent.

The good demand situation and the growth in the share of Managed Services enhanced Etteplan's capacity management and improved profitability. Profitability was weakened by the challenges in the Embedded Systems and IoT service area as well as a significant project delivery in technical documentation being postponed to 2018.

EBIT from business operations is an alternative performance measure, which is presented, because it reflects the Company's operational performance better that Operating profit (EBIT). EBIT from business operations does not include amortization of fair value adjustments at acquisitions or premeasurements of contingent considerations.

In January–December, operating profit (EBIT) increased by 52.8 per cent and amounted to EUR 15.5 million (1–12/2016: EUR 10.1 million), or 7.2 per cent (5.5 per cent) of revenue. Operating profit included exceptional items with a combined negative effect of EUR 0.4 (1.7) million.

Financial expenses were EUR 1.3 million in January–December (1–12/2016: EUR 1.2 million).

Profit before taxes for January–December was EUR 14.7 million (1–12/2016: EUR 9.4 million). Taxes in the income statement amounted to 21.4 (19.5) per cent of the result before taxes. The amount of taxes was EUR 3.2 million (EUR 1.8 million).

The profit for January–December was EUR 11.6 million (1–12/2016: EUR 7.6 million). In January–December, undiluted earnings per share were EUR 0.47 (1–12/2016: EUR 0.33). Equity per share was EUR 2.34 (December 31, 2016: EUR 2.14). Return on capital employed (ROCE) before taxes was 17.8 (14.8) per cent.

Financial position and cash flow

The Group's cash and cash equivalents stood at EUR 10.1 million (December 31, 2016: EUR 4.8 million). The Group's interest-bearing debt amounted to EUR 35.0 million (EUR 34.3 million). The total of unused short-term credit facilities stood at EUR 8.7 million (EUR 7.8 million).

Operating cash flow improved significantly and was EUR 18.3 million in January–December (1–12/2016: EUR 5.7 million). In January–December, cash flow after investments was EUR 13.1 million (1–12/2016: EUR -18.2 million). Cash flow improved further due to the optimization of working capital and a better distribution of customers' payment terms. Cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.

Total assets on December 31, 2017 were EUR 144.4 million (December 31, 2016: EUR 134.5 million). Goodwill on the balance sheet was EUR 59.0 million (EUR 58.1 million).

At the end of December, the equity ratio was 40.7 per cent (December 31, 2016: 40.0 per cent).

Capital expenditures

The Group's gross investments in January–December were EUR 7.6 million (1–12/2016: EUR 30.2 million). The gross investments mainly consisted of acquisitions, license fees for engineering software and growth-related equipment purchases.

Personnel

The average number of personnel increased by 12.6 per cent compared to the corresponding period in the previous year. The Group employed 2,711 (1–12/2016: 2,407) people on average and 2,802 (December 31, 2016: 2,545) people at the end of December. At the end of December, 988 people were employed by the Group outside of Finland (December 31, 2016: 839). A total of 10 employees were temporarily laid off at the end of December.

Business review

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

The general market demand continued to develop favorably. New product development and equipment engineering projects saw good demand. Etteplan's strong organic growth continued in the final quarter of the year.

The market situation in Finland remained at a good level. The lower availability of specialized experts in certain areas affected the development of our business to some extent.

In Sweden, the demand situation and Etteplan's market position remained good. Attrition and the competition for experts continued to burden the business in Sweden.

Demand has developed favorably in the Netherlands and Germany. In Poland, the demand situation remained good.

Boosted by the improved market situation, the new offices opened in 2017 and the opening up of the service markets, the number of hours sold in the Chinese market increased by 50.0 per cent in January–December. The demand for engineering services is expanding from Western companies operating in China to also include Chinese companies. Etteplan is in discussions with significant Chinese corporations regarding potential cooperation.

In August, Etteplan strengthened its position in China and acquired from Vataple Group full ownership of Etteplan Vataple Technology Centre, Ltd, which had previously operated as a joint venture.

Key accounts grew by 19.2 per cent in January–December compared to the previous year, thanks to the improved general market situation and Etteplan's comprehensive service offering.

Etteplan's target is to achieve a share of 65 per cent of revenue for Managed Services (Managed Services Index, MSI) by 2019. In January–December, the share of revenue represented by Managed Services was 57 per cent (1–12/2016: 53 per cent). The growth in the share of Managed Services enhances Etteplan's capacity management and improves profitability.

The demand for our services related to the digitalization of machinery and equipment continued to develop very well. Etteplan's customers are investing in digitalization and intelligent devices, which presents significant growth opportunities for the Company.

We developed the Company's operational efficiency in 2017 and implemented several internal development projects. We revised our business processes and several of our systems, which will help us move toward our goals in the coming years.

GOVERNANCE

Annual General Meeting

The Annual General Meeting of Shareholders of Etteplan Oyj (the "Company") was held on April 4, 2017, at the premises of the Company in Vantaa.

The Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2016.

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

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

Board authorizations

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

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

Should the shares in the Company be repurchased in public trading, such shares will not be purchased in proportion to the shareholders' current holdings. In that case, there must be a weighty financial reason for the Company to repurchase its own shares. The shares may be repurchased in order to be used as consideration in potential acquisitions or in other structural arrangements. The shares may 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, 2017 and ending on October 4, 2018. The authorization replaces the corresponding previous authorization.

The Annual General Meeting authorized 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, 2017 and ending on April 4, 2019.

Shares

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Small Cap market capitalization group in the Industrials sector under the ETTE ticker. Etteplan changed its ticker in February 2017. The old ticker was ETT1V.

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

The number of Etteplan Oyj shares traded in January–December was 1,659,974 (1–12/2016: 1,863,476) for a total value of EUR 12.3 (9.4) million. The share price low was EUR 5.56, the high EUR 9.49, the average EUR 7.40 and the closing price EUR 7.78. Market capitalization on December 31, 2017, was EUR 192.45 million (EUR 136.91 million).

Treasury shares

Etteplan Oyj's Board of Directors decided on June 21, 2017 to initiate a share repurchase program of Etteplan's own shares in accordance with the authorization given to it by the Annual General Meeting on April 4, 2017. According to the authorization, the number of repurchased shares was not to exceed 30,000 shares and the corresponding number of voting rights, which represents approximately 0.12 per cent of the total number of Etteplan's shares. Etteplan completed the share repurchase program in question on September 7, 2017. Alltogether 30,000 shares and corresponding number of voting rights were purchased at the average price of EUR 8.72 in public trading on Nasdaq Helsinki Ltd at the market price quoted at the time of the repurchase, as provided by the regulations on public trading of shares. The shares were repurchased for use in fulfilling obligations pertaining to the Company's share-based incentive plan for the Group's key personnel.

On December 11, 2017, Etteplan transferred a total of 35,000 of its own shares to Vataple Ltd. The transfer was related to the transaction, published in August 2017, in which Etteplan acquired full ownership of Etteplan Vataple Technology Centre, Ltd, which previously operated as a joint venture. The shares were transferred to the seller when the registration of the acquisition in China was confirmed. The transferred shares were purchased by Etteplan Oyj based on the Board of Directors' decision on June 21, 2016. For the transfer, the Board of Directors used the authorization granted by the Annual General Meeting on April 4, 2017.

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

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

The Company held 34,690 of its own shares on December 31, 2017, which corresponds to 0.14 per cent of all shares and voting rights (December 31, 2016: 235,892 shares, 0.95 per cent).

Incentive plan for key personnel

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

Flaggings

Etteplan Oyj received no flagging notices in January–December 2017.

Events after the report period

Etteplan has reinforced its software design expertise by purchasing Koodain Solutions Oy, a Finland based software development and technology consultancy company on February 5, 2018. The acquisition is in line with Etteplan's growth strategy, which has at its heart organic growth and the strengthening of expertise through acquisitions. The Android expertise and software solution company Koodain will be included in Etteplan's figures as of February 1, 2018. Its 11 employees will transfer to Etteplan as existing employees and co-operation with subcontractors will also continue.

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.

Market outlook 2018

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

Financial guidance 2018

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

The Board's proposal for distribution of 2017 profits

The parent company's distributable shareholders' equity according to the balance sheet on December 31, 2017, is EUR 37,922,171.12. The Board of Directors will propose to the Annual General Meeting, which will convene on April 5, 2018, that on the dividend payout date a dividend of EUR 0.23 per share be paid on the company's externally owned shares, for a total amount of EUR 5,697,443.16 at most, and that the remaining profit be transferred to retained earnings. It is the Board's opinion that the proposed distribution of dividends will not endanger the Company's solvency.

In accordance with the Board's proposal, the record date for the dividend payout is April 9, 2018, and the date of dividend payout is April 16, 2018.

Annual General Meeting 2018

Etteplan Oyj's Annual General Meeting will be held in Vantaa, Finland, on Thursday, April 5, 2018, starting at 10:00 a.m. The summons to the AGM will be published as a separate release.

Corporate governance statement

Etteplan has published the Corporate Governance Statement for 2017 separately from the Board of Directors' review. The statement is available on the Company's website www.etteplan.com as well as on pages 67–77.

Statement of the non-financial information

Etteplan has published the Statement of the non-financial information for 2017 separately from the Board of Directors' review. The statement is available on the Company's website www.etteplan.com.

Etteplan Oyj
Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	Jan 1 – Dec 31, 2017		Jan 1 – Dec 31, 2016	
Revenue	7	**214,768**		**183,938**	
Other operating income	9	446		517	
Materials and services	12	-20,429		-13,893	
Staff costs	13	-144,965		-129,172	
Other operating expenses		-29,021		-26,440	
Depreciation and amortization	20, 21	-5,315		-4,818	
Operating profit (EBIT)		**15,484**	**7.2%**	**10,131**	**5.5%**
Financial income	15	538		555	
Financial expenses	16	-1,277		-1,245	
Profit before taxes		14,745		9,441	
Income taxes	18	-3,160		-1,838	
Profit for the financial year		**11,586**		**7,604**	
Other comprehensive income, that may be subsequently reclassified to profit or loss					
Foreign subsidiary net investment hedge	4.1.1	0		82	
Currency translation differences		-727		-1,157	
Change in fair value of investments available-for-sale		9		-6	
Other comprehensive income for the year, net of tax	18	-718		-1,080	
Total comprehensive income for the year		**10,868**		**6,524**	
Profit for the financial year attributable to					
Equity holders of the parent company		11,470		7,436	
Non-controlling interest		115		168	
		11,586		7,604	
Total comprehensive income attributable to					
Equity holders of the parent company		10,759		6,356	
Non-controlling interest		108		168	
		10,868		6,524	
Earnings per share calculated from the profit attributable to equity holders of the parent company					
Basic earnings per share, EUR	19	0.47		0.33	
Diluted earnings per share, EUR	19	0.47		0.33	

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
Non-current assets			
Tangible assets	20	3,524	2,910
Goodwill	21	59,014	58,128
Other intangible assets	21	17,875	18,036
Investments available-for-sale	22	691	680
Other non-current receivables	36	88	41
Deferred tax assets	35	79	365
Non-current assets, total		**81,270**	**80,159**
Current assets			
Inventory	24	250	255
Trade and other receivables	25	52,507	49,180
Current tax assets	26	326	139
Cash and cash equivalents	27	10,074	4,750
Current assets, total		**63,157**	**54,324**
TOTAL ASSETS		**144,427**	**134,483**
EQUITY AND LIABILITIES			
Capital attributable to equity holders of the parent company			
Share capital	28	5,000	5,000
Share premium account	28	6,701	6,701
Unrestricted equity fund	28	18,524	18,524
Own shares	28	-80	-386
Cumulative translation adjustment	28	-2,701	-1,981
Other reserves	28	228	219
Retained earnings	28	18,780	17,099
Profit for the financial year	28	11,470	7,436
Capital attributable to equity holders of the parent company, total		**57,923**	**52,613**
Non-controlling interest	37	0	165
Equity, total		**57,923**	**52,777**
Non-current liabilities			
Deferred tax liabilities	35	3,442	3,293
Interest-bearing liabilities	30	19,634	23,807
Other non-current liabilities	32	700	649
Non-current liabilities, total		**23,776**	**27,750**
Current liabilities			
Interest-bearing liabilities	30	15,329	10,461
Trade and other payables	33	45,724	42,513
Current income tax liabilities	34	1,675	982
Current liabilities, total		**62,728**	**53,956**
Liabilities, total		**86,504**	**81,706**
TOTAL EQUITY AND LIABILITIES		**144,427**	**134,483**

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	Note	Jan 1 – Dec 31, 2017	Jan 1 – Dec 31, 2016
OPERATING CASH FLOW			
Cash receipts from customers		211,280	174,644
Operating expenses paid		-189,949	-165,607
Operating cash flow before financial items and taxes		21,331	9,037
Interest and payment paid for financial expenses	16	-773	-813
Interest received	15	55	44
Income taxes paid	18	-2,359	-2,606
Operating cash flow (A)		**18,254**	**5,661**
INVESTING CASH FLOW			
Purchase of tangible and intangible assets	20, 21	-2,105	-1,879
Acquisition of subsidiaries, net of cash acquired	5	-3,108	-22,262
Proceeds from contingent asset	9	0	215
Proceeds from sale of tangible and intangible assets	9	26	24
Purchase of investments	25	0	-10
Loan receivables, decrease	25	0	45
Investing cash flow (B)		**-5,187**	**-23,866**
Cash flow after investments (A+B)		**13,067**	**-18,204**
FINANCING CASH FLOW			
Share issue net of cost	28	0	13,937
Purchase of own shares	28	-262	-693
Acquisition of non-controlling interest	37	-1,696	0
Short-term loans, increase	30	607	11,685
Short-term loans, decrease	30	-5,855	-22,547
Long-term loans, increase	30	5,000	20,601
Long-term loans, decrease	30	0	-4,569
Payment of finance lease liabilities	30,31	-1,642	-1,184
Dividend paid and other profit distribution	28	-3,930	-3,046
Financing cash flow (C)		**-7,777**	**14,184**
Variation in cash (A+B+C) increase (+) / decrease (-)		**5,290**	**-4,020**
Assets at the beginning of the financial period		4,750	8,807
Exchange gains or losses on cash and cash equivalents		35	-37
Assets at the end of the financial period	27	10,074	4,750

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Share capital	Share premium account	Unrestricted equity fund	Other reserves	Own shares	Cumulative translation adjustment	Retained earnings	Capital attributable to equity holders of the parent company, total	Non-controlling interest	Equity total
Equity Jan 1, 2016	**5,000**	**6,701**	**4,406**	**225**	**-949**	**-863**	**20,101**	**34,621**	**-3**	**34,618**
Comprehensive income										
Profit for the financial year							7,436	7,436	168	7,604
Fair value reserve available-for-sale assets				-6				-6		-6
Foreign subsidiary net investment hedge						82		82		82
Cumulative translation adjustment						-1,200	44	-1,157		-1,157
Total comprehensive income for the year	**0**	**0**	**0**	**-6**	**0**	**-1,118**	**7,480**	**6,356**	**168**	**6,524**
Transactions with owners										
Dividends							-3,046	-3,046		-3,046
Share issue net of cost			13,937					13,937		13,937
Directed share issue			181		928			1,109		1,109
Purchase of own shares					-693			-693		-693
Share based incentive plan					328			328		328
Transactions with owners, total	**0**	**0**	**14,118**	**0**	**563**	**0**	**-3,046**	**11,635**	**0**	**11,635**
Equity Dec 31, 2016	**5,000**	**6,701**	**18,524**	**219**	**-386**	**-1,981**	**24,535**	**52,613**	**165**	**52,777**

EUR 1,000	Share capital	Share premium account	Unrestricted equity fund	Other reserves	Own shares	Cumulative translation adjustment	Retained earnings	Capital attributable to equity holders of the parent company, total	Non-controlling interest	Equity total
Equity Jan 1, 2017	**5,000**	**6,701**	**18,524**	**219**	**-386**	**-1,981**	**24,535**	**52,613**	**165**	**52,777**
Comprehensive income										
Profit for the financial year							11,470	11,470	115	11,586
Fair value reserve available-for-sale assets				9				9		9
Cumulative translation adjustment						-720		-720	-7	-727
Total comprehensive income for the year	**0**	**0**	**0**	**9**	**0**	**-720**	**11,470**	**10,759**	**108**	**10,868**
Transactions with owners										
Dividends							-3,930	-3,930		-3,930
Acquisition of NCI without change in control							-1,671	-1,671	-273	-1,945
Purchase of own shares					-262			-262		-262
Share based incentive plan					567		-154	413		413
Transactions with owners, total	**0**	**0**	**0**	**0**	**306**	**0**	**-5,755**	**-5,449**	**-273**	**-5,723**
Equity Dec 31, 2017	**5,000**	**6,701**	**18,524**	**228**	**-80**	**-2,701**	**30,251**	**57,923**	**0**	**57,923**

Notes to the consolidated financial statements

1 GENERAL INFORMATION

The Parent Company of Etteplan Group is Etteplan Oyj ('the Company'), a Finnish public limited company established under Finnish law. The Company is domiciled in Vantaa. Etteplan's shares are listed in Nasdaq Helsinki Ltd's Small Cap market capitalization group in the Industrials sector under the ETTE ticker. Etteplan changed its ticker in February 2017. The old ticker was ETT1V.

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

A copy of the Consolidated Financial Statements can be obtained from the Company's website www.etteplan.com or from the office of the Group's Parent Company at the address Muovitie 1, 15860 Hollola, Finland.

The Etteplan Oyj Board of Directors approved these Financial Statements for publication at its meeting on February 8, 2018.

According to the Finnish Limited Liability Companies Act, the shareholders have the opportunity to approve or reject the Financial Statements at the Annual General Meeting held after the publication. Furthermore, the Annual General Meeting can decide on the modification of the Financial Statements.

2 A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out in this section. These policies have been consistently applied to all the years presented, unless stated otherwise.

2.1 Basis for preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union by December 31, 2017. The Consolidated Financial Statements have been prepared under the historical cost convention, except for available-for-sale financial assets and financial liabilities, which are recognized at fair value. Non-material investments in non-listed companies are recognized at acquisition cost less possible impairment.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The amendments and interpretations, which became effective on the financial year beginning on 1 January 2017 are not material to the Group.

(b) New standards, amendments and interpretations issued, but not effective for the financial year beginning January 1, 2017 and not early adopted

Standards and interpretations effective for annual periods beginning after January 1 are not expected to have a significant effect on the Consolidated Financial Statements of the Group, except the following:

IFRS 15 Revenue from contracts with customers (effective for financial years beginning on or after January 1, 2018): The new standard establishes principles for recognizing revenue from the entity's contracts with customers and for the related disclosures. Recognition of revenue can happen over time or at a certain point in time depending on when a customer obtains control of a good or a service and thus has the ability to direct the use and obtain the benefits from the good or service. The implementation of the new standard will not have a material effect on neither the amount nor timing of revenue recognition. The implementation will increase the amount of revenue related disclosures in the Group's Financial Statements. The Group will adopt the standard on January 1, 2018 fully retrospectively. Note 2.20 describes the current revenue recognition methods and performance obligations.

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

IFRS 9 Financial Instruments (effective for financial years beginning on or after January 1, 2018): IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The expected impacts are not material to the Group. The Group will adopt the standard on January 1, 2018.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. A contingent consideration classified as liability is revalued to fair value at the end of each financial year and the resulting profit or loss is recognized in the income statement. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Management Group is identified as the chief operating decision-maker. The chief operating decision-maker assesses the financial performance and position of the Group, and makes strategic decisions. The financial information, which the chief operating decision-maker uses as a basis for decision making, does not differ substantially from the information presented in the Consolidated Statement of Comprehensive Income and Statement of Financial Position. The Group's business is conducted in one operating segment.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currencies of the Group entities are the same as their home currencies. The Consolidated Financial Statements are presented in euro, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as a net investment hedge. Foreign exchange gains and losses that relate to loans and cash and cash equivalents are presented in the income statement within 'financial income' or 'financial expenses'. All other foreign exchange gains and losses are presented in the income statement within 'other operating expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences arising are recognized in equity.

2.5 Tangible assets

Tangible assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they occur.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

computers	3 years
vehicles	5 years
office furniture	5 years
renovation of premises	5 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in other operating income or expenses in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

(a) Goodwill

Goodwill corresponds to that part of the acquisition cost which exceeds the Group's share of the fair value, on the date of purchase, for the net asset value of the acquired subsidiary. Goodwill is measured at historical cost less impairment. Goodwill is not amortized but is tested for impairment annually and whenever there is objective evidence of goodwill impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose, taking into account the current organization structure and level of reporting.

(b) Other intangible assets

Other intangible assets include software licenses, software created internally, other intangible rights and intangible assets acquired in business combinations; customer base and technology. Other intangible assets are recorded in the balance sheet at historical cost. Intangible assets acquired in business combinations are recognized at fair value at the acquisition date. Assets with limited useful lives are amortized on a straight-line basis over their useful lives. The amortization periods of other intangible assets are:

software	3 to 7 years
other intangible assets	3 to 10 years

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs, which are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each financial period. The essential assumptions for impairment tests are presented in Note 23 to the Financial Statements ('Impairment testing').

2.8 Financial assets

2.8.1 Classification
The Group classifies its financial assets as loans and other receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and other receivables
Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and other receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents' in the balance sheet.

(b) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.8.2 Recognition and measurement
Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income and recorded in the fair value reserve taking into account the tax effect. When the investments are sold or their value is permanently impaired, the accumulated fair value adjustments are included in the income statement.

2.9 Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset or group of financial assets.

(a) Assets carried at amortized cost
In case of assets carried at amortized costs, evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and other receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the Consolidated Income Statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the Consolidated Income Statement.

(b) Assets classified as available-for-sale
In case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss.

2.10 Inventory
Inventory is stated at the lower of cost and net realizable value. Cost is determined using the FIFO method. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Trade receivables
Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables are classified as current assets, if collection is expected in one year or less. Otherwise, they are classified as non-current assets.

2.12 Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks. Items included under cash and cash equivalents have maturities of three months or less from the date of acquisition. Cash and cash equivalents are derecognized when the Group's contractual right to receive cash flows has expired or essentially all of the risks and rewards incident to ownership have been transferred from the Group.

2.13 Equity
Etteplan Oyj has one series of shares. Share capital is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Parent Company.

2.14 Dividend distribution
Dividend distribution to the Company's shareholders is recognized as a liability in the Group's Financial Statements in the period in which the dividends are approved by the General Meeting of shareholders.

2.15 Financial liabilities

2.15.1 Classification
Financial liabilities are classified as financial liabilities recognized at fair value through profit or loss or as other financial liabilities.

a) Financial liabilities recognized at fair value through profit or loss
Financial liabilities recognized at fair value through profit or loss are liabilities from contingent considerations related to acquisitions

of subsidiaries. Changes in the fair value of contingent considerations are recognized in the income statement.

b) Other financial liabilities

Other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Trade payables and other payables

Trade payables and other payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. They are classified as current liabilities unless payment is not due within one year or less after the reporting period.

2.17 Loans

Loans are recognized initially at fair value, net of transaction costs incurred. Loans are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

2.18 Current and deferred income tax

The taxes in the consolidated income statement include the current tax for Group companies, corrections to taxes from previous financial periods, and the change in deferred taxes. Current tax is calculated on taxable income according to the tax rate in effect in each country concerned. In the case of items entered directly in shareholders' equity, the tax effect is recognized in equity.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability, in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. The most significant temporary differences arise from the depreciation and amortization of assets, and from lease agreements and the provisions of foreign subsidiaries. Deferred taxes are determined by using the tax base in effect on the balance sheet date or the enacted tax base at the time of tax base transition.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. It is valued at the end of each financial period whether the conditions for recognizing a deferred tax asset are met.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. In Sweden and the Netherlands, the Group has defined benefit plans, which are so called multi-employer plans, of which there is not sufficient information available to use benefit accounting. These plans are accounted as defined contribution plans.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(c) Bonus plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based incentive plans

Share-based incentive plans are treated as arrangements that are settled partly as shares and partly as cash. The part of a remuneration earned that the participants receive as Etteplan Oyj shares is treated as an arrangement that is settled as shares and recorded in shareholders' equity; the part of a remuneration earned that is paid in cash to pay off taxes and other levies is recorded in liabilities. The fair value of the employee services received in exchange for the grant of the shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted taking into account market performance conditions and non-vesting conditions. At the end of each reporting period, the Group revises its estimates on the number of shares that are expected to vest based on the non-market vesting conditions and service conditions. The Group recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment in equity.

2.20 Recognition of revenue

Revenue includes income from design activities and sales of materials for projects, adjusted for indirect taxes and discounts. Etteplan's services can be divided into the following categories according to the method of revenue recognition:

a) Design and consultancy projects, where either a fixed price or a target price limiting the amount of revenue that can be recognized for the project is set in the agreement with the customer. In these types of projects revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method). Revenue recognition is done separately to each part of the project by using sub-project accounting. In the case of contracts whose outcome cannot be assessed reliably, project expenditure is expensed for the period in which it arises. Likewise, the amount of revenue recognized from a project does not exceed expenditure. The total loss on a contract that will probably result in a loss is expensed immediately.
b) Design and consultancy projects, where all costs incurred can be invoiced to the customer without other limitations than the agreed invoicing price. In these types of projects revenue is recognized as the service is being performed.
c) Arrangements, where the customer buys a license to software created by Etteplan and maintenance related to the license. Revenue for the license is recognized when the customer obtains access to it. Revenue for maintenance is recognized as the service is rendered.

Government grants that are intended to compensate costs are recognized as income over the same period as the related costs are recognized. These government grants are presented in other operating income.

2.21 Interest and dividend income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

Dividend income is recognized when the shareholder gains the right to receive payment.

2.22 Lease agreements

Lease agreements in which all risks and rewards incident to ownership remain with the lessor are treated as other lease agreements (operating leases). Contractual lease payments are entered as expenses in the income statement over the lease period.

Leases that transfer essentially all risks and rewards incident to ownership to the Group are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in financial liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated and amortized over the shorter of the useful life of the asset and the lease term.

2.23 Foreign subsidiary net investment hedge

The currency exposure of investments in foreign subsidiaries can be hedged by raising loans in the same currency where found necessary by the Group. The Group applies hedge accounting to such loans.

The Group documents at the inception of the transaction the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instrument that is used in hedging transactions is highly effective in offsetting changes in fair value of the hedged item.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

2.24 Exceptional items

Exceptional items are disclosed separately in the Financial Statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income and expense that are shown separately due to the significance of their nature or amount. Exceptional items can include among other things costs and income related to business combinations as well as certain reorganization costs.

3 CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value measurement in connection with acquisitions

In business combinations, tangible assets have been compared with the market prices of equivalent assets, and decline in the value of acquired assets due to various factors has been estimated. The fair value measurement of intangible assets is based on estimates of asset-related cash flows. The management believes that the estimates and assumptions are sufficiently precise for use as the basis for fair value measurement. Any indications of impairment of tangible and intangible assets are reviewed annually.

(b) Impairment testing

The Group tests goodwill and intangible assets with unlimited useful lives for impairment annually. Indications of impairment are evaluated in the manner described in note 2.7. Recoverable amounts for cash-generating units are based on value-in-use calculations. Estimates are required in making these calculations. Values recorded in the balance sheet in the end of the financial year were EUR 59,014 thousand (2016: EUR 58,128 thousand). Additional information on the sensitivity of the recoverable amounts to changes in assumptions used is disclosed in Note 23 Impairment testing.

(c) Contingent considerations

The amount of a contingent consideration in a business combination is often dependent on the future economic development of the business acquired. The actual outcome may deviate from the assumptions made at initial recognition, which can lead to revaluation of the previously recognized contingent consideration.

(d) Revenue recognized from fixed price contracts

For fixed price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method). Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

4 MANAGEMENT OF FINANCIAL RISKS

4.1 Financial risk factors

In its business operations, the Group is exposed to several types of financial risks: foreign-currency, interest, financing and liquidity, counterparty and credit risks. The objective of financial risk management is to protect the Group from unfavorable changes in the financial market and thus contribute as much as possible to guaranteeing the Group's profitability and equity, and to guarantee sufficient liquidity in a cost-efficient manner. Management of financial risks has been centralized with the Group's financial department, which is responsible for identification and evaluation of, and protection against, the Group's financial risks. Furthermore, the financial department is responsible, in a centralized fashion, for funding of the Group, and it provides the management with information about the financial situation of the Group and the business units.

4.1.1 Foreign-currency risk

Foreign-currency risk related to different currencies comes about as a result of foreign-currency-denominated commercial transactions and from translation of foreign-currency-denominated balance sheet items into the reporting currency.

(a) Transaction risk

The majority of the Group's business operations are handled in the currency of the project country of the respective group company. This means that both sales and costs are in the same currency. In the period under review, the Group did not have significant transaction risks generated from the currency flow in foreign currencies. The Group did not take steps to protect itself against transaction risks during the review period.

(b) Translation risk

The Group is exposed to a translation risk caused by fluctuations in foreign currency exchange rates, when it translates balance sheet items of subsidiaries based outside the euro area into its reporting currency. Main risk is with goodwill booked in Swedish Krona (SEK). The goodwill booked in SEK at December 31, 2017 was EUR 22,928 thousand (2016: EUR 22,712 thousand).

Currency exposure arising from the net assets of the Group's Swedish operations has been managed through loans denominated in SEK. At the end of the reporting periods 2017 and 2016 the Group did not have SEK nominated loans. In the comparison period 2016 the foreign exchange gain of 103 thousand on translation of the loans to EUR currency at the end of the reporting period was recognized in other comprehensive income.

A sensitivity analysis in the main currency pair on the transaction and translation risk, i.e. the effect of reasonable potential changes in exchange rates on the Group's profit for the financial year, equity and goodwill at balance sheet date is presented in the table below. In the analysis, the change in exchange rate has been estimated to be +/- 10 per cent from reporting date, and other factors are estimated to remain unchanged.

	EUR/SEK exchange rate 10% increase		EUR/SEK exchange rate 10% decrease	
EUR 1,000	**2017**	**2016**	**2017**	**2016**
Effect in profit for the financial year	-166	-100	203	122
Effect in other equity items	-358	-352	437	430
Effect in goodwill	-2,084	-2,004	2,548	2,449

4.1.2 Interest risk

The Group is exposed to interest risk in two ways: because of changes in value for balance sheet items (i.e., a price risk) and cash flow risk caused by changes in market interest rates.

On the balance sheet date, the total amount of interest-bearing debt excluding leasing liabilities was EUR 32,350 thousand (2016: EUR 32,736 thousand) covered with contracts in which the interest range is between 0.9 and 2.0 per cent (2016: between 1.1 and 2.0 per cent). All of the Group's loans have variable interest rates.

The Group monitors the interest risk by calculating the effect of one percentage point change in interest rates on the Group's next twelve months' interest expenses. The sensitivity of the interest position to changes in interest rates is determined by calculating how much an equal one percentage point change in interest rates throughout the Group's interest rate range would change yearly interest expenses. Interest bearing loans from financial institutions excluding finance lease liabilities are included in the calculation. At the balance sheet date the Group's sensitivity to an increase in interest rates of one percentage point was approximately EUR 252 thousand (2016: EUR 213 thousand).

4.1.3 Financing and liquidity risk

The Group aims to guarantee solid liquidity in all market conditions through efficient cash management. Credit limits tied to cash-pool arrangements are used for short-term financing. On the balance sheet date, the Group had EUR 10,433 thousand (2016: EUR 9,490 thousand) of available credit limits, of which EUR 1,766 thousand (2016: EUR 1,678) was in use. Refinancing risk is attempted to be minimized by applying a balanced maturity schedule for its loan portfolio, ensuring sufficient maturity of loans, and using several banks as sources of financing.

The Group has financial covenants, which are tied to the equity ratio of the Group and to the debt/EBITDA ratio of the Group. In case the Group's equity ratio at the time of the Financial Statement is below 25% or the debt/EBITDA ratio is higher than 3.5, the financer has the right to demand immediate payment of all the Group's loans. According to Financial Statements in 2017 the terms of these covenants are not breached.

To balance the cash effect of the long payment terms typical to design business, the Group sells a part of its key customer receivables to a finance institution. There is no credit risk related to the sold receivables and these receivables are not included in the Consolidated Statement of Financial Position.

4.1.4 Counterparty and credit risk

Financing contracts have the associated risk of the counterparty being unable to fulfill its obligations under the contract. To minimize the counterparty risk financing contracts are concluded with leading Nordic banks that have a good credit rating.

Credit risk related to business operations arises out of a customer's inability to perform its contractual obligations. A considerable proportion of the Group's business operations focus on large, financially solid companies that operate internationally. Credit risk is also reduced by the customer companies being divided among several different sectors of operation. The Group aims to ensure that services are sold only to such customers that have an appropriate credit rating. Credit risk is controlled systematically, and overdue sales receivables are assessed on a weekly basis. The Company strives to control the effects of increased financial uncertainty by actively monitoring its receivables and by an efficient debt collection process.

For receivables that are more than 60 days past due a 50 per cent reservation for bad debt is made and a 100 per cent reservation for receivables that are more than 90 days past due. The maximum customer credit risk exposure at the end of the financial year is the book value of accounts receivable.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total gross interest-bearing debt less cash and cash equivalents. To ensure sufficient flexibility, the goal is to keep the net gearing ratio within 30-100%. The following table sets out the Group's net gearing ratio:

EUR 1,000	2017	2016
Gross interest-bearing debt	34,963	34,269
Less: cash and cash equivalents	-10,074	-4,750
Net debt	24,889	29,519
Total equity	57,923	52,777
Net gearing ratio	**43.0%**	**55.9%**

FAIR VALUE HIERARCHY

The tables below analyse 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).

Available-for-sale financial assets recognized at fair value through profit or loss

	2017				2016			
EUR 1,000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed shares	181	0	0	**181**	170	0	0	**170**
Premises shares	0	480	0	**480**	0	480	0	**480**
Unlisted shares	0	0	30	**30**	0	0	30	**30**
Total	**181**	**480**	**30**	**691**	**170**	**480**	**30**	**680**

Reconciliation of available-for-sale financial assets recognized at fair value through profit or loss

	2017				2016			
EUR 1,000	**Listed shares**	**Premises shares**	**Unlisted shares**	**Total**	**Listed shares**	**Premises shares**	**Unlisted shares**	**Total**
Opening balance at Jan 1	170	480	30	**680**	177	480	30	**687**
Gain/loss recognized in other comprehensive income	11	0	0	**11**	-7	0	0	**-7**
Closing balance Dec 31	**181**	**480**	**30**	**691**	**170**	**480**	**30**	**680**

Financial liabilities recognized at fair value through profit or loss

	2017				2016			
EUR 1,000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Contingent liability in acquisitions	0	0	1,368	**1,368**	0	0	1,568	**1,568**
Total	**0**	**0**	**1,368**	**1,368**	**0**	**0**	**1,568**	**1,568**

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

	2017		2016	
EUR 1,000	**Contingent liability in acquisitions**	**Total**	**Contingent liability in acquisitions**	**Total**
Opening balance at Jan 1	1,568	**1,568**	0	**0**
Additions	954	**954**	1,568	**1,568**
Gain/loss recognized in the income statement	-224	**-224**	0	**0**
Payment	-929	**-929**	0	**0**
Closing balance Dec 31	**1,368**	**1,368**	**1,568**	**1,568**

Additional information regarding contingent liabilities in acquisitions is provided in note 5 Business combinations.

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets Dec 31, 2017

EUR 1,000	**Note**	**Loans and other receivables**	**Available-for-sale**	**Book value total**	**Fair value**
Available-for-sale financial assets	22		691	**691**	691
Trade and other receivables	25	31,103		**31,103**	31,103
Cash and cash equivalents	27	10,074		**10,074**	10,074
Financial assets total		**41,177**	**691**	**41,868**	**41,868**

Financial liabilities Dec 31, 2017

EUR 1,000	**Note**	**Financial liabilities at fair value through profit and loss**	**Other financial liabilities**	**Book value total**	**Fair value**
Loans from financial institutions	30		32,350	**32,350**	32,350
Finance lease liabilities	31		2,613	**2,613**	2,613
Liabilities from acquisitions	32, 33	1,368	0	**1,368**	1,368
Trade payables	33		9,312	**9,312**	9,312
Other payables	33		39	**39**	39
Financial liabilities total		**1,368**	**44,315**	**45,683**	**45,683**

Financial assets Dec 31, 2016

EUR 1,000	**Note**	**Loans and other receivables**	**Available-for-sale**	**Book value total**	**Fair value**
Available-for-sale financial assets	22		680	**680**	680
Trade and other receivables	25	31,713		**31,713**	31,713
Cash and cash equivalents	27	4,750		**4,750**	4,750
Financial assets total		**36,463**	**680**	**37,143**	**37,143**

Financial liabilities Dec 31, 2016

EUR 1,000	**Note**	**Financial liabilities at fair value through profit and loss**	**Other financial liabilities**	**Book value total**	**Fair value**
Loans from financial institutions	30		32,736	**32,736**	32,736
Finance lease liabilities	31		1,532	**1,532**	1,532
Liabilities from acquisitions*)	32, 33	1,568	522	**2,090**	2,090
Trade payables	33		8,013	**8,013**	8,013
Other payables	32		9	**9**	9
Financial liabilities total		**1,568**	**42,812**	**44,380**	**44,380**

*) Liabilities from acquisitions include both contingent liabilities and fixed interest bearing liabilities.

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

2017

EUR 1,000	Less than 1 year	1–5 years
Borrowings	14,050	18,300
Finance lease payments	1,279	1,334
Interest payments	280	148
Liabilities from acquisitions	715	653
Trade and other payables	9,312	39
Financial liabilities total	**25,637**	**20,474**

2016

EUR 1,000	Less than 1 year	1–5 years
Borrowings	9,475	23,262
Finance lease payments	987	545
Interest payments	253	320
Liabilities from acquisitions	1,475	615
Trade and other payables	8,013	9
Financial liabilities total	**20,202**	**24,752**

NON-MONETARY CHANGES IN INTEREST-BEARING LIABILITIES IN THE FINANCING CASH FLOW

EUR 1,000		2017
Jan 1, 2017		**34,269**
Financing cash flow		-1,890
Non-monetary changes		
New finance leases	2,733	
Exchange differences	-148	
Non-monetary changes, total		2,585
Dec 31		**34,964**

5 BUSINESS COMBINATIONS

SDS Aura Oy

On June 1, 2017 Etteplan reinforced its engineering expertise by buying SDS Aura Oy, a company specializing in shipbuilding strength calculations and steel structure engineering, based in Turku, Finland. The acquisition further reinforced Etteplan's growth strategy, which has at its heart organic growth and the expansion of expertise through acquisitions. SDS Aura employed a total of 16 people at the time of the acquisition.

The acquisition consideration is EUR 1,100 thousand consisting of a cash payment and contingent considerations. The cash consideration amounted to EUR 550 thousand in total. In addition to this payment, contingent considerations of EUR 0–550 thousand (undiscounted amount) were agreed upon. The contingent considerations will be paid in full provided that SDS Aura Oy's result in the financial year 2017 and 2018 reaches the thresholds set in the share transfer agreement and certain attrition related terms are fulfilled. The fair value of the contingent considerations is estimated by applying the income approach. At the time of the acquisition the fair value of the contingent considerations was EUR 550 thousand.

The goodwill of EUR 794 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.

Sorona Innovation AB

On June 12, 2017 Etteplan expanded its Swedish operations by acquiring Sorona Innovation AB which specializes in technical documentation solutions. The transaction will bolster Etteplan's position as one of the leading suppliers of technical documentation and create new growth opportunities, not only in Sweden, but also globally. Sorona Innovation AB employed a total of 9 people at the time of acquisition.

The acquisition consideration is EUR 1,616 thousand in total consisting of a cash payment and contingent considerations. The contingent considerations, EUR 0–412 thousand (undiscounted amount), will be paid in full provided that the Sorona Innovation AB's result in the financial year 2017 reaches the treshold set in the purchase agreement and other terms of the contingent considerations, related to integration of the company to Etteplan group, are fulfilled. The fair value of the contingent considerations is estimated by applying the income approach. At the time of the acquisition the fair value of the contingent considerations was EUR 412 thousand.

The goodwill of EUR 907 thousand arising from the acquisition is attributable to the knowledge and competence acquired as well as the synergies expected from combining the operations of the Group and the acquired company. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisitions total

The following table summarizes the consideration paid for the acquisitions and the amounts of assets acquired and liabilities assumed recognized at the time of acquisitions.

Consideration transferred:	**EUR 1,000**
Cash payment	1,754
Contingent consideration	962
Total consideration transferred	**2,716**
Assets and liabilities	
Tangible assets	54
Intangible assets	21
Customer relationships (intangible assets)	975
Trade and other receivables	567
Cash and cash equivalents	97
Total assets	**1,714**
Current liabilities	490
Deferred tax liability	208
Total liabilities	**698**
Total identifiable net assets	**1,015**
Formation of Goodwill:	
Consideration transferred	2,716
Total identifiable net assets	-1,015
Goodwill	**1,701**

Trade and other receivables comprise gross contractual amounts of EUR 567 thousand, none of which was expected to be uncollectible at time of acquisition.

Costs related to acquisitions, EUR 75 thousand, are included in other operating expenses in the consolidated statement of comprehensive income.

Changes in contingent considerations

A profit of EUR 224 thousand was recognized in the income statement from premeasurements of contingent considerations related to previous' years' acquisitions.

6 SEGMENT REPORTING

The Group has one operating segment, the revenue of which consists mainly of rendering of services. The Group operates mainly in seven geographical areas. The table below presents the division of external revenue and non-current assets by geographical area. The external revenue of each geographical area is presented according to the location of the seller. Non-current assets are presented according to the location of the asset. 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	2017	2016
Revenue		
Finland	146,506	125,749
Sweden	45,512	41,778
Holland	7,960	7,960
China	5,688	3,863
Poland	4,886	1,558
Germany	3,519	2,631
USA	697	398
Total	**214,768**	**183,938**
Non-current assets*)		
Finland	48,060	46,722
Sweden	24,529	23,800
Holland	4,447	5,336
China	2,293	2,575
Germany	1,081	578
Poland	90	103
USA	0	0
Total	**80,500**	**79,114**

*) Other non-current assets excluding financial instruments, deferred tax assets and assets related to compensation after termination of employment contract.

7 REVENUE

EUR 1,000	2017	2016
Revenue from rendering of services	213,880	183,461
Revenue from sales of goods	888	477
Total	**214,768**	**183,938**

Revenue consists of design business and the sales of materials related to projects adjusted with indirect taxes, discounts and differences in exchange rates.

8 LONG-TERM PROJECTS

EUR 1,000	2017	2016
Amount of project revenue recognized during the period	15,392	10,945
Cumulative expenses and income recognized by the end of the financial year	3,921	3,387
Advances received	2,079	1,821

9 OTHER OPERATING INCOME

EUR 1,000	2017	2016
Premeasurement of contingent considerations	224	0
Proceeds from contingent asset	0	215
Sales profit of tangible and intangible assets	4	21
Other operating income	218	281
Total	**446**	**517**

10 EXCEPTIONAL ITEMS

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

EUR 1,000	2017	2016
Other operating income	224	215
Staff costs and other operating expenses	-660	-1,886
Operating profit (EBIT)	**-436**	**-1,671**

11 RECONCILIATION OF EBIT FROM BUSINESS OPERATIONS

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

EUR 1,000	2017	2016
EBIT	**15,484**	**10,131**
Amortization on fair value adjustments at acquisitions	1,903	1,939
Premeasurements of contingent considerations	-224	0
EBIT from business operations	**17,163**	**12,071**

12 MATERIALS AND SERVICES

EUR 1,000	2017	2016
Materials	5,311	4,630
Services from others	15,118	9,263
Total	**20,429**	**13,893**

13 NUMBER OF PERSONNEL AND STAFF COSTS

	2017	2016
Personnel		
Personnel at year-end	2,802	2,545
Personnel, average	2,711	2,407
Personnel by category		
Design personnel	2,690	2,449
Administrative personnel	112	96
Total	**2,802**	**2,545**

EUR 1,000	2017	2016
Staff costs		
Wages and salaries	114,926	101,600
Pension costs - defined contribution plans	18,019	15,911
Other indirect employee costs	12,020	11,661
Total	**144,965**	**129,172**

Employee benefits of the Board of Directors and top management are disclosed in note Related party transactions.

In Sweden and the Netherlands a part of the pension arrangements are multi-employer defined benefit plans, which are secured through an insurance. The plans pool the assets contributed by various entities that are not under common control. The assets provide benefits to employees of more than one entity. Sufficient information for the calculation of obligations and asset by employer is not available from the insurers. Therefore, these plans are treated in accounting as defined contribution plans. Total amount paid to the insurer in 2017 in Sweden was EUR 1,160 thousand (2016: EUR 1,158 thousand) and in the Netherlands EUR 450 thousand (2016: EUR 443 thousand).

14 AUDIT FEES

EUR 1,000	2017	2016
Auditing, KPMG-network	69	0
Other services (tax services), KPMG Oy Ab	22	0
Auditing, other auditors	96	128
Other services, other auditors	60	142
Total	**247**	**270**

15 FINANCIAL INCOME

EUR 1,000	2017	2016
Dividend income from assets available-for-sale	11	8
Interest income from loans and other receivables	44	36
Foreign exchange gain	483	511
Total	**538**	**555**

16 FINANCIAL EXPENSES

EUR 1,000	2017	2016
Interest on borrowings	548	702
Leasing interest expenses	67	50
Foreign exchange loss	456	341
Other financial expenses	206	153
Total	**1,277**	**1,245**

17 TRANSLATION DIFFERENCES RECOGNIZED IN INCOME STATEMENT

EUR 1,000	2017	2016
Foreign exchange gain included in financial income	483	511
Foreign exchange loss included in financial expenses	-456	-341
Total	**26**	**171**

18 INCOME TAXES

EUR 1,000	2017	2016
Tax on income from operations	-2,915	-2,437
Tax corrections for previous accounting periods	-166	97
Change in deferred tax asset	-286	204
Change in deferred tax liability	207	298
Total	**-3,160**	**-1,838**

Reconciliation between income taxes in the income statement and the theoretical amount of tax that would arise using the Group's domestic tax rate (2017: 20.0%, 2016: 20.0%)

EUR 1,000	2017	2016
Accounting profit before tax	14,745	9,441
Income tax expense		
Mathematical tax based on parent company's tax rate	-2,949	-1,888
Differences (net)		
Effect of different tax rates in group companies	-56	-76
Calculated tax based on non-deductible items on unit's tax rate	-241	-421
Calculated tax based on non-taxable items on unit's tax rate	190	481
Tax corrections for previous accounting periods	-166	97
Use of previously unrecognized tax on confirmed losses	127	54
Unrecognized tax on loss for the year	-78	-67
Other tax difference	13	-18
Income tax expense	**-3,160**	**-1,838**

Tax charge (-) / credit (+) relating to components of other comprehensive income

	2017			2016		
EUR 1,000	Before tax	Tax charge / credit	After tax	Before tax	Tax charge / credit	After tax
Change in fair value of investments available-for-sale	11	-2	9	-7	2	-6
Foreign subsidiary net investment hedge	0	0	0	103	-21	82
Currency translation differences	-727	0	-727	-1,157	0	-1,157
Other comprehensive income for the year, net of tax	**-716**	**-2**	**-718**	**-1,061**	**-19**	**-1,080**

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the Parent Company by the weighted average number of externally owned shares during the financial year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all dilutive effect ordinary shares.

	2017	2016
Profit for the financial year (EUR 1,000)	11,586	7,604
Non-controlling interest (EUR 1,000)	-115	-168
Profit attributable to equity holders of the Parent Company (EUR 1,000)	11,470	7,436
Issue adjusted weighted average number of shares (1,000 pcs)	24,663	22,855
Basic earnings per share (EUR/share)	**0.47**	**0.33**
The diluted weighted avarage number of shares for the calculation of earnings per share	24,663	22,855
Diluted earnings per share (EUR/share)	**0.47**	**0.33**

20 TANGIBLE ASSETS

Tangible assets 2017

EUR 1,000	Land and water	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost Jan 1	19	12,954	7,639	842	21,455
Translation difference	0	-116	-32	-3	-151
Acquisition of subsidiaries	0	54	0	0	54
Additions	0	831	1,368	53	2,253
Reclassifications between items	0	17	0	0	17
Disposals	0	-31	-8	0	-39
Acquisition cost Dec 31	19	13,710	8,967	892	23,589
Cumulative depreciation Jan 1	0	-11,250	-6,551	-743	-18,545
Translation difference	0	107	26	2	135
Cumulative depreciation on reclassifications	0	3	8	0	11
Depreciation for the financial year	0	-711	-921	-35	-1,667
Cumulative depreciation Dec 31	0	-11,851	-7,438	-776	-20,065
Book value Dec 31, 2017	**19**	**1,860**	**1,529**	**116**	**3,524**

Tangible assets 2016

EUR 1,000	Land and water	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost Jan 1	19	11,760	7,022	832	19,633
Translation difference	0	-125	-33	-2	-160
Acquisition of subsidiaries	0	722	0	0	722
Additions	0	709	691	18	1,418
Reclassifications between items	0	-89	0	0	-89
Disposals	0	-21	-41	-6	-69
Acquisition cost Dec 31	19	12,954	7,639	842	21,454
Cumulative depreciation Jan 1	0	-10,910	-5,832	-713	-17,454
Translation difference	0	114	25	1	140
Cumulative depreciation on acquisitions	0	-38	0	0	-38
Cumulative depreciation on reclassifications	0	150	0	0	150
Cumulative depreciation on disposals	0	23	41	0	64
Depreciation for the financial year	0	-589	-786	-31	-1,406
Cumulative depreciation Dec 31	0	-11,250	-6,551	-743	-18,544
Book value Dec 31, 2016	**19**	**1,705**	**1,087**	**98**	**2,910**

21 INTANGIBLE ASSETS

Intangible assets 2017

EUR 1,000	Intangible rights	Internally created intangible assets	Other intangible assets	Other intangible assets, finance lease	Advance payments	Goodwill	Total
Acquisition cost Jan 1	11,689	2,581	20,237	2,293	73	58,128	95,002
Translation difference	-80	0	-66	-9	0	-811	-965
Acquisition of subsidiaries	21	0	0	0	0	1,697	1,718
Additions	615	405	975	1,364	201	0	3,560
Reclassifications between items	29	0	0	0	-34	0	-5
Disposals	-5	-18	0	0	0	0	-23
Acquisition cost Dec 31	12,270	2,968	21,146	3,649	240	59,014	99,286
Cumulative amortization Jan 1	-10,374	-1,480	-5,093	-1,891	0	0	-18,839
Translation difference	59	0	32	8	0	0	99
Amortization for the financial year	-683	-361	-1,903	-711	0	0	-3,659
Cumulative amortization Dec 31	-10,998	-1,841	-6,964	-2,595	0	0	-22,398
Book value Dec 31, 2017	**1,271**	**1,127**	**14,181**	**1,055**	**240**	**59,014**	**76,888**

Intangible assets 2016

EUR 1,000	Intangible rights	Internally created intangible assets	Other intangible assets	Other intangible assets, finance lease	Advance payments	Goodwill	Total
Acquisition cost Jan 1	11,212	1,799	9,610	2,000	106	42,734	67,461
Translation difference	-48	0	-56	-10	0	-971	-1,085
Acquisition of subsidiaries	189	175	10,682	0	0	16,365	27,411
Additions	513	393	0	304	73	0	1,283
Reclassifications between items	-177	222	0	0	-106	0	-60
Disposals	0	-8	0	-1	0	0	-9
Acquisition cost Dec 31	11,689	2,581	20,237	2,293	73	58,128	95,002
Cumulative amortization Jan 1	-9,485	-1,130	-3,176	-1,519	0	0	-15,311
Translation difference	31	0	21	9	0	0	60
Cumulative amortization on acquisitions	-114	-27	0	0	0	0	-142
Cumulative amortization on disposals	-37	0	0	0	0	0	-37
Amortization for the financial year	-768	-322	-1,938	-381	0	0	-3,409
Cumulative amortization Dec 31	-10,374	-1,480	-5,093	-1,891	0	0	-18,839
Book value Dec 31, 2017	**1,315**	**1,101**	**15,144**	**402**	**73**	**58,128**	**76,163**

22 INVESTMENTS AVAILABLE-FOR-SALE

EUR 1,000	2017	2016
Acquisition cost Jan 1	680	687
Fair value adjustments	11	-7
Acquisition cost Dec 31	**691**	**680**

23 IMPAIRMENT TESTING

Goodwill is allocated to cash-generating units for determination of impairment. In impairment testing the recoverable amount is defined as value-in-use. The impairment test has been done in Q4 2017 after budgets for 2018 were done and is based on goodwill as per September 30, 2017. Cash flows after tax are based on budget figures for year one and financials approved by management for a next five-year period. It is based on management assessment of the market demand and environment, which are examined against external information sources. When defining the cash flow, attention is paid on anticipated price and margin development, costs, net working capital and investment needs. Management determined these based on past performance and its expectations for market development.

Key assumptions used for value-in-use calculations	2017	2016
Aggregate growth percentage year 2–5		
Finland	1.0%	1.0%
Sweden	2.0%	2.0%
China	5.0%	5.0%
The Netherlands and Germany	1.0%	1.0%
Growth rate after 5 years	1.0%	1.0%
Discount rate before tax		
Finland	10.4%	6.9%
Sweden	10.2%	7.3%
China	11.9%	10.2%
The Netherlands and Germany	9.7%	7.3%
Discount rate after tax		
Finland	8.4%	5.5%
Sweden	8.1%	5.7%
China	9.1%	7.6%
The Netherlands and Germany	7.6%	5.5%

The recoverable amount is compared with the book value of the cash-generating unit. An impairment loss is booked as cost in the income statement, if the recoverable amount is lower than the book value. No impairment loss has been booked during the financial year.

The discount rate is determined based on the weighted average cost of capital (WACC) that depicts the overall costs of shareholders' equity and liabilities. The discount rate applied to cash flow projections is the weighted average post-tax cost of capital. The discount rate is based on the weighted average of 10–30 year government bond rates in the countries where the CGUs operate. The bond rates are adjusted for the general market risk and the business risk of the CGUs.

Impairment testing has been executed for the CGUs in which Group's goodwill has been allocated. Basis for allocating goodwill is the lowest level where the goodwill is monitored for internal purposes, but no larger than any operating segment.

Cash Generating Units (CGUs) where goodwill has been allocated:

EUR 1,000,000	2017	2016
Sweden	23.4	22.6
Finland	31.5	29.8
China	1.9	2.0
The Netherlands and Germany	2.8	3.1
Total	**59.5**	**57.4**

Sensitivity analysis

According to impairment testing the recoverable amounts exceeded the carrying amounts as follows:

EUR 1,000,000	2017	2016
Sweden	16.0	14.7
Finland	69.9	104.3
China	5.1	2.5
The Netherlands and Germany	6.9	16.0
Total	**97.9**	**137.5**

In connection with impairment testing sensitivity analyses have been performed using the following variables:

- 0-growth in net sales
- Decrease of profitability (EBIT) by 4 percentage points
- Increase of discount rate by 4 percentage points

A decrease in operating profit by 4 percentage points would lead to an impairment loss booking of EUR 6.0 million in Sweden. According to management understanding realization of the other variables used in the sensitivity analysis would not lead to impairment losses in cash-generating units.

The recoverable amount in Sweden, EUR 41.7 million, is EUR 16.0 million above the carrying amount, and a negative change in EBIT% with 2.9 percentage points would result in the recoverable amount being equal to the carrying amount. The recoverable amount in Finland, EUR 107.4 million, is EUR 69.9 million above the carrying amount, and a negative change in EBIT% with 4.4 percentage points would result in the recoverable amount being equal to the carrying amount. The recoverable amount in China, EUR 8.6 million, is EUR 5.1 million above the carrying amount, and a negative change in EBIT% with 4.9 percentage points would result in the recoverable amount being equal to the carrying amount. The recoverable amount in The Netherlands and Germany, EUR 13.2 million, is EUR 6.9 million above the carrying amount, and a negative change in EBIT% with 4.6 percentage points would result in the recoverable amount being equal to the carrying amount. Any other likely change in the three parameters isolated would not result in the recoverable amounts being equal to the carrying amounts in the CGUs.

24 INVENTORY

EUR 1,000	2017	2016
Inventory at the beginning of financial year	255	0
Inventory acquired through business combinations	0	253
Change in value of inventory recorded in income statement	-5	3
Total	**250**	**255**

25 TRADE AND OTHER RECEIVABLES

EUR 1,000	2017	2016
Trade receivables	30,905	31,423
Allowances for doubtful trade receivables	-251	-167
Other receivables	362	416
Prepayments and accrued income	21,491	17,508
Total	**52,507**	**49,180**
Main items included in prepayments and accrued income		
Accruals of personnel expenses	10	10
Prepaid office rents	203	185
Prepaid leasing	145	96
Other prepayments and accrued income on sales	19,246	15,617
Other prepayments and accrued income on expenses	1,887	1,601
Total	**21,491**	**17,508**
Aging analysis of trade receivables		
Not due	25,381	24,929
Due 1 to 30 days	3,130	3,558
Due 31 to 60 days	701	1,610
Due 61 to 90 days	377	448
Due 91 to 120 days	168	331
Due more than 120 days	1,148	546
Total	**30,905**	**31,423**
Aging analysis of allowance for doubtful trade receivables		
Due 31 to 60 days	0	0
Due more than 120 days	-251	-167
Total	**-251**	**-167**
Movements on the Group provision for impairment of trade receivables are:		
Jan 1	-167	-302
Provision for impairment of receivables, decrease (+) / increase (-)	-84	135
Dec 31	**-251**	**-167**
Analysis of receivables by currency		
EUR	36,510	37,864
SEK	11,158	8,391
CNY	2,285	1,568
PLN	2,227	892
Other currencies	327	466
Total	**52,507**	**49,180**

26 CURRENT TAX ASSETS

EUR 1,000	2017	2016
Accrued income tax	326	139
Total	**326**	**139**

27 CASH AND CASH EQUIVALENTS

EUR 1,000	2017	2016
Bank accounts and cash	10,074	4,750
Total	**10,074**	**4,750**

Cash and cash equivalents in the balance sheet correspond with the financial assets in the Consolidated Statement of Cash Flows.

28 EQUITY

Shareholder's equity

Shareholders' equity consists of share capital, share premium account, unrestricted equity fund, own shares, cumulative translation adjustment, other reserves, retained earnings and non-controlling interest. Translation differences contains translation differences arising from the conversion of financial statements of foreign units and the foreign subsidiary net investment hedge. Other reserves include the fair value reserve, which consists of fair value adjustments of available-for-sale assets amounting to EUR 228 thousand (2016: EUR 219 thousand).

Shares and share capital

The fully paid and registered share capital of the Company at the end of the financial year was EUR 5,000,000 and number of shares was 24,771,492 (2016: 24,771,492). No changes in share capital occurred during financial year. The Company has one series of shares. Each share entitles its holder to one vote in the shareholders' meeting and gives an equal right to dividends.

Shares are listed on NASDAQ OMX Helsinki Ltd under the ETTE ticker. The share has no nominal value and there is no maximum number of shares. All issued shares are fully paid.

The number of company-held shares at the end of the financial year was 34,690 (2016: 235,892).

The Board of Directors' authorization to acquire and dispose own shares and to increase the share capital through a rights issue is disclosed in the section Shares and shareholders.

The Board of Directors has proposed to the Annual General Meeting a dividend of EUR 0.23 to be paid for the financial year 2017.

29 SHARE-BASED PAYMENTS

The Board of Directors of Etteplan Oyj decided on February 12, 2014 on a new share-based incentive plan for the Company´s President and CEO. The new Restricted Stock Plan included one three year vesting period. The potential reward of the Plan was bound to the validity of the CEO's service. The reward from the vesting period was to be paid partly in the Company's shares and partly in cash in February 2017. The Company was to pay taxes and tax-related costs arising from the reward to the CEO.

The Board of Directors of Etteplan Oyj decided on June 3, 2014 to establish a new share-based incentive plan for the Group's key personnel. The Plan included one earning period which included calendar years 2014, 2015 and 2016. The earnings criteria were Etteplan Group´s revenue increase and the development of Total Shareholder Return (TSR). Approximately 15 people belonged to the target group of the Plan. The rewards to be paid on the basis of the plan corresponded to the value of an approximate maximum total of 450,000 Etteplan Oyj shares (including also the proportion to be paid in cash). The shares to be paid out as potential rewards would be transferred from the shares held by the Company or shares acquired from the market.

On April 20, 2016, the Nomination and Remuneration Committee of Etteplan's Board of Directors decided, upon the implementation of the share issue, to revise the share-based incentive systems directed at the President and CEO and Etteplan's key personnel. The number of shares paid under the systems was increased by a factor of 1.05, which corresponds to the trading-weighted average of the closing prices of the Etteplan share between April 6 and May 6, 2016, divided by the share price inclusive of the TERP (Theoretical Ex-Rights Price) discount. The shares to be paid out as potential rewards would be transferred from the shares held by the Company or shares acquired from the market.

At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 26,263 shares in the Company to the President and CEO in accordance with the terms of the incentive plan described above. The transfer date of the shares was February 28, 2017.

At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 169,939 shares in the Company to key personnel in accordance with the terms of the incentive plan described above. The transfer date of the shares was April 28, 2017.

In order to advance the achievement of Etteplan's long-term growth and other targets, the Board of Directors of Etteplan Oyj resolved on May 31, 2017, to establish a new share-based incentive plan for the Group's key personnel. The aim of the incentive 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's shares. The incentive plan includes one earning period, comprising calendar years 2017–2019. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). The potential reward will be paid partly in the Company's shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel. Approximately 20 people belong to the target group of the incentive plan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 260,000 Etteplan Oyj shares (including also the proportion to be paid in cash). The shares to be paid out as potential rewards will be transferred from the shares held by the Company or shares acquired from the market, and therefore the incentive plan will have no diluting effect on the value of the share.

The number of shares expected to be granted to the key personnel at measurement date was 80,925. The fair value of the services provided by the key personnel are determined indirectly from the fair value of the Company's share. The fair value at measurement date was EUR 7.78. Expected dividends or any other features of the shares are excluded from the calculation of fair value.

Staff costs include share-based payments:

EUR 1,000	2017	2016
Equity-settled	0	0
Settled in equity in future	208	328
Total	**208**	**328**
Cash settled, taxes and tax-like payments	72	0
Settled in cash in future, taxes and tax-like payments	233	695
Total	**305**	**695**

30 INTEREST-BEARING LIABILITIES

EUR 1,000	2017	2016
Non-current		
Loans from financial institutions	18,300	23,262
Finance lease liabilities	1,334	545
Total	**19,634**	**23,807**
Analysis by currency		
EUR	19,634	23,773
CNY	0	34
Total	**19,634**	**23,807**

EUR 1,000	2017	2016
Current		
Loans from financial institutions	14,050	9,475
Finance lease liabilities	1,279	987
Total	**15,329**	**10,461**
Analysis by currency		
EUR	12,625	7,507
CNY	2,704	2,954
Total	**15,329**	**10,461**

31 DUE DATES OF THE FINANCIAL LEASING LIABILITIES

EUR 1,000	2017	2016
Minimum lease payments		
Within a year	1,385	1,220
More than one year, but not more than five years	1,288	685
Total	**2,673**	**1,905**
Future financing cost	-62	-38
Present value	**2,612**	**1,866**
Present value aging		
Within a year	1,340	1,191
More than one year, but not more than 5 years	1,271	676
Total	**2,612**	**1,866**

The average interest rate of the finance lease agreements in year 2017 was 2.6% (2016: 2.8%).

32 OTHER NON-CURRENT LIABILITIES

EUR 1,000	2017	2016
Liability from acquisitions	653	615
Pension liabilities	7	25
Other non-current liabilities	39	9
Total	**700**	**649**
Analysis by currency		
EUR	692	641
SEK	7	8
Total	**700**	**649**

33 TRADE AND OTHER PAYABLES

EUR 1,000	2017	2016
Advances received	2,057	2,642
Trade payables to others	9,312	8,013
Accrued expenses	23,563	20,311
Tax payables	7,057	6,973
Liability from acquisitions	715	1,475
Other payables	3,019	3,099
Total	**45,724**	**42,513**
Main items included in accrued expenses		
Interest liabilities	78	68
Accrued employee expenses	22,157	19,030
Other accrued expenses	1,328	1,213
Total	**23,563**	**20,311**
Analysis by currency		
EUR	35,504	33,829
SEK	8,234	7,045
CNY	1,116	856
PLN	808	677
Other	62	106
Total	**45,724**	**42,513**

34 CURRENT INCOME TAX LIABILITIES

EUR 1,000	2017	2016
Income tax liability	1,675	982
Total	**1,675**	**982**

35 DEFERRED TAXES

Deferred taxes 2017

Deferred tax assets

EUR 1,000	Jan 1, 2017	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2017
Other timing differences	365	0	-286	0	0	79
Total	**365**	**0**	**-286**	**0**	**0**	**79**

Deferred tax liabilities

EUR 1,000	Jan 1, 2017	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2017
Discretionary provisions	277	-7	22	0	0	291
Intangible assets recognized in business combinations	2,856	-5	-301	0	205	2,755
Other timing differences	160	-5	241	0	0	396
Total	**3,293**	**-18**	**-38**	**0**	**205**	**3,442**

Deferred taxes 2016

Deferred tax assets

EUR 1,000	Jan 1, 2016	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2016
Other timing differences	161	0	204	0	0	365
Total	**161**	**0**	**204**	**0**	**0**	**365**

Deferred tax liabilities

EUR 1,000	Jan 1, 2016	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2016
Discretionary provisions	215	-7	70	-1	0	277
Intangible assets recognized in business combinations	1,403	-8	-373	0	1,833	2,856
Other timing differences	136	0	24	0	0	160
Total	**1,754**	**-15**	**-279**	**-1**	**1,833**	**3,293**

At December 31, 2017 the Group had gross losses carried forward of EUR 1,606 thousand (2016: EUR 1,441 thousand) of which a deferred tax asset has not been recognized. These losses have no expiry date.

36 OTHER NON-CURRENT RECEIVABLES

EUR 1,000	2017	2016
Receivables from pension arrangements	0	8
Other non-current receivables	88	33
Total	**88**	**41**

37 ACQUISITION OF NON-CONTROLLING INTEREST

In August 2017 the Group acquired an additional 30 per cent interest in Etteplan Vataple Technology Centre, Ltd, increasing it's ownership to 100 per cent. The Group recognized a decrease in non-controling interest of EUR 273 thousand and a decrease in retained earnings attributable to owners of the parent company of EUR 1,671 thousand.

EUR 1,000	2017
Non-controlling interest before acquisition	273
Consideration paid to non-controlling interest	-1,945
Decrease in equity attributable to owners of the parent company	**-1,671**

38 PLEDGES, MORTGAGES AND GUARANTEES

EUR 1,000	2017	2016
For own debts		
Business mortgages	320	320
Pledged shares	120	120
Other contingencies	100	0
Operating Lease liabilities		
For payment under one year	3,382	3,499
For payment 1–5 years	3,815	4,603
Pledges, mortgages and guarantees total	**7,736**	**8,542**

39 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. 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 sales conditions.

Group companies Dec 31, 2017

Company	Domicile	Group's holding
Parent company Etteplan Oyj	Vantaa, Finland	
Etteplan Design Center Oy	Hollola, Finland	100%
Espotel Oy	Espoo, Finland	100%
Etteplan Poland sp.z.o.o.	Wroclaw, Poland	100%
Soikea Solutions Oy	Jyväskylä, Finland	100%
SDS Aura Oy	Aura, Finland	100%
Sorona Innovation AB	Lund, Sweden	100%
Etteplan Sweden AB	Västerås, Sweden	100%
Etteplan Technology Centre Ltd	Kunshan, China	100%
Etteplan Consulting (Shanghai) Co., Ltd.	Shanghai, China	100%
Etteplan Venlo B.V.	Venlo, the Netherlands	100%
Etteplan B.V.	Eindhoven, the Netherlands	100%
Etteplan Netherlands B.V.	Eindhoven, the Netherlands	100%
Etteplan Deutschland GmbH	Neukirchen-Vlyun, Germany	100%
Etteplan Tedopres Inc.	Austin, USA	100%

The following transactions were carried out with related parties

EUR 1,000	2017	2016
Sales and purchases of services and related receivables and payables		
Sales of services to other related parties	479	217
Purchases of services from other related parties	202	36
Trade receivables from other related parties	82	152
Trade payables to other related parties	105	5

EUR 1,000	2017	2016
Loans received from other related parties		
At the beginning of year	0	0
Loan from Ingman Group Oy Ab	0	10,000
Interest	0	28
Conversion to shares	0	-9,807
Repayments	0	-221
At the end of year	**0**	**0**

Key management compensation

Key management of Etteplan Oyj includes the Board of Directors, CEO and Management Group.

Salaries, fees and fringe benefits paid

EUR 1,000	2017	2016
Members of the Board		
Robert Ingman, Chairman of the Board	61	63
Cristina Andersson (Apr 4, 2017 onwards)	22	0
Matti Huttunen	30	29
Pertti Nupponen (until Apr 4, 2017)	8	29
Teuvo Rintamäki (until Apr 4, 2017)	7	29
Leena Saarinen	33	38
Mikko Tepponen (Apr 4, 2017 onwards)	22	0
Patrick von Essen	30	29
	216	**217**
CEO and other members of the Management Group		
Juha Näkki, salaries and fees paid	1,728	435
Juha Näkki, statutory pension costs	192	74
Other members of the Management Group, salaries and fees paid	2,496	1,273
Other members of the Management Group, statutory pension costs	306	249
Total	**4,938*)**	**2,248**

*) Fees paid to management in 2017 include nonrecurring payments of rewards of share-based incentive plans accumulated over years 2014–2016.

The Annual General Meeting annually resolves the remuneration for the members of the Board of Directors.

Stock options to the key management

Stock options have not been granted to the Company's management during 2017.

40 EVENTS AFTER THE BALANCE SHEET DATE

Etteplan acquired Koodain Solutions Oy on February 5, 2018. The 11 employees of Koodain Solutions Oy will transfer to Etteplan as existing employees. The acquisition does not have material impact on the Group's financial position or the figures or calculations reported in these financial statements. The Group's management is not aware of any events after the balance sheet date that could have a material impact on the Group's financial position or the figures or calculations reported in these financial statements.

41 KEY FIGURES FOR FINANCIAL TRENDS

EUR 1,000, financial period Jan 1 – Dec 31	2017 IFRS	2016 IFRS	2015 IFRS
Revenue	214,768	183,938	141,143
Change in revenue, %	16.8	30.3	7.0
EBIT from business operations	17,163	12,071	9,540
% of revenue	8.0	6.6	6.8
Operating profit (EBIT)	15,484	10,131	8,594
% of revenue	7.2	5.5	6.1
Profit before taxes and non-controlling interest	14,745	9,441	7,933
% of revenue	6.9	5.1	5.6
Profit for the financial year	11,586	7,604	6,189
Return on equity, %	20.9	17.4	19.5
ROCE, %	17.8	14.8	17.4
Equity ratio, %	40.7	40.0	37.8
Gross investments	7,589	30,186	9,867
% of revenue	3.5	16.4	7.0
Net gearing, %	43.0	55.9	41.6
Personnel, average	2,711	2,407	1,948
Personnel at year end	2,802	2,545	2,074
Wages and salaries	144,965	129,172	101,452

42 KEY FIGURES FOR SHARES

Financial period Jan 1 – Dec 31	2017 IFRS	2016 IFRS	2015 IFRS
Earnings per share, EUR	0.47	0.33	0.28*)
Equity per share, EUR	2.34	2.14	1.73
Dividend per share, EUR (Proposal by the Board of Directors)	0.23	0.16	0.15
Dividend per earnings per share, %	49	49	54*)
Effective dividend return, %	3.0	2.9	3.1
P/E-ratio, EUR	16.6	17.2	17.5*)
Share price, EUR:			
lowest	5.56	3.81	3.00
highest	9.49	5.90	4.93
average for the year	7.40	5.04	4.11
closing	7.78	5.58	4.90
Market capitalization, EUR 1,000	192,450	136,909	99,672
Number of shares traded, 1,000 pcs	1,660	1,863	1,033
Percentage of shares traded	7	8	5
Adjusted average number of shares during the financial year, 1,000 pcs	24,663	22,855	21,562*)
Adjusted number of shares at year end, 1,000 pcs	24,771	24,771	20,341

*) Comparison periods' key figures have been issue adjusted. The rights issue factor was 1.050.

FORMULAS FOR THE KEY FIGURES

Organic growth	=	(Revenue current year period - revenue comparison year - revenue from acquiree current year) x 100 / Revenue comparison year
EBIT from business operations	=	Operating profit (EBIT) + amortization on fair value adjustments at acquisitions +/- premeasurements of contingent considerations
Return on equity (ROE)	=	Profit for the financial year x 100 / (Equity, total) average
Return on capital employed (ROCE), before taxes	=	(Profit before taxes + Financial expenses) x 100 / (Total equity and liabilities - non-interest bearing liabilities) average
Equity ratio, %	=	Equity, total x 100 / Total equity and liabilities – Advances received
Net gearing, %	=	(Interest-bearing liabilities – Cash and cash equivalents) x 100 / Equity, total
Earnings per share	=	(Profit for the financial year attributable to equity holders of the parent company) x 100 / Adjusted average number of shares during the financial year
Equity per share	=	Equity, total / Adjusted number of shares at the end of the financial year
Dividend per share	=	Dividend for year / Adjusted number of shares during the financial year
Dividend as percentage of earnings	=	Dividend per share x 100 / Earnings per share
Effective dividend yield, %	=	Dividend per share x 100 / Adjusted last traded share price
Price/earnings ratio (P/E)	=	Adjusted last traded share price / Earnings per share
Share price trend	=	For each financial year, the adjusted low and high actual traded prices are given as well as the average price for the financial year adjusted for share issues. Average price = Total turnover of shares in euros / Number of shares traded during the financial year
Market capitalization	=	Number of outstanding shares at year-end x last traded share price of year
Trend in share turnover, in volume and percentage figures	=	The trend in turnover of shares is given as the number of shares traded during the financial year and as the percentage of traded shares relative to issued stock during the year.

PARENT COMPANY'S INCOME STATEMENT

EUR 1,000	Note	Jan 1 – Dec 31, 2017 FAS	Jan 1 – Dec 31, 2016 FAS
Revenue	1	**9,567**	**8,017**
Other operating income	2	32	241
Staff costs	3	-3,425	-3,618
Depreciation and amortization	10,11	-612	-577
Other operating expenses	5	-6,209	-6,316
Operating profit/loss		**-646**	**-2,254**
Financial income and expenses	6,7	1,261	1,004
Profit before appropriations and taxes		**615**	**-1,250**
Appropriations	8	9,392	6,692
Income taxes	9	-1,520	-1,078
Profit for the financial year		**8,487**	**4,365**

PARENT COMPANY'S BALANCE SHEET

EUR 1,000	Note	Dec 31, 2017 FAS	Dec 31, 2016 FAS
ASSETS			
Non-current assets			
Intangible assets	10	2,522	2,469
Tangible assets	11	29	40
Investments			
Shares in group companies	12	85,845	83,296
Other investments	12	19	19
Investments, total		85,864	83,315
Non-current receivables	13	6,209	6,209
Non-current assets, total		**94,623**	**92,033**
Current assets			
Current receivables	14	16,753	12,659
Cash and cash equivalents	15	6,661	125
Current assets, total		**23,413**	**12,783**
TOTAL ASSETS		**118,036**	**104,816**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	5,000	5,000
Share premium account	16	6,701	6,701
Unrestricted equity fund	16	18,715	18,715
Own Shares	16	-289	-1,004
Retained earnings	16	11,009	10,729
Profit for the financial year	16	8,487	4,365
Equity, total		**49,623**	**44,505**
APPROPRIATIONS	17	**250**	**142**
Liabilities			
Non-current liabilities	18	18,653	23,228
Current liabilities	19	49,509	36,941
Liabilities, total		**68,413**	**60,311**
TOTAL EQUITY AND LIABILITIES		**118,036**	**104,816**

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1,000	Jan 1 – Dec 31, 2017	Jan 1 – Dec 31, 2016
OPERATING CASH FLOW		
Cash receipts from customers	9,489	8,068
Operating expenses paid	-9,146	-8,901
Operating cash flow before financial items and taxes	343	-833
Interest and payment paid for financial expenses	-353	-282
Dividends received	1,117	1,097
Income taxes paid	-1,018	-1,175
Operating cash flow (A)	**90**	**-1,193**
INVESTING CASH FLOW		
Purchase of tangible and intangible assets	-653	-243
Acquisition of subsidiaries	-3,281	-25,512
Proceeds from contingent asset	0	215
Loans granted	0	-6,209
Change of internal bank account receivables	-1,034	27,030
Investing cash flow (B)	**-4,967**	**-4,720**
FINANCING CASH FLOW		
Share issue	0	14,371
Purchase of own shares	-262	-693
Short-term loans, increase	0	11,450
Short-term loans, decrease	-5,418	-20,243
Change of internal bank account liabilities	9,157	-28,412
Long-term loans, increase	5,000	20,000
Dividend paid and other profit distribution	-3,930	-3,046
Group contribution	6,700	6,500
Financing cash flow (C)	**11,248**	**-74**
Variation in cash (A+B+C) increase (+) / decrease (-)	**6,370**	**-5,986**
Assets at the beginning of the period	125	5,958
Exchange gains or losses on cash and cash equivalents	180	153
Assets at the end of the period	6,675	125

PARENT COMPANY'S ACCOUNTING POLICIES

Basis of preparation
The financial statements of the parent company, Etteplan Oyj, are prepared in accordance with Finnish accounting and company legislation (FAS).

Recognition of income
The parent company's accounting principles for recognition of income correspond to those applied in the consolidated financial statements. Etteplan Oyj's revenue consists of software and management fees from Group companies.

Research and development expenditure
Research and development expenditure is expensed in the year in which it is incurred.

Measurement of non-current assets
Non-current assets are capitalized in the balance sheet at historical cost less depreciation according to plan and possible impairment loss. Depreciation according to plan is based on the estimated useful life of the asset. Land areas are considered to have an unlimited useful life.

The useful lives of other non-current assets are:

software	5 years
computers	3 years
office furniture	5 years
renovation of premises	5 years
goodwill	5 to 10 years

Maintenance and repair costs are expensed. Major basic improvement investments are capitalized and depreciated in the income statement over their useful life. Capital gains and losses arising on the retirement and sale of non-current assets are included either in other operating income or under expenses.

Income taxes
Taxes in the income statement include taxes based on taxable earnings for the financial period as well as corrections to taxes for previous periods. Taxes based on taxable earnings are calculated using the tax rate in force at the time of the financial statement.

Accumulated appropriations in the parent company
Postponed depreciations of machinery and equipment amount to a total of EUR 1 thousand. A deferred tax asset is not booked for the postponed depreciations.

Pension agreements
Pension security for the employees of the parent company is arranged with external pension insurance companies. Pension expenses are recorded as expenses in the year in which they are incurred.

Lease agreements
Contractual lease payments are expensed over the lease period.

NOTES TO THE INCOME STATEMENT, PARENT COMPANY

1 REVENUE

EUR 1,000	2017	2016
Finland	9,567	8,017

Revenue consists of sofware and management fees from Etteplan Group companies.

2 OTHER OPERATING INCOME

EUR 1,000	2017	2016
Proceeds from contingent asset	0	215
Other operating income	32	26
Total	**32**	**241**

3 NUMBER OF PERSONNEL AND STAFF COSTS

	2017	2016
Personnel		
Personnel at year-end	42	33
Personnel, average	41	30
Personnel by category		
Administration personnel	42	33
Total	**42**	**33**

EUR 1,000	2017	2016
Staff costs		
Wages and salaries	2,878	3,204
Pension costs - defined contribution plans	487	351
Other indirect employee costs	60	62
Total	**3,425**	**3,618**
Fringe benefits (taxable value)	889	107

4 AUDIT FEES

EUR 1,000	2017	2016
Auditing, KPMG Oy Ab	48	0
Other services (tax services), KPMG Oy Ab	22	0
Auditing, other auditors	14	51
Other services, other auditors	38	171
Total	**122**	**222**

5 OTHER OPERATING EXPENSES

EUR 1,000	2017	2016
Audit fees	122	222
Leasing and rents	919	420
IT-costs	2,875	2,701
Services from Group companies	661	1,077
Other operating expenses	1,631	1,897
Total	**6,209**	**6,316**

6 FINANCIAL INCOME

EUR 1,000	2017	2016
Intra-group dividend income	1,338	1,091
Dividend income from others	9	6
Interest and other financial income, Intra-group	94	70
Foreign exchange gain	183	283
Total	**1,625**	**1,450**

7 FINANCIAL EXPENSES

EUR 1,000	2017	2016
Interest on borrowings from others	345	399
Foreign exchange loss	19	26
Other financial expenses	0	21
Total	**364**	**446**

8 APPROPRIATIONS

EUR 1,000	2017	2016
Group contributions received	9,500	6,700
Increase (-) / decrease (+) in depreciation in excess of plan	-108	-8
Total	**9,392**	**6,692**

9 INCOME TAXES

EUR 1,000	2017	2016
Tax on income from operations	1,520	1,074
Tax corrections for previous accounting periods	0	3
Total	**1,520**	**1,078**

NOTES TO THE BALANCE SHEET, PARENT COMPANY

10 INTANGIBLE ASSETS, PARENT COMPANY

Intangible assets 2017

EUR 1,000	Intangible rights	Goodwill	Other intangible assets	Advance payments	Total
Acquisition cost Jan 1	4,453	2,500	153	34	7,140
Additions	523	0	0	126	649
Reclassifications between items	34	0	0	-34	0
Acquisition cost Dec 31	5,011	2,500	153	126	7,789
Cumulative amortization Jan 1	-3,882	-678	-110	0	-4,671
Amortization for the financial year	-362	-212	-22	0	-596
Cumulative amortization Dec 31	-4,245	-890	-132	0	-5,267
Book value Dec 31, 2017	**766**	**1,609**	**21**	**126**	**2,522**

Intangible assets 2016

EUR 1,000	Intangible rights	Goodwill	Other intangible assets	Advance payments	Total
Acquisition cost Jan 1	4,157	2,500	153	106	6,916
Additions	296	0	0	34	330
Reclassifications between items	0	0	0	-106	-106
Acquisition cost Dec 31	4,453	2,500	153	34	7,140
Cumulative amortization Jan 1	-3,555	-466	-89	0	-4,110
Amortization for the financial year	-327	-212	-22	0	-561
Cumulative amortization Dec 31	-3,882	-678	-110	0	-4,671
Book value Dec 31, 2016	**571**	**1,822**	**43**	**34**	**2,469**

11 TANGIBLE ASSETS, PARENT COMPANY

Tangible assets 2017

EUR 1,000	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan 1	1,144	55	1,199
Additions	4	0	4
Acquisition cost Dec 31	1,148	55	1,203
Cumulative depreciation Jan 1	-1,106	-53	-1,159
Depreciation for the financial year	-15	-1	-16
Cumulative depreciation Dec 31	-1,121	-54	-1,175
Book value Dec 31, 2017	**27**	**1**	**29**

Tangible assets 2016

EUR 1,000	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan 1	1,124	55	1,179
Additions	20	0	20
Acquisition cost Dec 31	1,144	55	1,199
Cumulative depreciation Jan 1	-1,090	-52	-1,142
Depreciation for the financial year	-16	-1	-16
Cumulative depreciation Dec 31	-1,106	-53	-1,159
Book value Dec 31, 2016	**38**	**2**	**40**

12 INVESTMENTS, PARENT COMPANY

Investments 2017

EUR 1,000	Shares in Group companies	Other investments	Total
Acquisition cost Jan 1	83,296	19	83,315
Increases	2,793	0	2,793
Decreases	-244	0	-244
Acquisition cost Dec 31	85,845	19	85,864
Book value Dec 31, 2017	**85,845**	**19**	**85,864**

Investments 2016

EUR 1,000	Shares in Group companies	Other investments	Total
Acquisition cost Jan 1	55,861	19	55,880
Increases	27,435	0	27,435
Decreases	0	0	0
Acquisition cost Dec 31	83,296	19	83,315
Book value Dec 31, 2016	**83,296**	**19**	**83,315**

13 NON-CURRENT RECEIVABLES

EUR 1,000	2017	2016
Non-current receivables from Group companies		
Loan receivables	6,209	6,209
Non-current receivables total	**6,209**	**6,209**

14 CURRENT RECEIVABLES

EUR 1,000	2017	2016
Current receivables from Group companies		
Trade receivables	1,595	1,589
Dividend receivables	300	0
Other receivables	832	841
Internal bank account receivables	3,798	2,764
Group contribution receivables	9,500	6,700
Current receivables from others		
Other short-term receivables	19	23
Current prepayments and accrued income	709	741
Current receivables total	**16,753**	**12,659**
Main items included in prepayments and accrued income		
Tax receivables	0	40
Accruals of personnel expenses	0	3
Prepayments of IT costs	387	391
Other prepayments and accrued income on expenses	322	307
Total	**709**	**741**

15 CASH AND CASH EQUIVALENTS

EUR 1,000	2017	2016
Bank accounts and cash	6,661	125
Total	**6,661**	**125**

Cash and cash equivalents in the balance sheet correspond with the financial assets in the cash flow statement.

16 EQUITY

EUR 1,000	2017	2016
Restricted equity		
Share capital Jan 1	5,000	5,000
Share capital Dec 31	**5,000**	**5,000**
Share premium account Jan 1	6,701	6,701
Share premium account Dec 31	**6,701**	**6,701**
Restricted equity total	**11,701**	**11,701**
Unrestricted equity		
Unrestricted equity fund Jan 1	18,715	4,344
Share issue	0	14,371
Unrestricted equity fund Dec 31	**18,715**	**18,715**
Treasury shares Jan 1	-1,004	-1,239
Additions	-262	-693
Share based payments	977	0
Business combinations	0	928
Treasury shares Dec 31	**-289**	**-1,004**
Retained earnings Jan 1	15,093	13,775
Dividends paid	-3,930	-3,046
Share-based payments	-154	0
Retained earnings Dec 31	**11,009**	**10,729**
Profit for the financial year	**8,487**	**4,365**
Unrestricted equity total	**37,922**	**32,804**
Shareholders' equity total	**49,623**	**44,505**
Distributable funds Dec 31		
Retained earnings	11,009	10,729
Treasury shares	-289	-1,004
Unrestricted equity fund	18,715	18,715
Profit for the financial year	8,487	4,365
Distributable funds Dec 31	**37,922**	**32,804**
Number of shares Jan 1 (1,000 pcs)	24,771	20,666
Rights issue	0	4,106
Number of shares Dec 31 (1,000 pcs)	**24,771**	**24,771**

17 ACCUMULATED APPROPRIATIONS

EUR 1,000	2017	2016
Depreciation in excess of plan	250	142
Total	**250**	**142**

18 NON-CURRENT LIABILITIES

EUR 1,000	2017	2016
Loans from financial institutions	18,000	22,628
Accrued liabilities on acquisitions	653	600
Total	**18,653**	**23,228**

19 CURRENT LIABILITIES

EUR 1,000	2017	2016
Current liabilities to group companies		
Trade payables	104	111
Other payables	148	297
Internal bank account liabilities	34,427	25,270
Current liabilities to others		
Trade payables	1,332	1,032
Other liabilities	202	140
Accrued expenses	1,733	2,414
Income tax liability	461	0
Accrued liability on acquisitions	610	1,395
Loans from financial institutions	10,492	6,282
Current liabilities total	**49,509**	**36,941**
Main items included in accrued expenses		
Interest liabilities	76	68
Accrued employee expenses	1,475	2,346
Other accrued expenses	182	0
Total	**1,733**	**2,414**

20 PLEDGES, MORTGAGES AND GUARANTEES

EUR 1,000	2017	2016
Guarantees given		
Other contingencies	320	320
Guarantees for Group companies	3,856	3,588
Finance Lease liabilities		
For payment in next financial year	2,004	1,630
For payment later	2,082	1,821
Operating Lease liabilities		
For payment in next financial year	75	36
For payment later	89	41
Pledges, mortgages and guarantees total	**8,425**	**7,436**

Etteplan Oyj has given a Parent Company guarantee totalling EUR 4,478 thousand for loans, of which EUR 2,101 thousand is in use, for Etteplan Technology Centre, Ltd.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 2,363 thousand for loans, of which EUR 603 thousand is in use, for Etteplan Consulting (Shanghai) Co., Ltd.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 170 thousand for loans, of which EUR 0 is in use, for Etteplan B.V.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 1,400 thousand for loans, of which EUR 1,151 thousand is in use, for Etteplan Deutschland GmbH.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 730 thousand for loans, of which EUR 0 is in use, for Etteplan Poland sp.z.o.o.

Shares and shareholders

SHARE CAPITAL AND SHARES

On December 31, 2017, Etteplan Oyj's share capital, entered in the trade register and paid in full, was EUR 5,000,000 and the number of shares was 24,771,492. The Company has one series of shares. Each share confers the right to one vote at the General Meeting and the same right to a dividend.

SHARE QUOTE

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

SHARE PRICE TREND AND TURNOVER

The number of Etteplan Oyj shares traded during the financial year was 1,659,974 (1–12/2016: 1,863,476), for a total value of EUR 12.3 (9.4) million. The share price low was EUR 5.56, the high EUR 9.49, the average EUR 7.40 and the closing price EUR 7.78. Market capitalization on December 31, 2017 was EUR 192.45 million (EUR 136.91 million).

SHAREHOLDERS

The number of shareholders increased during the financial year. At the end of 2017, the Company had 2,670 (2,141) registered shareholders. In total, 347,645 shares, or 1.4 per cent of all shares, were nominee-registered.

FLAGGINGS

Etteplan Oyj received no flagging notices in January-December 2017.

TREASURY SHARES

On June 21, 2017, 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 4, 2017. According to the authorization, the number of repurchased shares was not to exceed 30,000 shares and the corresponding number of voting rights, which represents approximately 0.12 per cent of the total number of Etteplan's shares. Etteplan completed the share repurchase program in question on September 7, 2017. Altogether 30,000 shares and the corresponding number of voting rights were repurchased at the average price of EUR 8.72 in public trading on Nasdaq Helsinki Ltd at the market price quoted at the time of the repurchase, as provided by the regulations on public trading of shares. The shares were repurchased for use in fulfilling obligations pertaining to the Company's share-based incentive plan for the Group's key personnel.

On December 11, 2017, Etteplan transferred a total of 35,000 of its own shares to Vataple Ltd. The transfer was related to the transaction, published in August 2017, in which Etteplan acquired full ownership of Etteplan Vataple Technology Centre, Ltd, which previously operated as a joint venture. The shares were transferred to the seller when the registration of the acquisition in China was confirmed. The transferred shares were purchased by Etteplan Oyj based on the Board of Directors' decision on June 21, 2016. For the transfer, the Board of Directors used the authorization granted by the Annual General Meeting on April 4, 2017.

Etteplan Oyj's Board of Directors decided on December 19, 2017 to initiate a share repurchase program of Etteplan's own shares in accordance with the authorization given to it by the Annual General Meeting on April 4, 2017. The shares will be repurchased for use in fulfilling obligations pertaining to the share-based incentive plan for the Group's key personnel. The repurchasing of shares began on January 2, 2018, and it will end on June 30, 2018, at the latest. The number of repurchased shares will not exceed 100,000 shares and the corresponding number of voting rights, which corresponds to approximately 0.4 per cent of the current total number of Etteplan's shares. A maximum sum of EUR 890,000 can be spent on the repurchase program.

The Company held 34,690 of its own shares on December 31, 2017, which corresponds to 0.14 per cent of all shares and voting rights (December 31, 2016: 235,892 shares, 0.95 per cent).

CURRENT AUTHORIZATIONS

Authorization to acquire and dispose own shares

The Annual General Meeting authorized the Board of Directors to resolve on the repurchase of the Company's own shares in one or more tranches using the Company's unrestricted equity. A maximum of 2,000,000 shares in the Company may be repurchased. The Company may deviate from the obligation to repurchase shares in proportion to the shareholders' current holdings, i.e. the Board has the right to decide on a directed repurchase of the Company's own shares. The authorization includes the right for the Board to resolve on the repurchase of the Company's own shares through a tender offer made to all shareholders on equal terms and conditions and at the price determined by the Board, or in public trading organized by the Nasdaq Helsinki Ltd at the market price valid at any given time, so that the Company's total holding of own shares does not exceed ten (10) per cent of all the shares in the Company. The minimum price for the shares to be repurchased is the lowest market price quoted for the shares in the Company in public trading and, correspondingly, the maximum price is the highest market price quoted for the shares in the Company in public trading during the validity of the authorization. Should the shares in the Company be repurchased in public trading, such shares will not be purchased in proportion to the shareholders' current holdings. In that case, there must be a weighty financial reason for the Company to repurchase its own shares. The shares may be repurchased in order to be used as consideration in potential acquisitions or in other structural arrangements. The shares may 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, 2017 and ending on October 4, 2018. The authorization replaces the corresponding previous authorization.

Authorization to raise the share capital

The Annual General Meeting authorized 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, 2017 and ending on April 4, 2019.

OPTION RIGHTS

The Company does not currently have a share option program.

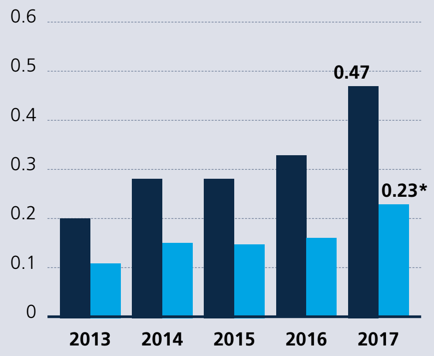
SHARE-BASED INCENTIVE PLANS

Etteplan's Board of Directors decided on May 31, 2017 to establish a new share-based incentive plan for the Group's key personnel. The incentive plan includes one earning period comprising calendar years 2017-2019. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). The potential reward will be paid partly in the Company's shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel. Approximately 20 people belong to the target group of the incentive plan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 260,000 Etteplan Oyj shares (including the portion 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.

At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 26,263 shares in the Company to the President and CEO in accordance with the terms of the incentive plan for the years 2014-2016. The shares were transferred from the shares held by the Company. In addition, the Company paid taxes and tax-related costs arising from the reward. The shares were transferred on February 28, 2017.

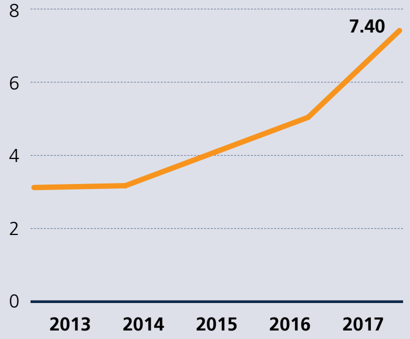
At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer a total of 169,939 shares in the Company to the Company's key personnel in accordance with the terms of the incentive plan for the years 2014–2016. The shares were transferred from the shares held by the Company. In addition, the Company paid taxes and tax-related costs arising from the reward. The shares were transferred on April 28, 2017.

Earnings per share and Dividend



Issue adjusted earnings per share
Dividend
*) Board's dividend proposal
Rights issue factor 1.050

Share price development 2013–2017



Volume-weighted average price

Major shareholders, December 31, 2017

Name	Number of shares	Proportion of shares and votes, %
Ingman Group Oy Ab	16,500,000	66.61
Oy Fincorp Ab	2,479,705	10.01
Varma Mutual Pension Insurance Company	985,593	3.98
VAS Invest Oy	562,573	2.27
Tuori Klaus Tapani	421,200	1.70
Taaleritehdas Mikro Markka Fund	351,808	1.42
Tuori Aino Mirjami	308,275	1.24
Kempe Anna Carita	135,804	0.55
Näkki Juha Antti Ilmari	104,947	0.42
Kempe Pia Pauliina	75,000	0.30
Kempe Lasse	73,900	0.30
Kylänpää Osmo Olavi	53,200	0.21
Tapper Teemu Petteri	48,503	0.20
Vesterinen Atso Ilmari	48,502	0.20
Kurra Jorma	43,751	0.18
Ingman Carl Robert	40,000	0.16
Etteplan Oyj	34,690	0.14
Burmeister Dorrit Elisabeth	32,313	0.13
Hemholmen Oy Ab	31,200	0.13
Noksuset Oy	31,200	0.13
Other shareholders	2,061,683	8.32
Nominee-registrated shares	347,645	1.40
Total	**24,771,492**	**100.00**

Breakdown of shareholdings by owner group, December 31, 2017

Name of the sector	Number of shareholders	Number of shares	Proportion of shares and votes, %
National economy total (domestic sector)			
Companies	112	20,156,139	81.37
Financial and insurance institutions	11	23,304	0.09
Public sector entities	2	986,193	3.98
Households	2,521	3,187,544	12.87
Non-profit institutions	11	46,150	0.19
Foreigners	13	24,517	0.10
Nominee-registered shares		347,645	1.40
Total	**2,670**	**24,771,492**	**100.00**

Breakdown of shareholdings by size class, December 31, 2017

Number of shares, pcs	Number of shareholders	Proportion of share-holders, %	Number of shares	Proportion of shares and votes, %
1–100	697	26.10	31,633	0.13
101–1,000	1,506	56.40	624,083	2.52
1,001–10,000	423	15.84	1,122,827	4.53
10,001–100,000	33	1.24	907,701	3.66
100,001–1,000,000	9	0.34	3,105,543	12.54
> 1,000,000	2	0.07	18,979,705	76.62
Total	**2,670**	**100.00**	**24,771,492**	**100.00**

Board of Directors’ dividend proposal

At December 31, 2017, the parent company’s distributable shareholders’ equity amounted to EUR 37.9 million, of which the net profit for the financial year was EUR 8.5 million.

The Board of Directors proposes that from the distributable funds at the disposal of the Annual General Meeting, a dividend of EUR 0.23 per share be paid on the Company’s externally owned shares, for a total amount of EUR 5.7 million at most. Dividend will not be paid out to shares that are company-held on the record date of dividend payout, April 9, 2018.

No substantial changes have occurred in the financial position of the Company since the end of the financial year. The Company’s liquidity is good and the Board of Directors judges that the proposed distribution of dividend will not endanger the Company’s solvency.

It is proposed that the dividend be paid on April 16, 2018.

Vantaa, February 8, 2018

Robert Ingman
Chairman of the Board

Cristina Andersson
Member of the Board

Matti Huttunen
Member of the Board

Leena Saarinen
Member of the Board

Mikko Tepponen
Member of the Board

Patrick von Essen
Member of the Board

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Etteplan Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Etteplan Oyj (business identity code 0545456-2) for the year ended 31 December, 2017. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 14 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of goodwill – Accounting policies and Note 23 to the consolidated financial statements	
• Goodwill, totaling EUR 59 million, represents 41 percent of the consolidated balance sheet and 102 percent of the total consolidated equity as at 31 December 2017, and is the most significant individual item in the consolidated balance sheet. • Goodwill is tested for impairment annually. Estimating future cash flows underlying the impairment tests involves a significant amount of management judgment, particularly in respect of growth in net sales, profitability and discount rates. • The company prepares impairment tests for the financial statements on a discounted cash flow basis with sensitivity analyses.	• We assessed critically those management judgments and the assumptions made, which were used to prepare the cash flow projections for the coming years. • We used KPMG valuation specialists when considering the appropriateness of the discount rate used and the technical correctness of the calculations, as well as comparing the assumptions used to market and industry-specific information. • In addition, we assessed the adequacy of the sensitivity analyses and the appropriate presentation of the notes related to impairment tests in the consolidated financial statements.
Revenue recognition – Accounting policies and Note 7 and 8 to the consolidated financial statements	
• Revenue recognition consists mainly of revenue from rendering of services. Total revenue amounted to EUR 215 million, of which EUR 15 million for fixed price contracts which were in accordance with the definition of construction contracts in IAS 11. • Revenue recognition is a key audit matter due to the significance of revenue when assessing the results and performance of Etteplan. Revenue recognition involves a risk of revenue being recognized in the incorrect period and incorrect amount due to management estimates underlying revenue recognized from fixed price contracts and due to large volumes of transaction data. • Etteplan recognizes revenue from fixed price contracts based on the percentage of completion method. The percentage of completion is determined as the proportion of actual costs to the total estimated project costs. Revenue recognition for long-term projects requires management judgement, especially in respect of future costs and amount of work to complete a project. If the forecasts are inaccurate, projects may become onerous contracts.	• We have evaluated the appropriateness of the company's revenue recognition policies with relation to the principles of revenue recognition determined in IFRS. • We have tested the effectiveness of the key internal controls in place over completeness and accuracy of revenues. We have also reviewed relevant IT systems in the sales process to ensure appropriateness for financial reporting purposes. • As part of our audit, we derived total revenue estimates for certain fixed price projects from the contract prices and price changes, as well as actual working hours from the employee time tracking system. We have also reviewed the appropriateness of the process for updating estimated project costs and percentages of completion. • In addition, we have performed substantive audit procedures to evaluate the completeness and accuracy of revenue and assessed the transactions, which require management judgment.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

KPMG Oy Ab was first appointed as auditors by the Annual General Meeting on 4 April 2017, and our appointment represents a total period of uninterrupted engagement of 1 year.

Authorised Public Accountant, HT Olli Wesamaa was first appointed as auditor by the Annual General Meeting on 18 November 2013.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 1 March, 2018

Ari Eskelinen	Olli Wesamaa
Authorised Public	Authorised Public
Accountant, KHT	Accountant, HT
KPMG Oy Ab	c/o DFK Finland Oy
Töölönlahdenkatu 3A	Pohjoisesplanadi 21 B
00100 Helsinki	00100 Helsinki
Finland	Finland

Corporate governance and investor information

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

Corporate Governance statement 2017

This corporate governance statement has been prepared in accordance with the Finnish Corporate Governance Code 2015. The corporate governance statement has been prepared as a part of annual report and it is also available separately on the Company's website www.etteplan.com. Etteplan's Board of Directors' has reviewed this corporate governance statement. Etteplan Oyj's external auditor, KPMG Oy Ab, has checked that this statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with Etteplan Oyj's financial statements.

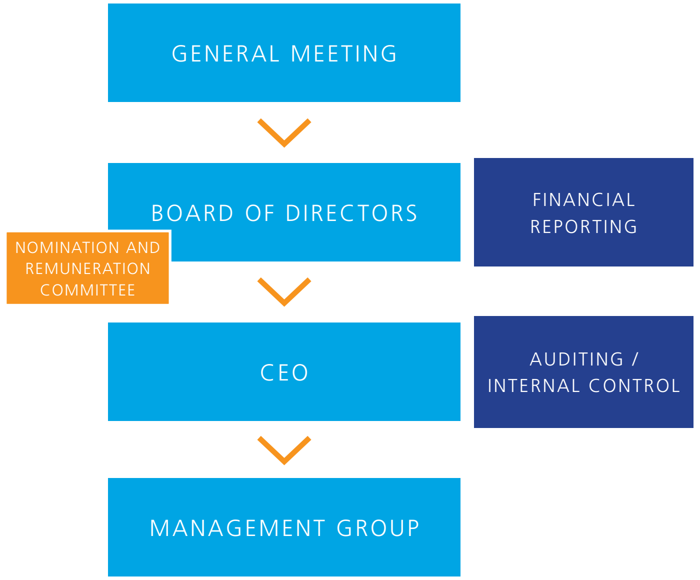
General governance principles

Etteplan Oyj is a Finnish public limited company that in its decision-making and governance complies with the Finnish Companies Act, other legislation concerning publicly listed companies, and the Articles of Association of Etteplan Oyj.

The Company is a publicly listed company that abides by the regulations of Nasdaq Helsinki Ltd. Etteplan complies with the Finnish Corporate Governance Code 2015 published by the Securities Market Association. Etteplan does not deviate from any single regulation of the Code. The Finnish Corporate Governance code is available on the Securities Market Association's website at www.cgfinland.fi.

Supervision and management of the Company is divided among the General Meeting of Shareholders, the Board of Directors, and the CEO. The CEO is assisted by the Management Group in the operative management of the Company and in coordinating its operations. The Management Group members are not members of the Board of Directors.

Administrative bodies of Etteplan Oyj



GENERAL MEETING

The shareholders exercise their decision-making power at the General Meeting. The Company must hold one Annual General Meeting for shareholders annually, by the end of June. If necessary, an Extraordinary Meeting of Shareholders is held. A shareholder may exercise his/her right to speak, ask questions and vote at the General Meeting. The matters to be considered at the Annual General Meeting (AGM) are specified in section 8 of Etteplan's Articles of Association and in Chapter 5, Section 3 of the Companies Act.

Resolutions of the General Meeting are published without delay after the meeting by a stock exchange release and on the Company's website www.etteplan.com.

Information on General Meetings to Shareholders

The Board shall convene the Annual General Meeting or an Extraordinary General Meeting with a summons to be published on the Company's website www.etteplan.com. The summons must list the agenda for the meeting. The Board may also decide to publish the invitation to the General Meeting in one Finnish national newspaper, determined by the Board. The summons to a meeting and the Board's proposals for the meeting are also published as a stock exchange release.

The notice of the General Meeting includes a proposal for the agenda of the meeting. The notice of the General Meeting, documents to be submitted to the General Meeting and draft resolutions to the General Meeting will be available on the Company's website at the earliest two months and at the latest three weeks before the General Meeting.

The Company will disclose on its website the date by which a shareholder shall notify the Board of Directors of the Company of an issue that he or she demands to be included in the agenda of the Annual General Meeting.

The minutes of the General Meeting shall be posted on the Company's website within two weeks of the General Meeting. The documents related to the General Meeting shall be available on the Company's website at least for five years after the General Meeting.

Organization of the General Meeting

According to Company's Articles of Association the General Meeting shall be held in the Company's domicile or in Lahti or in Helsinki as decided by the Board of Directors of the Company.

To be able to participate in General Meeting, a shareholder must be registered on the record date in the Etteplan Oyj's shareholder register, maintained by Euroclear Finland Ltd. A nominee registered shareholder who intends to take part in General Meeting is advised to request the necessary instructions regarding entry in the Company's shareholder register and the issuing of proxy documents from their account holder. A notification by a holder of nominee registered shares for temporary inclusion in the Company's shareholders' register is perceived as prior notice of participation in the General Meeting.

Shareholders must register for a General Meeting in advance, within the time prescribed in the summons. A shareholder may participate in a General Meeting personally or through a duly authorized proxy. The proxy must present a power of attorney form for such authorization. Upon registration for a General Meeting, the shareholder must report to the Company any powers of attorney issued. The shareholder and proxy may have an assistant present at the meeting.

Attendance of the Board of Directors, Managing Director and Auditor at the General Meeting

The Chairman of the Board of Directors and the members of the Board and its Committees as well as the CEO shall attend the General Meeting. In addition, the Auditor shall be present at the Annual General Meeting.

Attendance of a prospective Director at a General Meeting

A person proposed for the first time as Director shall participate in the General Meeting that decides on his or her election unless there are well-founded reasons for absence.

BOARD

The Board of Directors is responsible for the Company's management and for the due organization of the Company's operations in accordance with the relevant legislation and the Company's Articles of Association. The Board of Directors controls and monitors the Company's operational management, appoints and dismisses the CEO, and approves the major decisions affecting the Company's strategy, capital expenditures, organization, remuneration and bonus systems covering the management, and finances.

Charter of the Board

As part of the Company's corporate governance, the Etteplan Oyj Board of Directors has approved written rules of procedure to control Board work. The Board's rules of procedure complement the stipulations of the Finnish Companies Act and the Articles of Association of the Company. Charter of the Board is presented on the Company's website www.etteplan.com.

Meetings of the Board

The Board meets as often as appropriate fulfilment of its obligations requires. In the financial year 2017, the Board held a total of 11 meetings two of which were phone meetings. The Board members participated in the meetings as follows: Patrick von Essen, Matti Huttunen, Robert Ingman and Leena Saarinen in 11 meetings, Pertti Nupponen and Teuvo Rintamäki in one meeting and Cristina Andersson and Mikko Tepponen in 10 meetings. In addition to the members of the Board, the Company's CEO attended Board meetings as the Secretary to the Board.

Performance evaluation of the Board

On an annual basis, the Board of Directors assesses its own activities and work practices. The Board specifies the criteria to be used in the assessment, which is carried out as internal self-evaluation. The results of these activities are handled by the Board.

Composition of the Board

The Annual General Meeting elects the members of the Board of Directors. The Nomination and Remuneration Committee of the Board of Directors of Etteplan Oyj prepares a list of proposed members of the Board of Directors for consideration by the General Meeting. The Board proposed candidates are reported upon in the summons to the meeting and on the Company's website.

According to the Articles of Association, the Board of Directors shall have a minimum of three and a maximum of seven members. The Board of Directors shall be elected for a term of one year at a time.

Etteplan Oyj Board of Directors

	Born	Education	Occupation	Member since	Shareholding (31, Dec 2017)
Robert Ingman, Chairman	1961	M.Sc. (Eng.), M.Sc. (Economics)	Managing director, Ingman Group Oy Ab independent of the company	2009	16,540,000 shares
Cristina Andersson	1959	Trade technician, MKT	Entrepreneur/management consultant, Develor Productions Oy independent of the company and of significant shareholders	2017	200 shares
Patrick von Essen	1963	M.Sc. (Eng.)	CEO, Dovre Group Plc independent of the company and of significant shareholders	2014	no ownership
Matti Huttunen	1967	B. Sc. (Eng.)	COO Rolling Stock, PKC Group Plc independent of the company and of significant shareholders	2015	no ownership
Leena Saarinen	1960	M.Sc. (Food Technology)	Professional board member independent of the company and of significant shareholders	2013	38 shares
Mikko Tepponen	1979	M.Sc. (Technology) Automation Technology	Vice President, Wärtsilä Finland Oy independent of the company and of significant shareholders	2017	no ownership

The ownerships are listed as per December 31, 2017 and include shares possibly owned by controlled entities.

The Annual General Meeting held on April 4, 2017 appointed Cristina Andersson, Patrick von Essen, Matti Huttunen, Robert Ingman, Leena Saarinen and Mikko Tepponen as members of the Board of Directors according to the proposal of the Nomination and Remuneration Committee. The Board of Directors of Etteplan Oyj elected on April 4, 2017 in its organization meeting subsequent to the AGM Robert Ingman as Chairman of the Board.

Further information on the Board members is available on the Company's website at www.etteplan.com and partly in the Annual Report 2017.

Independence of the Board

The majority of the members of the Board shall be independent of the Company. In addition, at least two of the members of the Board representing this majority shall be independent of significant shareholders of the Company.

The Board shall evaluate the independence of its members and report which of them are independent of the Company and which are independent of significant shareholders.

Robert Ingman, Cristina Andersson, Patrick von Essen, Matti Huttunen, Leena Saarinen and Mikko Tepponen are independent of the Company.

Cristina Andersson, Patrick von Essen, Matti Huttunen, Leena Saarinen and Mikko Tepponen are independent of significant shareholders.

Diversity of the Board

The Board of Directors of Etteplan has defined the principles on the diversity of the Board in compliance with the Corporate Governance Code 2015. Accordingly, the requirements on the size, market position and business industry of the Company should be duly reflected when composing the Board of Directors.

When composing the Board the objective is that the members have versatile and different know-how on various industries so that the professional profiles of the members complete each other. The composition of the Board aims to ensure that it has extensive know-how on the essential strategic focus areas of the Company. In addition, the aim is to ensure that the Board will consist of both genders.

The diversity principles defined by the Board of Directors were well fulfilled in the financial year 2017. The Company will continue to execute the principles in the financial year 2018.

BOARD COMMITTEES

The Board of Directors of Etteplan Oyj has a Nomination and Remuneration Committee. The Board carries out the duties assigned for the Audit Committee since the Company does not have an Audit Committee.

Nomination and Remuneration Committee

The Board of Directors of Etteplan Oyj has appointed a Nomination and Remuneration Committee among the Directors. The Board has confirmed the central duties and operating principles of the committee in a written charter. Charter of the Committee is presented on the Company's website www.etteplan.com. The Nomination and Remuneration Committee reports regularly on its work to the Board.

The task of the Nomination and Remuneration Committee is to assist the Board of Directors in matters related to the appointment and compensation of the Company's CEO, the deputy CEO and other executives. In addition, the committee prepares for the Annual General Meeting a proposal on the number of Board members, Board composition and Board member compensation. The committee also recommends, prepares and proposes to the Board the CEO's and the deputy CEO's nomination, salary and compensation, and further evaluates and provides the Board and the CEO with recommendations concerning management and employees rewards and compensation systems.

The committee consists of three members of the Board of Directors. It convenes on a regular basis at least once a year. The Committee Chairman provides the Board with the proposals made by the committee.

Since the Annual General Meeting of 2017, Leena Saarinen has acted as the Chairman of the Nomination and Remuneration Committee and Robert Ingman and Patrick von Essen as members of the Committee. All members of the Committee are independent of the Company.

The Nomination and Remuneration Committee met 4 times during 2017. The Committee members participated in the meetings as follows: Patrick von Essen, Robert Ingman and Leena Saarinen in 4 meetings.

CEO

M.Sc. (Eng.) Juha Näkki has been the Company's President and CEO from the beginning of 2012. The CEO is responsible for managing the Group's day-to-day operations in accordance with the rules and instructions issued by the Board of Directors. The CEO may take measures that are unusual and far-reaching with regard to the scope and nature of the Company's operations, but only with authorization from the Board of Directors. The CEO is responsible for ensuring that the Company's accounting complies with the applicable legislation and that its asset management is arranged in a reliable manner. The CEO attends the Board meetings as the Secretary to the Board, but he is not a member of the Board of Directors. The parent Company's CEO furthermore acts as the Group's Chief Executive Officer.

A written CEO agreement, which has been approved by the Board, has been drawn up for the CEO. The Board of Directors appoints the CEO and terminates his or her employment, as well as monitors the CEO's activities.

Further information on CEO Juha Näkki is available on the Company's website at www.etteplan.com and partly in the Annual Report 2017.

OTHER EXECUTIVES

The CEO appoints members to the Management Group who are appropriate from the standpoint of line operations. The Management Group assists the CEO and also develops and monitors all matters entrusted to the Company's management, including those connected with the Group and business unit strategies, acquisi-

Etteplan Oyj's Management Group

	Position and responsibility area	Born	Education	Member since	Shareholding (31, Dec 2017)
Juha Näkki	President and CEO, Chairman of the Management Group	1973	M.Sc. (Eng.)	2008	104,947 shares
Per-Anders Gådin	Chief Financial Officer	1965	M.Sc. (EP), BBA	2009	8,156 shares
Petri Ikonen	Senior Vice President, Technical documentation	1964	B.Sc. (Eng.)	2015	2,876 shares
Veikko Lamminen	Senior Vice President, Operations Finland	1960	B.Sc. (Eng.)	2012	19,266 shares
Outi-Maria Liedes	Senior Vice President, HR and Operational Development	1956	M.Sc. (Eng.), MBA	2008	10,795 shares
Kari Liuska	Senior Vice President, Embedded systems and IoT	1965	M.Sc. (telecomm.), B.Sc. (Eng.)	2016	31,200 shares
Riku Riikonen	Senior Vice President, Engineering services	1977	M.Sc. (Eng.)	2015	13,209 shares
Outi Torniainen	Senior Vice President, Communications and Marketing	1965	B.Sc. (Communications)	2016	no ownership
Mikael Vatn	Senior Vice President, Operations Central and Western Europe	1967	B.Sc. (Eng.), MBA	2012	2,000 shares

The ownerships are listed as per December 31, 2017 and include shares possibly owned by controlled entities.

tions and major capital expenditures, divestments, the Company's image, monthly reporting, interim reports, investor relations, and the main principles of the human resource policy. The Board of Directors approves the appointment of the Management Group members. The members of the Management Group report to the President and CEO.

Further information on the Management Group members is available on the Company's website at www.etteplan.com and partly in the Annual Report 2017.

REMUNERATION

Principles applied to remuneration schemes

The goal of remuneration schemes is to promote competitiveness and long-term financial success of the Company and to contribute to the favourable development of shareholder value. Remuneration schemes are based on predetermined and measurable performance and result criteria.

The task of Board's Nomination and Remuneration Committee is to assist the Board of Directors in matters related to the remuneration of the Company's CEO, the deputy CEO and other executives and to prepare matters related to the reward schemes for employees.

Decision-making process

The General Meeting shall decide on the remuneration payable for Board and Committee work as well as the basis for its determination. The Nomination and Remuneration Committee has been assigned the duty of preparing the remuneration of the Board. The Board of Directors shall decide on the remuneration of the CEO as well as other compensation payable to him or her. The compensation principles for the Management Group are determined by the CEO in cooperation with the Board of Directors.

Remuneration of the Board of Directors

According to the resolution passed by the Annual General Meeting of 2017, the remuneration for each member of the Board of Directors is 600 euros per meeting and for the Chairman of the Board of Directors 1,200 euros per meeting. In addition, each member of the Board receives 24,400 euros per year and the Chairman of the Board of Directors 48,800 euros per year. Daily allowances and travel expenses are paid to the Board members according to the Company's travel policy.

According to the resolution passed by the Annual General Meeting of 2017, the remuneration for each member of the Nomination and Remuneration Committee is 600 euros per meeting and for the Chairman of the Nomination and Remuneration Committee 1,200 euros per meeting. In addition daily allowances and travel expenses are paid for the meetings to the committee members according to the Company's travel policy.

Remuneration for Board and Committee work is not paid in the form of Company shares and the Board members are not in the target group of Company's share based incentive plan.

Remuneration of the CEO

The CEO's compensation consists of a basic salary and a yearly bonus decided annually by the Board on the basis of the Group's financial result and other key targets. The maximum amount of yearly bonus is 100 per cent of the annual salary. In addition, the CEO has car and phone benefits. Statutory retirement age applies to the CEO. The term of notice for the CEO is six months. In the event of dismissal, the CEO is at the most entitled to receive compensation equivalent to 18 months' salary which includes the salary for a six-month term of notice.

Information on the service contract of the CEO

In 2017 President and CEO Juha Näkki's basic salary was EUR 286,663.61. In 2017, his car, phone and medical expenses insurance benefits totalled to EUR 16,415.25. EUR 100,137.00 of performance based bonus accrued from year 2016 was paid to the President and CEO in 2017. In addition, the President and CEO received as nonrecurring rewards for share-based incentive plans comprising calendar years 2014–2016 a total of EUR 1,324,393.95 (including 90,634 shares and thereto related taxes and tax-related costs). Rewards were paid for two separate incentive plans, one directed at the President and CEO and one at the key personnel of the Company. More information on said incentive plans and rewards can be found under point Share-based incentive plans.

The President and CEO is included in the share-based incentive plan for the Group's key personnel. The incentive plan includes one three year earning period comprising calendar years 2017–2019.

The potential nonrecurring reward of the incentive plan will paid after the earning period in 2020.

In 2017 no additional accrual basis pension insurance policy was paid for the President and CEO Juha Näkki.

Remuneration of other executives

The system of compensation for the members of the Management Group includes a basic salary and a performance based bonus. The principles for performance based bonus are decided annually. The maximum of the yearly bonus is 33–100 per cent of the recipient's annual salary depending on the member's duties. No separate agreement has been made regarding early retirement for the members of the Management Group. The term of notice for a Management Group member is at least 4 months. In the event of dismissal, a Management Group member is at the most entitled to receive compensation equivalent to 10 months' salary which includes the salary for a four-month term of notice.

In 2017 the Management Group members' basic salary was in total EUR 1,101,198.24. In 2017, the car, phone and medical expenses insurance benefits of the Management Group members totalled to EUR 31,522.76. In total EUR 219,629.28 of performance based bonus accrued from year 2016 was paid to Management Group members in 2017. In addition, the other Management Group members received as nonrecurring reward for a share-based incentive plan comprising calendar years 2014–2016 a total of EUR 1,144,104.36 (including 80,678 shares and thereto related taxes and tax-related costs). The reward was paid for the incentive plan directed at the key personnel of the Company. More information on said incentive plan and reward can be found under point Share-based incentive plans.

Share-based incentive plans

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.

During the 2017 financial period nonrecurring rewards from previous share-based incentive plans for the Company's President and CEO as well as key personnel were paid. Rewards were paid for two separate incentive plans, one directed at the President and CEO and one at the key personnel of the Company. Both incentive plans included one three year earning period comprising calendar years 2014–2016. The President and CEO of the Company was part of both incentive plans.

On the basis of the share-based incentive plans comprising calendar years 2014–2016 the President and CEO of the Company received as nonrecurring rewards on February 28, 2017 and April 28, 2017 a total of EUR 1,324,393.95 (including 90,634 shares and thereto related taxes and tax-related costs).

On the basis of the share-based incentive plan comprising calendar years 2014-2016 the members of the Management Group of the Company received as a nonrecurring reward on April 28, 2017 a total of EUR 1,144,104.36 (including 80,678 shares and thereto related taxes and tax-related costs).

Remuneration Statement

A remuneration statement is available on Company's website www.etteplan.com. The statement is updated regularly.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The objective of Etteplan Oyj's internal control and risk management is to ensure that the Company's operations are efficient and profitable, its information is reliable, and it complies with appropriate regulations and operating principles. The objectives also include identification, assessment, and monitoring of risks related to business operations. Internal audit helps to improve the efficient fulfilment of the Board's supervision obligation.

Operating principles of internal control

Etteplan's internal control process in controlled by the Finnish Companies Act, the Securities Markets Act and other laws and regulations applicable to the operations of the company, the rules and recommendations of the Helsinki Stock Exchange as well as Corporate Governance Code for Finnish listed companies. External control is implemented by the company's auditors and the authorities.

Internal control in Etteplan covers financial reporting and other monitoring. The function of internal control is to ensure that the company achieves the goals and objectives set for it, as well as uses its resources economically and appropriately. Internal control also aims to ensure among other things correct and reliable financial and other information, compliance with external regulations and internal guidelines and policies as well as sufficient security of operations and information. Furthermore, internal control aims to ensure the organisation of adequate and appropriate IT and manual systems to support the operations of the company.

In Etteplan internal control is executed by the Board of Directors, management and the company's entire personnel. Internal control is divided into 1) proactive control, 2) day-to-day control and 3) subsequent control. Proactive control consists of specification of corporate values and general operational principles. Day-to-day control includes operational steering and monitoring and thereto related operational systems and work instructions. Subsequent control comprises management evaluations and inspections, comparisons and verifications with the aim of ensuring that the goals are met and the agreed operational principles are followed.

Organization of risk management

Risk management is an integral part of Etteplan's business management and internal control framework. The function of risk management is to anticipate future risks, to ensure that targets are reached and to secure operations in changing conditions. The objective is to ensure that the company's operations are efficient and profitable, that the information produced is reliable and that it complies with the appropriate regulations and operating principles.

The key measures of Etteplan risk management are proactive measures, securing operations, limiting adverse impacts and utilizing opportunities. Etteplan risk management consists of coordinated measures aiming to identify, evaluate, manage and control all major risk areas of the Group in a systematic and proactive manner.

Etteplan's Risk Management

Etteplan's risk management process is led by the Group President and CEO together with the Management Group member responsible for risk management. The Management Group monitors the significant risks of the business units and supervises the development of the Group's risk management system and practices.

The business managers have the primary responsibility for risk management. Managers are responsible for risk management in their business areas in compliance with the Group's risk management guidelines. Risk management ensures profit, quality and continuity.

Managers report on the major risks and overall risk status of their business area to the Management Group as part of the monthly business reporting. The Group's financial administration monitors and assesses operational and financial risks and takes measures to hedge against them in cooperation with the Board of Directors, the Management Group and operative management.

The Board of Directors supervises risk management and approves the risk management guidelines of the Group. Risk management actions and the most relevant Group level risks are reported regularly to the Board of Directors.

Risks and risk management are presented on Company's website www.etteplan.com and in the Annual report 2017. Reviews concerning financing risks are presented in the notes to the consolidated financial statements in the Annual Report 2017.

Internal audit

Etteplan Group does not have separate internal audit function. The Board can engage external advisors to perform evaluations relating to control environment or other activities.

Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

Etteplan prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards, as adopted by EU, the Securities Markets Acts as well as the appropriate Financial Supervision Authority Standards and Nasdaq Helsinki Ltd's rules. The Report of the Board of Directors of Etteplan and parent company financial statements are prepared in accordance with Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

Etteplan Group observes Group level accounting principles and instructions, which are applied in all Group companies and according to which the Group's financial reporting is prepared. Together with reporting calendar and schedules, accounting principles and instructions form the framework for timely and correct Group reporting. Etteplan's business operations are in all material respects located in Finland, Sweden, China, the Netherlands and Poland, and all countries have local accounting and financial reporting organizations, systems and reporting to the Group. Internal control and risk management systems and practices as described below are designed to ensure that the financial reports as disclosed by the Company give essentially correct information about the Company finances.

Etteplan has a common Group consolidation system. Accounting data is transferred from the local accounting systems either automatically or manually and correctness is controlled by the Group's accounting team. Common chart of accounts forms the basis of Group reporting. The Group accounting, consolidation and published financial reports are prepared by the centralised team.

Internal control over financial reporting

Proper arrangement and monitoring of internal control is the responsibility of the local management in accordance with the Group framework. Etteplan Board of Directors has approved operating principles of internal control, which have been prepared in accordance with the Finnish Corporate Governance Code 2015 recommendation 25. Operating principles include the main features of risk management process, summary of risks, control objectives and common control points for financial reporting as well as roles and responsibilities in executing and monitoring internal control in Etteplan.

Internal controls over financial reporting process at the country and Group level was a focus area in 2009. Since then the processes have been reviewed and updated annually. Etteplan's finance organization has analysed process risks and defined control objectives for external financial reporting process. Existing control points in the process have been documented. These control points include for example reconciliations, authorisations, analysis, and segregation of key accounting duties. The work has been led by the Group CFO.

According to its annual clock, the Management Group has monthly meetings where also financial performance and financial reporting are analysed. Prior to these meetings, financial reports have been analysed in the business group level to detect any irregularities or errors. Group level financial reports are prepared to the Etteplan Board on a monthly basis. The Board also reviews and approves interim financial reports, annual results report and financial statements.

Etteplan does not have separate internal audit function. The Board can engage external advisors to perform evaluations relating to control environment or other activities.

INSIDER ADMINISTRATION

The Etteplan Oyj Board of Directors has approved insider regulations for the Company. The regulations are based on the Finnish Securities Markets Act as well as from the beginning of July 2016 the Market Abuse Regulation (EU N:o 596/2104, MAR), and they comply with the standards of Financial Supervision and the Guidelines issued by the Nasdaq Helsinki Ltd.

In accordance with the Market Abuse Regulation Etteplan is no longer under the obligation to maintain a public insider register. However, Etteplan maintains a register of its managers and publishes stock exchange releases on the transactions the managers report to the stock exchange and the Company in compliance with the time limits and obligations defined by MAR. Due to the nature of their position, the members of the Board of Directors, the CEO, and the members of the Management Group are entered into said register of managers.

In addition, the Company maintains a permanent company specific insider register in accordance with the decision of the Board of Directors. The company specific insider register includes front-line managers for business operations, financial administration personnel, and those working for the Company on the basis of an employment or other contract who receive insider information.

A project-specific insider register is created by the decision of the Board of Directors, the CEO, or the Management Group.

The Company's insider guidelines direct insiders to restrict their trading in the Company's shares to times when the markets have as precise information as possible on the factors influencing the value of shares in the Company. Consequently, persons included in Etteplan Oyj's insider registers are always prohibited from trading with Company securities during 30 days before the publication of interim reports and financial statement release, including the day of publication (the closed window). During other times i.e. as of the day following the publication of interim reports and financial statement release there is an open window during which insiders are allowed to trade. Even then it is provided that they do not possess insider information.

The Chief Financial Officer is responsible for the maintenance of the afore mentioned registers of Etteplan Oyj. The CFO is also responsible for compliance with insider regulations and fulfilment of duties to report. The afore mentioned registers are maintained by the Company's Vantaa office, which updates the information that, as required by law, is entered in the registers for Euroclear Finland Ltd pertaining to insiders with the duty to declare.

RELATED PARTY TRANSACTIONS

Etteplan Group's related parties include such persons that have control, joint control or significant influence over the Group. Also the Group's key personnel, i.e. the members of the Board of Directors and Management Group including the CEO are included in the related parties. Companies in control or joint control of the before mentioned persons are considered as other related parties. Related party transactions are priced according to Group's normal pricing basis and sales conditions.

In 2017 Etteplan's service purchases and sales from and to other related party companies were related to administrative cooperation between the companies.

AUDIT

The primary duty of statutory auditing is to verify that the financial statements give correct and sufficient information about the Group's profit and financial situation for the financial year. Etteplan Oyj's financial year is the calendar year. The auditor is responsible for auditing the Company's accounts and the correctness of its financial statements during the financial year, and for issuing an auditor's report to the Annual General Meeting.

A summary of the Group's audit report is compiled for the Board of Directors. Also, the auditors of all Group companies report separately to the management of each company within the Group. The auditor attends at least one meeting of the Board of Directors in the relevant financial year.

The Annual General Meeting elects one or two auditors to audit corporate governance and accounts. At least one of the auditors must be a firm of independent public accountants so authorized by the Central Chamber of Commerce. Until the 2017 Annual General Meeting PricewaterhouseCoopers Oy, with Lauri Kallaskari, acted as the Chief Auditor of the Company. The Annual General Meeting held on April 4, 2017 elected KPMG Oy Ab, a firm of authorized public accountants, with Ari Eskelinen, acting as Chief Auditor. In addition, Olli Wesamaa, CPA, was elected as the second Auditor of the Company. The auditor's term ends at the conclusion of the first Annual General Meeting after the election.

Audit fees and services not related to auditing

According to the resolution made by the Annual General Meeting 2017 the fees for the auditor are paid according to invoice approved by the Company.

The audit fees paid in 2017 totalled EUR 165,343 (in 2016: EUR 127,668). In addition, EUR 81,713 was paid to the firm for services not related to auditing (in 2016: EUR 158,722).

COMMUNICATIONS

It is Etteplan Oyj's principle to be open, truthful and quick in all communications. The primary objective of the Company's investor information is to provide the market with information about the Group's operations and financial standing. The goal is to give all stakeholder groups correct and uniform information in a regular and balanced manner.

Silent period

Etteplan Oyj follows a so-called silent period before publication of interim reports and financial statement releases. The duration of the silent period is 30 days.

Distribution of investor information

Etteplan publishes all of its investor information on the Company's website www.etteplan.com. Financial releases will be made available immediately after publication. They will be published in Finnish and English.

Board of Directors

ROBERT INGMAN
Chairman of the Board of Directors since 2013
Member of the Board of Directors since 2009
Member of the Nomination and Remuneration Committee

MATTI HUTTUNEN
Member of the Board of Directors since 2015

CRISTINA ANDERSSON
Member of the Board of Directors since 2017

LEENA SAARINEN
Member of the Board of Directors since 2013
Chairman of the Nomination and Remuneration Committee

PATRICK VON ESSEN
Member of the Board of Directors since 2014
Member of the Nomination and Remuneration Committee

MIKKO TEPPONEN
Member of the Board of Directors since 2017

Further information on the members of the Board of Directors on page 69 of the Annual Report 2017 and on the Company's website at www.etteplan.com.

Management Group

JUHA NÄKKI
President and CEO since 2012
Chairman of the Management Group since 2012
Management Group member since 2008

VEIKKO LAMMINEN
Senior Vice President, Operations Finland, since 2012
Management Group member since 2012

RIKU RIIKONEN
Senior Vice President, Engineering Services since 2015
Management Group member since 2015

PER-ANDERS GÅDIN
Chief Financial Officer since 2009
Management Group member since 2009

OUTI-MARIA LIEDES
Senior Vice President, HR and Operational Development, since 2008
Management Group member since 2008

OUTI TORNIAINEN
Senior Vice President, Communications and Marketing, since 2016
Management Group member since 2016

PETRI IKONEN
Senior Vice President, Technical documentation, since 2015
Management Group member since 2015

KARI LIUSKA
Senior Vice President, Embedded systems and IoT since 2016
Management Group member since 2016

MIKAEL VATN
Senior Vice President, Central and Western Europe, since 2012
Management Group member since 2012

Further information on the members of the Management Group on page 71 of the Annual Report 2017 and on the Company's website at www.etteplan.com.

Systematic risk assessment anticipates changes

Etteplan regularly assesses the risks of the entire business. Based on this systematic risk assessment, we adjust our operations as necessary. In the risk assessment conducted in 2017, the overall risk level was higher than in the previous year due to an increase in strategic and operational risks. Other risks remained at the same level as in 2016.

A uniform Group-wide risk management assessment is conducted annually in connection with the strategy process. In the assessment, we focus particularly on monitoring changes in previously identified risks, identifying new business risks and developing proactive risk management. Etteplan complies with international risk management criteria (CAS and COSO).

The key aspects of the risk assessment include:
- proactive measures
- securing operations
- limiting adverse impacts
- utilizing opportunities

Major risks in 2017

Etteplan's major risks in 2017 were related to personnel and potential changes in customers' business operations. The most significant of the personnel risks was the availability of competent professionals, as the Company's business operations and growth are based on competent personnel. The risk was highest in Sweden and it also increased in Finland. The risk is mitigated by systematic human resource management and by ensuring that Etteplan is perceived as an attractive employer among industry professionals.

The biggest operational risk in 2017 was related to potential changes in customers' business operations. The uncertainty caused by the general economic development and the global economy also constituted a risk for Etteplan's business. Operational risks are reduced by long-term customer relationships, the geographical distribution of business operations and Etteplan's diverse expertise.

New risk category

Risks related to Etteplan Group's business operations are divided into six categories, and the risks are monitored according to this classification. Risks related to EU regulations were adopted as a new risk category in 2017. Etteplan's business risks include both internal and external risks.

Risk classification:
- strategic risks
- operational risks
- personnel risks
- IT & security risks
- financial risks
- risks related to EU regulations

The typical risks of Etteplan's business operations are described in the following section. However, the Company's operations may also be subject to other risks. The most significant risks and uncertainties identified during the financial year are described in the report of the Board of Directors on pages 4–9.

Etteplan's risk management organization and operating methods are described on pages 74–75.

RISK CATEGORY	EXAMPLES OF RISKS	EXAMPLES OF PREVENTIVE ACTIONS	RESPONSIBLE ORGAN
Strategic risks	Risks related to business development, strategy implementation, the lack of highly competent professionals, the business environment, markets, globalization and mergers and acquisitions	Strategy and business plans, diversified customer base, balanced personnel structure, compliance with M&A procedures, corporate governance, Code of Conduct and risk management policy	President and CEO, Business management, Finance, Human resources and Communications functions
Operational risks	Organization and management, sales, projects, assignments, customer relationship and financing-related risks	Compliance with management systems, sales process, quality policy, the key account process and service delivery processes, the Group's insurance policies	Business management, Quality, Human Resources and Finance functions
Personnel risks	Competence management, management and organization, attrition, recruitment, the staffing of assignments, occupational health and well-being related risks	Use of competence management system, employee surveys, internal training, HR management, introduction process, compliance with Code of Conduct	Human resources function, Business management, entire personnel
IT & security risks	Information security, network and system downtime, computer viruses and customer IT connections related risks	Compliance with IT policies and IT security regulations, supplier SLAs	IT Director, Business management, entire personnel
Financial risks	Currency, interest, financing and liquidity, counterparty and credit risks related to the financing of business operations	Compliance with payment & credit policies and Group treasury policy, internal controls	CFO, Finance function, Business management
Risks related to EU regulations	Risks related to the EU General Data Protection Regulation (GDPR)	Compliance with IT policy and HR policy, continuously monitoring changes and updating practices	President and CEO, IT Director, HR Director

Strategic risks

The overall level of Etteplan's strategic risks increased from 2016, but it was still lower than in 2015. The risk level decreased relative to revenue. The Company's most significant strategic risks were related to business development, markets and the implementation of strategy.

The risk level in 2017 was increased by risks related to Etteplan's position in emerging and other global markets as well as the degree to which the Company's technology offering matches future market needs. Other significant risks were related to the growth of the Group's business in China and the digitalization of services.

The Company's growth through acquisitions also constitutes an operational risk. For this reason, Etteplan has carefully prepared procedures for acquisitions and integration, which reduces the risk. In addition to acquisitions, organic growth is an important part of the growth objectives for Etteplan's business. The most significant risk related to achieving this goal is the potential lack of highly talented professionals.

Possible unpredictable changes in customers' business also constitute a risk for Etteplan's business operations. The economic downturn can have a negative effect on investments and hence also on Etteplan's business and profitability. The Group aims to reduce its vulnerability to market risks and business cycles through a balanced customer base comprised of customers operating in different industries, markets and geographical areas. The engineering business is characterized by intense competition, particularly in an economic downturn.

Operational risks

Etteplan's operational risk level increased from the previous year. The increase was due to potential changes in customers' business operations. The Company's growth reduced the relative monetary value of the operational risks.

Assignments involve a risk that a service or deliverable involves a professional error or negligence, which could cause significant financial or other damage. In order to manage operational risks, Etteplan emphasizes compliance with management systems, codes of practice and acceptance procedures, training of personnel and compliance with instructions concerning the management of quotes and contracts, particularly in the delimitation of contractual liability.

Assignments can be carried out at a fixed price, at a ceiling fee or on an hourly-rated basis. Fixed-price and ceiling-fee assignments involve the risk that estimates regarding the work of professionals are exceeded. This can be caused by inaccurate time and cost estimates, performance delays, disputes about compensation for additional or changed services, human error or other unexpected circumstances. Quality management systems and project review processes are in use throughout the Group to avoid and mitigate such risks.

The project manager plays a key role in the risk management of assignments. He or she is responsible for managing and controlling the assignment from beginning to end: from tender preparation to final acceptance. To ensure the effectiveness of risk management, training is provided to project managers in all of their essential areas of activity, and supervision mechanisms are in place for both large and risky assignments.

Etteplan also aims to restrict the liability risks inherent to engineering services by using standardized contract terms and insurances. The Company has a liability insurance program that encompasses the entire Group. However, the insurance does not cover all liability risks.

Personnel risks

Etteplan's personnel risks were estimated to be at a high level in 2017. The risk level did not, however, increase from the previous year. There was intense competition for highly competent professionals in the field of technology in Sweden, for example, and the same trend has grown stronger in Finland. If they materialize, personnel risks can slow down the Company's growth.

The availability of competent professionals helps ensure the Company's profitability and business development. The most significant personnel risks at Etteplan are related to personnel competence management, attrition and appropriate staffing of assignments. The realization of these risks are prevented among others by regular PDP discussions, a personnel data system covering the entire Group personnel, systematic follow-up on occupational health and welfare at work as well as by internal procedures and guidelines. The Group maintains the personnel's job satisfaction and welfare at work by developing Group-wide HR processes as well as by investing in the development of personnel. Risks related to occupational safety and health decreased in 2017.

The focus areas in HR management in 2017 are presented in the Annual Review 2017 on pages 24–27.

IT & security risks

The effective functioning of information and communication systems is essential for Etteplan's business operations. The related IT & security risk level remained unchanged at a moderate level in 2017. The major risks were related to software licenses and managing their prices as well as external interference with IT systems.

IT & security risks are examined carefully, as Etteplan's business operations are dependent on information and communication systems. System failures or access limitations can negatively affect the operations of the Group. Etteplan prevents the realization of information security related risks by internal procedures and guidelines as well as by internal control. Measures limiting the effects of external influences on the systems include backup copies, firewalls, system monitoring, virus scanners and managing access rights.

Financial risks

Etteplan's financial risks remained unchanged and at a low level in 2017. The major risks were related to the possibility of external fraud and the use of different currencies in business operations.

The financial risks are managed in accordance with the treasury policy approved by Etteplan's Board of Directors. The aim is to hedge against significant financial risks, balance the cash flow and give the business time to adjust its operations to changing conditions. Reviews concerning financing risks are presented in the notes to the consolidated financial statements on pages 23–28. Etteplan prevents the realization of financial risks through internal procedures and guidelines as well as through internal control.

Risks related to EU regulations

Etteplan introduced risks related to EU regulations as a new risk category in 2017. These risks were at a low level during the year.

The major risks are related to the EU General Data Protection Regulation and the processing of personal data. Etteplan prevents the realization of these risks by having up-to-date IT policies, procedures and guidelines that meet the regulatory requirements. We continuously monitor regulatory developments in all areas of our business and update our internal practices and procedures accordingly.

Investor information

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

Periodic fluctuation

Etteplan's business is subject to periodic fluctuation. The periodic fluctuation is affected by the number of working days, holiday seasons and the timing of product development and investment projects in customer companies mainly in the spring and the latter part of the year. The revenue in the third quarter is typically lower than that of other quarters. Only the key figures in the Financial Statements for the entire year provide an appropriate description of the Company's financial situation.

A stable dividend payer

Etteplan's aim is to increase shareholder value and to be a stable dividend payer. The dividend has been approximately 50 per cent of earnings per share.

The Annual General Meeting on April 4, 2017 resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.16 per share for the financial year 2016. The remaining funds were to be left in unrestricted equity. The dividend was paid to the shareholders registered on the record date in the shareholders' register maintained by Euroclear Finland Ltd. The record date of the payment of dividend was April 6, 2017 and the dividend was paid on April 13, 2017.

The Board of Directors proposes to the Annual General Meeting of April 5, 2018 that a dividend of EUR 0.23 per share be paid for the financial year 2017. If the Annual General Meeting approves the Board's proposal on the payment of dividend, the dividend shall be paid to the shareholders registered on the record date of April 9, 2018 in the shareholders' register maintained by Euroclear Finland Ltd. The dividend payment date proposed by the Board of Directors is April 16, 2018.

ETTEPLAN'S INVESTOR RELATIONS PRINCIPLES

The objective of Etteplan's investor relations is to produce accurate, sufficient and up-to-date information about Etteplan's strategy, business operations, markets, and financial position to ensure that the capital markets have relevant information about the Company as an investment.

Outlook

Information on Etteplan's outlook and earnings forecast is published in the Financial Statements release for the financial year, the half year financial report and the interim reports. The outlook is approved by the Board of Directors. Etteplan does not publish quarterly earnings forecasts.

Market estimates

Upon request, the Group will review analyses or reports compiled by an analyst for factual errors, insofar as the reports and analyses are based on materials released by the Group. Etteplan does not comment on or take any responsibility for estimates or forecasts published by capital market representatives.

Silent period

Etteplan observes a silent period of 30 days prior to the announcement of financial results. During this period, Etteplan's management and personnel refrain from making any contacts or comments to investors, analysts, and the media about the Company's business outlook, financial results, or projections. At other times, we are pleased to respond to inquiries by investors and analysts and arrange meetings.

Analysts following Etteplan

Evli Bank Plc, Markku Järvinen, tel. +358 9 4766 9635
Inderes Oy, Juha Kinnunen, tel. +358 40 778 1368
Nordea Bank Plc, Pasi Väisänen, tel. +358 9 5300 5192

Investor relations contacts

Juha Näkki, President and CEO, tel. +358 10 307 2077
Outi Torniainen, Senior Vice President, Communications and Marketing, tel. +358 10 307 3302
Per-Anders Gådin, CFO, tel. +46 70 399 7929

Information for shareholders

GENERAL MEETING OF SHAREHOLDERS

The Etteplan Oyj Annual General Meeting will be held on Thursday, April 5, 2018, starting at 10 a.m. on the Company premises in Vantaa at Ensimmäinen savu, 01510 Vantaa. The invitation to the Annual General Meeting of shareholders shall be published according to Etteplan Oyj's Articles of Association on the Company website www.etteplan.com.

Right to attend

Every shareholder who, on March 22, 2018, is registered as a shareholder on the list of shareholders maintained by Euroclear Finland Ltd has the right to participate in the Annual General Meeting.

Notification of attendees

To be able to participate in the Annual General Meeting, the shareholder must register for this no later than 10 a.m. on March 29, 2018 either by e-mail to registration(at)etteplan.com or by telephone on +358 10 307 3222. The shareholder may also register by sending a registration letter to Etteplan Oyj, Yhtiökokous, P.O. Box 216, 01511 Vantaa, Finland. The letter must arrive before the registration deadline. Any proxy documents, identified and dated, must be delivered to the Company for inspection to the address mentioned above prior to the expiry of the registration period.

Important dates

- Record date for participation in the General Meeting: March 22, 2018
- Deadline for registration for the General Meeting: March 29, 2018 at 10 a.m.
- General Meeting: April 5, 2018 at 10 a.m.
- Record date for the payment of dividend: April 9, 2018
- Dividend payment date: April 16, 2018

SHAREHOLDER REGISTER INFORMATION

Shareholders should notify the bank, brokerage firm, or other account operator with which they have a book-entry securities account about changes in address or account numbers for the payment of dividends and other matters related to their holdings in the share.

DISCLOSURE OF FINANCIAL INFORMATION IN 2018

Etteplan Oyj publishes financial reports and releases in Finnish and English. Financial reports and releases are made available at www.etteplan.com.

PUBLICATION DATES FOR REVIEWS AND REPORTS IN 2018:

- Financial statements release: February 8, 2018
- Annual Report 2017: week 11 (the week starting March 12, 2018)
- Interim report 1-3/2018: Thursday, May 3, 2018
- Half year financial report 1-6/2018: Tuesday, August 14, 2018
- Interim report 1-9/2018: Tuesday, October 30, 2018

Concept and design: Miltton Oy. Photography: Riitta Supperi. Illustrations: Open Communications AB.

Etteplan Oyj

P.O. Box 216 (Ensimmäinen savu)
FI-01511 Vantaa, Finland
Tel. +358 10 3070
www.etteplan.com