



# Q1

Interim Report January-March 2017

**Good development  
continued in the first  
quarter**

ETTEPLAN Oyj Interim Report May 3, 2017 at 2:00 pm

## **ETTEPLAN Q1 2017: Good development continued in the first quarter**

### **Review period January-March 2017**

- The Group's revenue increased by 42.0 per cent and was EUR 54.8 million (1-3/2016: EUR 38.6 million). At comparable exchange rates revenue increased by 42.8 per cent.
- EBIT from business operations\* improved and amounted to EUR 4.3 (2.2) million, or 7.9 (5.6) per cent of revenue. EBIT from business operations included exceptional items with a combined negative effect of EUR 0.4 (0.2) million.
- Operating profit (EBIT) was EUR 3.8 (1.9) million, or 7.0 (4.9) per cent of revenue.
- The profit for the review period was EUR 2.9 (1.5) million.
- Operating cash flow improved and was EUR 1.9 (-1.7) million.
- Earnings per share, adjusted for the share issue, were EUR 0.12 (0.07\*\*).
- The number of personnel increased and the Group had 2,628 employees at the end of the review period (2,080).
- Due to better outlook Etteplan raises its financial guidance: revenue and operating profit will grow significantly compared to 2016.

*\*EBIT from business operations is an alternative performance measure, which reflects the Company's operational performance: it does not include acquisition-related items such as amortization on PPA allocations and earn out revaluations.*

*\*\*The comparison period's earnings per share have been issue adjusted. The rights issue factor was 1.050.*

### **Market outlook 2017**

The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. The development of our business environment is currently positive. However, the political situation in different countries continues to maintain uncertainty and slows down the start of new investments. The development of the Central European markets is expected to remain unchanged. The favorable development of the Swedish market is expected to continue. The Finnish market has improved, but the general market situation is expected to remain weaker than in the rest of Europe. In Asia, the growth of the service market is expected to continue.

### **Financial guidance 2017, updated on May 3, 2017**

We expect the revenue and operating profit for the full year 2017 to grow significantly compared to 2016.

### **Previous financial guidance 2017, updated on February 9, 2017**

We expect the revenue and operating profit for the full year 2017 to grow clearly compared to 2016.

## Key figures

(EUR 1,000)	1-3/2017	1-3/2016	1-12/2016
Revenue	54,802	38,603	183,938
EBIT from business operations	4,329 (7.9 % )	2,178 (5.6 % )	12,071 (6.6 % )
Operating profit (EBIT)	3,827 (7.0 % )	1,896 (4.9 % )	10,131 (5.5 % )
Basic earnings per share, EUR	0.12	0.07 *	0.33
Equity ratio, %	42.1	40.0	40.0
Operating cash flow	1,904	-1,682	5,661
ROCE, %	18.1	15.0	14.8
Personnel at end of the period	2,628	2,080	2,545

\*Comparison period's earnings per share have been issue adjusted. The rights issue factor was 1.050.

### President and CEO Juha Näkki:

“The year 2017 got off to a good start. Our revenue increased by a record 42 per cent during the review period, we doubled our operating profit and our cash flow improved significantly year-on-year. While acquisitions affected the development of revenue and operating profit, our organic growth was also strong at 15.7 per cent with comparable exchange rates. The implementation of our strategy progressed well and the share of Managed Services of Revenue (MSI index) increased to 57 per cent.

We invested in growth markets in Poland and China and opened a new office in Finland. In China we opened new offices in Xian and Beijing. In Poland we expanded our operations by opening a new office in Poznan, to serve customers in Poland and Central Europe better. In Poland we also expanded our service offering to technical documentation in addition to embedded systems and IoT solutions. In Finland we opened a new office, which is concentrating on digital solutions, in Vallila, Helsinki.

The demand situation improved in the first quarter. In Finland, demand remained at a weaker level than in the rest of Europe, but showed a clear improvement compared to the weak comparison period. The Chinese engineering market continued to open up. Working hours sold in the Chinese market grew by more than 70 per cent during the review period.

The Engineering services service area grew, boosted by our strong market position and outsourcing. Plant engineering also showed signs of recovery and tendering activity was high.

Embedded systems and IoT saw positive development and customers' interest towards digital solutions continued strong. We expanded our service offering to include service design, which strengthens our positions in comprehensive solutions.

Technical documentation continued to see strong growth. In Germany and the Netherlands, projects started slowly. This together with the low level of the software business weakened our profitability slightly.

The second quarter will be substantially shorter than the comparison period due to the timing of Easter, and the markets continue to suffer from uncertainty. Nevertheless, through relentless strategy implementation we have created an excellent foundation for future growth. Therefore, in an improved market situation and after a strong first quarter we are raising our financial guidance: we expect our revenue and operating profit to grow significantly in 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 business environment developed favorably and demand increased. Nevertheless, the first quarter continued to be characterized by uncertainty and unpredictable changes in Etteplan's main markets and various customer industries.

There were no significant changes in the demand for our services by customer industry in the first quarter of the year, but customer-specific differences were substantial. Activity in the mining industry has increased, with the demand for repair investments improving in particular. Demand remained strong in the paper industry. Demand among lifting and hoisting equipment manufacturers was at a good level on average. Demand in the energy and power transmission industry remained 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 was at a good level. Demand for plant engineering showed signs of recovery and the requests for tenders increased in size. Demand for embedded systems and IoT solutions remained at a good level and customers are testing various technology solutions as the industry continues to take shape.

There were differences in market development between Etteplan's main markets. Competition for employees and the lower availability of specialized experts in certain areas is affecting the development of the sector as a whole in all market areas.

In Finland, the total revenue of the technology industry grew slightly in 2016 and remains on a rising trend. In January 2017, the industry's total revenue was 14 per cent higher than in the previous year. In October-December 2016, new orders received by companies in the technology industry were up 23 per cent compared to July-September 2016, but down slightly compared to the corresponding period in 2015. Measured in euros, requests for tenders increased in the first quarter. In Finland, the demand for engineering services remained at a weaker level than in the rest of Europe.

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.

Demand in China remained at a good level in spite of market uncertainty. Demand was high particularly in automated production systems and robotics. The opening up of the service market continued to present growth opportunities for operators in the engineering industry.

## **Revenue**

Etteplan's revenue grew by 42.0 per cent in January-March and was EUR 54.8 million (1-3/2016: EUR 38.6 million). Revenue increased by 42.8 per cent at comparable exchange rates. Revenue was increased by the recovery of the markets and the significant acquisitions carried out in spring 2016. A further factor in the growth of revenue was the fact that the review period had more working days than the comparison period due to the Easter holidays falling in the second

quarter in 2017 and the first quarter in 2016. Organic growth was 14.9 per cent. At comparable exchange rates, organic growth was 15.7 per cent.

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

## **Result**

EBIT from business operations improved in January-March by 98.7 per cent and was EUR 4.3 million (1-3/2016: EUR 2.2 million), or 7.9 per cent (5.6 per cent) of revenue. Exceptional items had a combined negative effect of EUR 0.4 million (EUR 0.2 million) on EBIT from business operations. Operating profit was increased by the significant acquisitions carried out in spring 2016. In addition, the recovery of demand and the growth in the share of Managed Services enhanced Etteplan's capacity management and improved profitability. Operational costs increased by 37.8 per cent.

EBIT from business operations is an alternative performance measure, which reflects the Company's operational performance: it does not include acquisition-related items such as amortization on PPA allocations and earn out revaluations.

In January-March, operating profit (EBIT) improved by 101.9 per cent and was EUR 3.8 million (1-3/2016: EUR 1.9 million), or 7.0 per cent (4.9 per cent) of revenue.

In January-March, financial expenses amounted to EUR 0.4 million (1-3/2016: EUR 0.3 million).

Profit before taxes for January-March was EUR 3.6 million (1-3/2016: EUR 1.8 million). Taxes in the income statement amounted to 20.6 per cent (18.6 per cent) of the result before taxes. The amount of taxes was EUR 0.7 million (EUR 0.3 million).

The profit for January-March was EUR 2.9 million (1-3/2016: EUR 1.5 million).

Earnings per share, adjusted for the share issue, were EUR 0.12 (1-3/2016: EUR 0.07) in January-March. The comparison period's earnings per share have been issue adjusted. The rights issue factor was 1.050. Equity per share was EUR 2.26 (EUR 1.77). Return on capital employed (ROCE) before taxes was 18.1 per cent (15.0 per cent).

## **Financial position and cash flow**

The Group's cash and cash equivalents stood at EUR 3.7 million at the end of the review period (March 31, 2016: EUR 3.4 million). The Group's interest-bearing debt amounted to EUR 34.0 million (March 31, 2016: EUR 20.2 million). The total of unused short-term credit facilities stood at EUR 7.3 million (March 31, 2016: EUR 8.8 million).

Operating cash flow improved significantly and was EUR 1.9 million in January-March (1-3/2016: EUR -1.7 million). Cash flow after investments was EUR 0.4 million (1-3/2016: EUR -2.0 million). Cash flow improved due to the optimization of working capital and a better mix of customers' payment terms. Cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.

Total assets on March 31, 2017 were EUR 134.3 million (March 31, 2016: EUR 90.5 million). Goodwill on the balance sheet was EUR 58.2 million (March 31, 2016: EUR 42.9 million).

At the end of March, the equity ratio was 42.1 per cent (March 31, 2016: 40.0 per cent).

### **Capital expenditures**

The Group's gross investments in January-March were EUR 1.5 million (1-3/2016: EUR 1.2 million). The gross investments mainly consisted of growth-related equipment purchases and license fees for engineering software.

### **Personnel**

The average number of personnel increased by 23.9 per cent compared to the corresponding period in the previous year. The Group employed 2,596 (1-3/2016: 2,096) people on average and 2,628 people at the end of March (March 31, 2016: 2,080). At the end of March, 875 people were employed by the Group outside of Finland (March 31, 2016: 745). A total of 11 employees were temporarily laid off as of the end of March.

### **Business review**

Etteplan's market position was strengthened by the significant acquisitions carried out in 2016 and the success of the outsourcing business. The demand for Managed Services continued to grow. The demand for digitalization-related services also remained good.

As in the final quarter of 2016, demand developed favorably and showed a clear improvement compared to the corresponding period last year. The number of new product development and equipment engineering projects was higher than before and Etteplan's organic growth was strong. A further factor in the growth of revenue was the fact that the review period had more working days than the comparison period due to the Easter holidays falling in the second quarter in 2017 and the first quarter in 2016.

The number of new plant engineering investments remained low, particularly in Finland, but tendering activity in this area remained at a good level, as in late 2016, and the size of the tenders increased.

The Finnish market situation improved but remained at a weaker level than in the rest of Europe. The lower availability of specialized experts in certain areas affected the development of our business to some extent.

In Sweden, the market situation in the industry continued to develop favorably and Etteplan's Swedish business saw positive development. Attrition and the competition for experts continued to burden business in Sweden. In the Netherlands and Germany, projects started slowly in the early part of the year but activity picked up towards the end of the review period. The demand situation in Poland remained good and the business developed favorably.

Boosted by the good market situation, the number of hours sold in the Chinese markets increased by 70.8 per cent in January-March. The Chinese service market continued to open up. We continued to invest in growth and increased our local presence by opening new offices in Xian and Beijing.

Key accounts grew by 37.9 per cent year-on-year in January-March thanks to an improvement in the general market situation.

Etteplan's target is to achieve a share of 65 per cent of revenue for Managed Services (Managed Services Index, MSI) by 2019. The share of revenue represented by Managed Services was 57 per cent in January-March (1-3/2016: 49 per cent). The growth in the share of Managed Services enhances Etteplan's capacity management and improves profitability.



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

### Engineering services

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

(EUR 1,000)	1-3/2017	1-3/2016*	Change to prev. year	1-12/2016*
Revenue	31,060	29,971	3.6 %	112,823
EBIT from business operations	2,342	1,384	69.2 %	6,493
EBIT from business operations, %	7.5	4.6		5.8
Managed Services index	53	45		49

\*Embedded systems and IoT was included in Engineering services in Q1 2016.

*The Embedded systems competence area, which was previously part of the Engineering services service area, was transferred to the Embedded systems and IoT service area in the second quarter of 2016. Etteplan's revenue from embedded systems was approximately EUR 11 million in 2015 and the competence area employed a total of approximately 130 people. The Embedded systems competence area is included in the Engineering services service area's comparison figures for the first quarter of 2016.*

Engineering services accounted for 57 per cent of Etteplan's revenue in January-March 2017 (1-3/2016: 78 per cent). The service area's revenue in January-March grew by 3.6 per cent, amounting to EUR 31.1 million (1-3/2016: EUR 30.0 million). Revenue development was affected by the Embedded systems competence area being transferred to the Embedded systems and IoT service area in the second quarter of 2016. Outsourcing agreements signed in 2016 improved revenue growth. Tendering activity in plant engineering services improved in the first quarter compared to the low level in 2016, and tender sizes increased. Demand also improved in the mining industry.

In engineering services, EBIT from business operations in January-March was EUR 2.3 million (1-3/2016: EUR 1.4 million), or 7.5 per cent (4.6 per cent) of revenue. The profitability indicators were affected by the Embedded systems competence area being transferred to the Embedded systems and IoT service area in the second quarter of 2016.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, rose to 53 per cent in January-March (1-3/2016: 45 per cent). The utilization rate of engineering services was generally at a satisfactory level in January-March 2017.

In Sweden, Scania CV appointed Etteplan as a supplier of engineering services within research and development for assignments within their automotive development under a two-year framework agreement. The cooperation covers hardware and software development, project management, design, battery technology as well as technical documentation. Sandvik chose Etteplan as

its Preferred Partner in Sweden. The agreement includes many different engineering disciplines, such as project management, mechanical design and product safety.

In China, Etteplan began a cooperation with Primetal.

### Embedded systems and IoT

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

(EUR 1,000)	1-3/2017	1-3/2016*	Change to prev. year	1-12/2016*
Revenue	13,555			35,400
EBIT from business operations	1,331			3,956
EBIT from business operations, %	9.8			11.2
Managed Services index	56			54

\*Embedded systems and IoT was included in Engineering services in Q1 2016.

*Etteplan acquired Espotel and Soikea Solutions in April 2016 and expanded its business operations in Embedded systems and into the Internet of Things (IoT). Embedded systems and IoT is Etteplan's third service area and the Company began reporting on it in the half year financial report for 2016. The acquired companies are included in Etteplan's figures starting from April 1, 2016.*

*The Embedded systems competence area, which was previously part of the Engineering services service area, was transferred to the Embedded systems and IoT service area in the second quarter of 2016. Etteplan's revenue from embedded systems was approximately EUR 11 million in 2015 and the competence area employed a total of approximately 130 people. The Embedded systems competence area is included in the Engineering services service area's comparison figures for the first quarter of 2016.*

The share of Etteplan's revenue represented by Embedded systems and IoT was 25 per cent in January-March. The service area's revenue in January-March amounted to EUR 13.6 million. The service area's demand situation remained very good in all market areas.

In Embedded systems and IoT, EBIT from business operations in January-March was EUR 1.3 million, or 9.8 per cent of revenue.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 56 per cent in January-March. The utilization rate of the Embedded systems and IoT service area was at a very good level in the first quarter.

We made several investments in the growth and development of the Embedded Systems and IoT service area in the first quarter. We opened a new office in Poznan, Poland, to provide better service to our growing customer base there and in Central Europe. Our Soikea business unit opened a new office in Helsinki's Vallila district and expanded its service portfolio to cover service design by establishing a new expert team. We also continued the integration of the companies acquired last year as well as the general development of operations in line with our plans.



## Technical documentation

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

(EUR 1,000)	1-3/2017	1-3/2016	Change to prev. year	1-12/2016
Revenue	10,123	8,625	17.4 %	35,714
EBIT from business operations	802	673	19.1 %	2,838
EBIT from business operations, %	7.9	7.8		7.9
Managed Services index	75	66		70

The share of Etteplan's revenue represented by Technical documentation in January-March was 18 per cent (1-3/2016: 22 per cent). The service area's revenue in January-March grew by 17.4 per cent, amounting to EUR 10.1 million (1-3/2016: EUR 8.6 million). The service area's good development was characterized by strong organic growth and the success of the outsourcing business. We also invested in future growth by starting the technical documentation business in Poland.

In Technical documentation, EBIT from business operations increased in January-March and amounted to EUR 0.8 million (1-3/2016: EUR 0.7 million), or 7.9 per cent (7.8 per cent) of revenue.

The service area's otherwise positive development in the first quarter was weighed down by the slow start of projects in Germany and the Netherlands. Demand for the software business was also at a low level.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, increased to 75 per cent (66 per cent) in January-March. The utilization rate of Technical documentation services was generally at a satisfactory level in the first quarter of 2017.

## 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 a right to issue new shares or assign the Company's own 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.

### **Dividend**

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, April 6, 2017, in the shareholders' register maintained by Euro-clear Finland Ltd. The dividend was paid on April 13, 2017.

### **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 March 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 Company did not acquire its own shares in January-March 2017. On February 28, 2017, the Company transferred a total of 26,263 treasury shares to President and CEO Juha Näkki as part of the President and CEO's incentive plan. The Company held 209,629 of its own shares on March 31, 2017, which corresponds to 0.85 per cent of all shares and voting rights (March 31, 2016: 356,196).

The number of Etteplan Oyj shares traded during the review period was 739,979, for a total value of EUR 4.8 million (EUR 0.9 million). The share price low was EUR 5.56, the high EUR 7.68, the average EUR 6.54 and the closing price EUR 7.00. Market capitalization on March 31, 2017 was EUR 171.93 million (EUR 101.55 million).

### **Flaggings**

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

### **Events after the review period**

S-Pankki Oy has terminated the liquidity providing (LP) agreement with Etteplan. The agreement and liquidity providing in accordance with the agreement will end on May 31, 2017. Etteplan is not planning to agree on a new liquidity providing (LP) agreement.

On April 28, 2017, the Company transferred a total of 169,939 treasury shares to the Company's key personnel in accordance with the terms of the incentive plan established in 2014. Following the transfer, the Company held 39,690 of its own shares, corresponding to 0.16 per cent of all shares and voting rights.

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

Etteplan's financial results are exposed to a number of strategic, operational and financial risks. Etteplan's risk management review was published on pages 80-83 of the Financial Review 2016.

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

The uncertainty caused by the general economic development continued in the first quarter of 2017. There were clear country-specific differences in the demand for engineering services.

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

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

The uncertainty caused by the general economic development continues to be a risk for Etteplan's business. The uncertainty in the global economy poses a risk to 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 availability of personnel continues to present a business risk.

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

### **Market outlook 2017**

The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. Our business environment is currently developing favorably. The political situation in different countries continues to maintain uncertainty and slow down the start of new investments. The development of the Central European markets is expected to remain unchanged. The favorable development of the Swedish market is expected to continue. The Finnish market has improved, but the general market situation is expected to remain weaker than in the rest of Europe. In Asia, the growth of the service market is expected to continue.

### **Financial guidance 2017, updated on May 3, 2017**

We expect the revenue and operating profit for the full year 2017 to grow significantly compared to 2016.

### **Previous financial guidance 2017, updated on February 9, 2017**

We expect the revenue and operating profit for the full year 2017 to grow clearly compared to 2016.

**Financial information in 2017**

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

Half Year Financial Report 1-6/2017      Thursday, August 10, 2017

Interim report 1-9/2017                      Wednesday, October 25, 2017

Vantaa, May 3, 2017

Etteplan Oyj

Board of Directors

Additional information:

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**APPENDIX:****Financial Statement Summary and Notes**

Consolidated Statement of Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Cash Flows

Consolidated Statement of Changes in Equity

Notes to the Financial Statement Summary

The information presented herein has not been audited.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>(EUR 1,000)</b>	<b>1-3/2017</b>	<b>1-3/2016</b>	<b>1-12/2016</b>
<b>Revenue</b>	<b>54,802</b>	<b>38,603</b>	<b>183,938</b>
Other operating income	52	256	517
Materials and services	-4,599	-1,880	-13,893
Staff costs	-38,167	-28,872	-129,172
Other operating expenses	-6,919	-5,293	-26,440
Depreciation and amortization	-1,341	-918	-4,818
<b>Operating profit (EBIT)</b>	<b>3,827</b>	<b>1,896</b>	<b>10,131</b>
Financial income	168	245	555
Financial expenses	-386	-318	-1,245
Profit before taxes	3,610	1,822	9,441
Income taxes	-742	-338	-1,838
<b>Profit for the financial year</b>	<b>2,868</b>	<b>1,484</b>	<b>7,604</b>
<b>Other comprehensive income, that may be subsequently reclassified to profit or loss</b>			
Foreign subsidiary net investment hedge	0	7	82
Currency translation differences	126	-129	-1,157
Change in fair value of investments available-for-sale	6	-2	-6
Other comprehensive income, net of tax	132	-124	-1,080
<b>Total comprehensive income for the year</b>	<b>3,000</b>	<b>1,360</b>	<b>6,524</b>
<b>Income attributable to</b>			
Equity holders of the parent company	2,850	1,471	7,436
Non-controlling interest	18	14	168
	2,868	1,484	7,604
<b>Total comprehensive income attributable to</b>			
Equity holders of the parent company	2,983	1,347	6,356
Non-controlling interest	16	14	168
	3,000	1,360	6,524
<b>Earnings per share calculated from the result attributable to equity holders of the parent company</b>			
Basic earnings per share, EUR	0.12	0.07 *	0.33
Diluted earnings per share, EUR	0.12	0.07 *	0.33

\*Comparison period's earnings per share have been issue adjusted. The rights issue factor was 1.050.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	2,940	2,117	2,910
Goodwill	58,164	42,927	58,128
Other intangible assets	18,193	9,961	18,036
Investments available-for-sale	687	684	680
Other non-current receivables	87	54	41
Deferred tax assets	413	182	365
<b>Non-current assets, total</b>	<b>80,485</b>	<b>55,926</b>	<b>80,159</b>
<b>Current assets</b>			
Inventory	358	0	255
Trade and other receivables	49,514	30,956	49,180
Current tax assets	194	177	139
Cash and cash equivalents	3,728	3,412	4,750
<b>Current assets, total</b>	<b>53,794</b>	<b>34,546</b>	<b>54,324</b>
<b>TOTAL ASSETS</b>	<b>134,279</b>	<b>90,472</b>	<b>134,483</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital attributable to equity holders of the parent company</b>			
Share capital	5,000	5,000	5,000
Share premium account	6,701	6,701	6,701
Unrestricted equity fund	18,607	4,406	18,524
Own shares	-386	-1,060	-386
Cumulative translation adjustment	-1,854	-985	-1,981
Other reserves	225	223	219
Retained earnings	24,460	20,102	17,099
Profit for the financial year	2,850	1,471	7,436
<b>Capital attributable to equity holders of the parent company, total</b>	<b>55,603</b>	<b>35,857</b>	<b>52,613</b>
Non-controlling interest	181	11	165
<b>Equity, total</b>	<b>55,784</b>	<b>35,868</b>	<b>52,777</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	3,184	1,894	3,293
Interest-bearing liabilities	22,611	8,642	23,807
Other non-current liabilities	53	630	649
<b>Non-current liabilities, total</b>	<b>25,848</b>	<b>11,165</b>	<b>27,750</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	11,424	11,531	10,461
Trade and other payables	40,107	30,910	42,513
Current income tax liabilities	1,117	998	982
<b>Current liabilities, total</b>	<b>52,648</b>	<b>43,439</b>	<b>53,956</b>
<b>Liabilities, total</b>	<b>78,495</b>	<b>54,604</b>	<b>81,706</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>134,279</b>	<b>90,472</b>	<b>134,483</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1,000)	1-3/2017	1-3/2016	1-12/2016
<b>Operating cash flow</b>			
Cash receipts from customers	53,721	37,444	174,644
Operating expenses paid	-50,779	-38,563	-165,607
Operating cash flow before financial items and taxes	2,942	-1,119	9,037
Interest and payment paid for financial expenses	-225	-108	-813
Interest received	10	14	44
Income taxes paid	-822	-469	-2,606
<b>Operating cash flow (A)</b>	<b>1,904</b>	<b>-1,682</b>	<b>5,661</b>
<b>Investing cash flow</b>			
Purchase of tangible and intangible assets	-397	-88	-1,879
Acquisition of subsidiaries	-1,093	-418	-22,262
Proceeds from contingent asset	0	215	215
Proceeds from sale of tangible and intangible assets	4	5	24
Purchase of investments	0	0	-10
Loan receivables, decrease	0	0	45
<b>Investing cash flow (B)</b>	<b>-1,486</b>	<b>-286</b>	<b>-23,866</b>
<b>Cash flow after investments (A+B)</b>	<b>418</b>	<b>-1,968</b>	<b>-18,204</b>
<b>Financing cash flow</b>			
Share issue net of cost	0	0	13,937
Purchase of own shares	0	-148	-693
Short-term loans, increase	1,039	335	11,685
Short-term loans, decrease	-1,708	-3,878	-22,547
Long-term loans, increase	0	610	20,601
Long-term loans, decrease	-109	0	-4,569
Payment of finance lease liabilities	-375	-289	-1,184
Dividend paid and other profit distribution	0	0	-3,046
<b>Financing cash flow (C)</b>	<b>-1,153</b>	<b>-3,371</b>	<b>14,184</b>
<b>Variation in cash (A+B+C) increase (+) / decrease (-)</b>	<b>-735</b>	<b>-5,338</b>	<b>-4,020</b>
Assets at the beginning of the period	4,467	8,807	8,807
Exchange gains or losses on cash and cash equivalents	-4	-57	-37
Assets at the end of the period	3,728	3,412	4,750

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Legends for table columns

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

(EUR 1,000)	A	B	C	D	E	F	G	H	I	J
<b>Equity Jan 1, 2016</b>	<b>5,000</b>	<b>6,701</b>	<b>4,406</b>	<b>225</b>	<b>-949</b>	<b>-863</b>	<b>20,101</b>	<b>34,621</b>	<b>-3</b>	<b>34,618</b>
<b>Comprehensive income</b>										
Profit for the financial year	0	0	0	0	0	0	7,436	7,436	168	7,604
Fair value reserve available-for-sale assets	0	0	0	-6	0	0	0	-6	0	-6
Foreign subsidiary net investment hedge	0	0	0	0	0	82	0	82	0	82
Cumulative translation adjustment	0	0	0	0	0	-1,200	44	-1,157	0	-1,157
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6</b>	<b>0</b>	<b>-1,118</b>	<b>7,480</b>	<b>6,356</b>	<b>168</b>	<b>6,524</b>
<b>Transactions with owners</b>										
Dividends	0	0	0	0	0	0	-3,046	-3,046	0	-3,046
Share issue net of cost	0	0	13,937	0	0	0	0	13,937	0	13,937
Directed share issue	0	0	181	0	928	0	0	1,109	0	1,109
Purchase of own shares	0	0	0	0	-693	0	0	-693	0	-693
Share-based incentive plan	0	0	0	0	328	0	0	328	0	328
<b>Transactions with owners, total</b>	<b>0</b>	<b>0</b>	<b>14,118</b>	<b>0</b>	<b>563</b>	<b>0</b>	<b>-3,046</b>	<b>11,635</b>	<b>0</b>	<b>11,635</b>
<b>Equity Dec 31, 2016</b>	<b>5,000</b>	<b>6,701</b>	<b>18,524</b>	<b>219</b>	<b>-386</b>	<b>-1,981</b>	<b>24,535</b>	<b>52,613</b>	<b>165</b>	<b>52,777</b>

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

(EUR 1,000)	A	B	C	D	E	F	G	H	I	J
<b>Equity Jan 1, 2016</b>	<b>5,000</b>	<b>6,701</b>	<b>4,406</b>	<b>225</b>	<b>-949</b>	<b>-863</b>	<b>20,101</b>	<b>34,621</b>	<b>-3</b>	<b>34,618</b>
<b>Comprehensive income</b>										
Profit for the financial year	0	0	0	0	0	0	1,471	1,471	14	1,484
Fair value reserve available-for-sale assets	0	0	0	-2	0	0	0	-2	0	-2
Foreign subsidiary net investment hedge	0	0	0	0	0	7	0	7	0	7
Cumulative translation adjustment	0	0	0	0	0	-129	0	-129	0	-129
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2</b>	<b>0</b>	<b>-122</b>	<b>1,471</b>	<b>1,347</b>	<b>14</b>	<b>1,360</b>
<b>Transactions with owners</b>										
Purchase of own shares	0	0	0	0	-148	0	0	-148	0	-148
Share-based incentive plan	0	0	0	0	37	0	0	37	0	37
<b>Transactions with owners, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-111</b>	<b>0</b>	<b>0</b>	<b>-111</b>	<b>0</b>	<b>-111</b>
<b>Equity Mar 31, 2016</b>	<b>5,000</b>	<b>6,701</b>	<b>4,406</b>	<b>223</b>	<b>-1,060</b>	<b>-985</b>	<b>21,571</b>	<b>35,857</b>	<b>11</b>	<b>35,868</b>

## **NOTES TO THE FINANCIAL STATEMENT SUMMARY**

### **General**

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

In 2016, Etteplan had turnover of EUR 183.9 million. The company has over 2,500 professionals in Finland, Sweden, the Netherlands, Germany, Poland and China. Etteplan's shares are listed on Nasdaq Helsinki Ltd. under the ETTE ticker.

The Etteplan Oyj Board of Directors has approved this Interim Report for publication at its meeting on May 3, 2017.

### **Basis for Preparation**

The Interim Report has been prepared according to the recognition and valuation principles presented in the 2016 Annual Financial Statements, but it has not been prepared in accordance with all of the requirements in IAS 34 (Interim Financial Reporting) standard. Changes in standards and interpretations in effect in 2017 did not have material effect to the Consolidated Financial Statements.

The Annual Financial Statements 2016 are available at [www.etteplan.com](http://www.etteplan.com) with the accounting policies detailed on pages 14-22.

Formulas for the key figures are detailed at the end of this release.

### **Use of Estimates**

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

## Key Figures

(EUR 1,000)	1-3/2017	1-3/2016	1-12/2016	Change to prev. year
Revenue	54,802	38,603	183,938	42.0 %
EBIT from business operations	4,329	2,178	12,071	98.7 %
EBIT from business operations, %	7.9	5.6	6.6	
Operating profit (EBIT)	3,827	1,896	10,131	101.9 %
EBIT, %	7.0	4.9	5.5	
Profit before taxes	3,610	1,822	9,441	98.1 %
Profit before taxes, %	6.6	4.7	5.1	
Return on equity, %	21.1	16.8	17.4	
ROCE, %	18.1	15.0	14.8	
Equity ratio, %	42.1	40.0	40.0	
Gross interest-bearing debt	34,035	20,172	34,269	68.7 %
Net gearing, %	54.3	46.7	55.9	
Balance sheet, total	134,279	90,472	134,483	48.4 %
Gross investments	1,530	1,176	30,186	30.1 %
Operating cash flow	1,904	-1,682	5,661	213.3 %
Basic earnings per share, EUR	0.12	0.07 *	0.33	71.4 %
Diluted earnings per share, EUR	0.12	0.07 *	0.33	71.4 %
Equity per share, EUR	2.26	1.77	2.14	28.2 %
Personnel, average	2,596	2,096	2,407	23.9 %
Personnel at end of the period	2,628	2,080	2,545	26.3 %

\*Comparison period's earnings per share have been issue adjusted. The rights issue factor was 1.050.

## Exceptional Items

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

(EUR 1,000)	1-3/2017	1-3/2016	1-12/2016
Other operating income	15	215	215
Staff costs and other operating expenses	-383	-391	-1,886
<b>Operating profit (EBIT)</b>	<b>-368</b>	<b>-176</b>	<b>-1,671</b>

## Reconciliation of EBIT from Business Operations

EBIT from business operations is an alternative performance measure, which reflects the Company's operational performance: it does not include acquisition-related items such as amortization on PPA allocations and earn out revaluations. The table below shows a reconciliation between EBIT from business operations and Operating profit (EBIT).

(EUR 1,000)	1-3/2017	1-3/2016	1-12/2016
<b>EBIT</b>	3,827	1,896	10,131
Amortization on PPA allocations	517	283	1,939
earn-out revaluation items	-15	0	0
<b>EBIT from business operations</b>	<b>4,329</b>	<b>2,178</b>	<b>12,071</b>

## Formulas for Key Figures

### Organic growth

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

### EBIT from business operations

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

### Return on equity (ROE)

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

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

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

### Equity ratio, %

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

### Net gearing, %

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

### Earnings per share

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

### Equity per share

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