



# Q3

Interim Report January-September 2017

**Profitability improved  
and strong organic  
growth continued**

ETTEPLAN Oyj Interim Report October 25, 2017 at 2:00 pm

## **ETTEPLAN Q3 2017: Profitability improved and strong organic growth continued**

### **Review period July-September 2017**

- The Group's revenue increased by 12.3 per cent and was EUR 47.1 million (7-9/2016: EUR 42.0 million). At comparable exchange rates, revenue increased by 12.5 per cent.
- Organic revenue growth was 11.1 (-3.5) per cent. At comparable exchange rates, organic growth was 11.3 per cent.
- EBIT from business operations\* improved and amounted to EUR 3.4 (2.4) million, or 7.1 (5.8) per cent of revenue. EBIT from business operations included exceptional items with a combined negative effect of EUR 0.1 (0.3) million.
- Operating profit (EBIT) was EUR 2.9 (1.9) million, or 6.1 (4.4) per cent of revenue.
- The profit for the review period was EUR 2.1 (1.5) million.
- Operating cash flow improved and was EUR -1.2 (-3.6) million.
- Undiluted earnings per share were EUR 0.08 (0.05).

### **Review period January-September 2017**

- The Group's revenue increased by 19.5 per cent and was EUR 156.2 million (1-9/2016: EUR 130.8 million). At comparable exchange rates, revenue increased by 20.1 per cent.
- Organic revenue growth was 11.0 (2.5) per cent. At comparable exchange rates, organic growth was 11.6 per cent.
- EBIT from business operations\* improved and amounted to EUR 12.4 (7.5) million, or 7.9 (5.7) per cent of revenue. EBIT from business operations included exceptional items with a combined negative effect of EUR 0.7 (1.5) million.
- Operating profit (EBIT) was EUR 10.9 (6.1) million, or 7.0 (4.7) per cent of revenue.
- The profit for the review period was EUR 8.1 (4.7) million.
- Operating cash flow improved and was EUR 6.1 (-4.2) million.
- Undiluted earnings per share were EUR 0.33 (0.20).
- The number of personnel increased and the Group had 2,781 employees at the end of the review period (2,508).

*\*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.*

*Espotel Oy and Soikea Solutions Oy, which were acquired in spring 2016, are included in the figures for the comparison period starting from the second quarter of 2017.*

### **Market outlook 2017**

The most important factor for 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 has improved and good demand is expected to continue. 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.

### Key figures

| (EUR 1,000)                    | 7-9/2017      | 7-9/2016      | 1-9/2017       | 1-9/2016      | 1-12/2016      |
|--------------------------------|---------------|---------------|----------------|---------------|----------------|
| Revenue                        | 47,132        | 41,986        | 156,248        | 130,800       | 183,938        |
| EBIT from business operations  | 3,364 (7.1 %) | 2,425 (5.8 %) | 12,362 (7.9 %) | 7,514 (5.7 %) | 12,071 (6.6 %) |
| Operating profit (EBIT)        | 2,887 (6.1 %) | 1,866 (4.4 %) | 10,932 (7.0 %) | 6,115 (4.7 %) | 10,131 (5.5 %) |
| Basic earnings per share, EUR  | 0.08          | 0.05          | 0.33           | 0.20          | 0.33           |
| Equity ratio, %                | 40.7          | 39.7          | 40.7           | 39.7          | 40.0           |
| Operating cash flow            | -1,209        | -3,640        | 6,096          | -4,174        | 5,661          |
| ROCE, %                        | 13.1          | 11.2          | 16.5           | 12.1          | 14.8           |
| Personnel at end of the period | 2,781         | 2,508         | 2,781          | 2,508         | 2,545          |

### President and CEO Juha Näkki:

The third quarter of the year was successful for us. The demand situation remained good in all of our market areas and we were able to improve all of our key indicators compared to the previous year. Strong organic growth continued, our profitability and cash flow improved substantially, and we made progress toward our strategic goals.

The Engineering services service area developed favorably and demand from key accounts, in particular, was at a good level. Our Managed Services proved their strength and we continued to win market share. Some new plant engineering projects also started during the review period and we won several significant deals.

The Embedded systems and IoT service area saw continued good demand and our business grew in spite of the reduced availability of competent professionals. However, the excess hours in certain projects, which weighed down on our profitability in the second quarter, continued in the third quarter. Corrective actions to improve the profitability of the project business are ongoing and I expect to see improvements in the results already in the fourth quarter.

In Technical documentation, the development of our business was again excellent, boosted by strong demand and the success of the outsourcing business. During the review period, we also continued to invest in the development of our service offering to deliver even greater added value to our customers in the face of growing information flows and increasing digitalization.

We will continue to invest in growth and the improvement of profitability in the fourth quarter. Our service offering and excellent customers provide us with a solid foundation for continued positive development during the remainder of the year.

### 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 positively and the market situation was good in all of our market areas. While uncertainty decreased, the third quarter nevertheless continued to be characterized by unpredictable changes in Etteplan's main markets and various customer industries.

There were no significant changes in the demand for our services by industry in the third 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 in 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.

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

There were differences in market development between 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 total revenue of the technology industry in fall 2017 was higher than at the corresponding time last year. In January-June, revenue is 11 per cent higher than in the corresponding period in 2016. Measured in euros, orders received by companies in the technology industry in April-June 2017 increased by 25 per cent compared to January-March 2017 and by 47 per cent compared to the corresponding period in 2016. The number of requests for tenders increased further. In Finland, the demand for engineering services remained at a slightly weaker level than in the rest of Europe, and uncertainty in the market has increased somewhat.

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.

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

## **Revenue**

Etteplan's revenue grew by 12.3 per cent in July-September and was EUR 47.1 million (7-9/2016: EUR 42.0 million). Revenue increased by 12.5 per cent at comparable exchange rates. Organic growth was 11.1 (-3.5) per cent. At comparable exchange rates, organic growth was 11.3 per cent.

In January-September, revenue increased by 19.5 per cent and was EUR 156.2 million (1-9/2016: EUR 130.8 million). Revenue increased by 20.1 per cent at comparable exchange rates. Organic growth was 11.0 (2.5) per cent. At comparable exchange rates, organic growth was 11.6 per cent.

Etteplan's good organic growth continued in the third quarter due to Etteplan's good service offering and strong market position. Growth was supported by the good market situation.

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.

Revenue from acquired companies is included in the non-organic growth for the first 12 months after the acquisition.

## **Result**

EBIT from business operations improved in July-September by 38.7 per cent and was EUR 3.4 million (7-9/2016: EUR 2.4 million), or 7.1 (5.8) per cent of revenue. Exceptional items had a combined negative effect of EUR 0.1 million (EUR 0.3 million) on EBIT from business operations.

EBIT from business operations improved in January-September by 64.5 per cent and was EUR 12.4 million (1-9/2016: EUR 7.5 million), or 7.9 (5.7) per cent of revenue. Exceptional items had a combined negative effect of EUR 0.7 million (EUR 1.5 million) on EBIT from business operations. Operational costs increased by 16.5 (30.9) per cent.

The good demand situation and the growth in the share of Managed Services strengthened Etteplan's capacity management and improved profitability.

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 July-September, operating profit (EBIT) improved by 54.7 per cent and amounted to EUR 2.9 million (7-9/2016: EUR 1.9 million), or 6.1 (4.4) per cent of revenue. In January-September, operating profit (EBIT) improved by 78.8 per cent and amounted to EUR 10.9 million (1-9/2016: EUR 6.1 million), or 7.0 (4.7) per cent of revenue.

In January-September, financial expenses amounted to EUR 0.8 million (1-9/2016: EUR 1.1 million).

Profit before taxes for January-September was EUR 10.5 million (1-9/2016: EUR 5.7 million). Taxes in the income statement amounted to 22.4 (17.0) per cent of the result before taxes. The amount of taxes was EUR 2.3 million (EUR 1.0 million).

The profit for January-September was EUR 8.1 million (1-9/2016: EUR 4.7 million).

In January-September, undiluted earnings per share were EUR 0.33 (1-9/2016: EUR 0.20). Equity per share was EUR 2.22 (September 30, 2016: EUR 2.02). Return on capital employed (ROCE) before taxes was 16.5 (12.1) per cent.

## **Financial position and cash flow**

The Group's cash and cash equivalents stood at EUR 4.6 million at the end of September (September 30, 2016: EUR 3.8 million). The Group's interest-bearing debt amounted to EUR 40.5 million (EUR 41.9 million). The total of unused short-term credit facilities stood at EUR 3.3 million (EUR 4.4 million).

Operating cash flow improved significantly and was EUR -1.2 million in July-September (7-9/2016: EUR -3.6 million) and EUR 6.1 million in January-September (1-9/2016: EUR -4.2 million). In January-September, cash flow after investments was EUR 1.7 million (1-9/2016: EUR -27.5 million). Cash flow improved due to the optimization of working capital and a better

distribution of customers' payment terms, particularly in the companies acquired in 2016. Cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.

Total assets on September 30, 2017 were EUR 136.9 million (September 30, 2016: EUR 127.0 million). Goodwill on the balance sheet was EUR 59.5 million (EUR 57.4 million).

At the end of September, the equity ratio was 40.7 per cent (September 30, 2016: 39.7 per cent).

### **Capital expenditures**

The Group's gross investments in January-September were EUR 6.6 million (1-9/2016: EUR 28.6 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 13.4 per cent compared to the corresponding period in the previous year. The Group employed 2,680 (1-9/2016: 2,363) people on average and 2,781 (September 30, 2016: 2,508) people at the end of September. At the end of September, 988 people were employed by the Group outside of Finland (September 30, 2016: 833). A total of 14 employees were temporarily laid off at the end of September.

### **Business review**

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

As in the beginning of the year, the general market 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. Some new plant engineering investments were started.

Etteplan's good organic growth continued in the third quarter.

Demand 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, Etteplan's market position has strengthened and we won several significant orders. The general market demand also remained at a good level. 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 and the business continued to develop favorably.

Boosted by the improved market situation, the new offices opened earlier in the year and the opening up of the service markets, the number of hours sold in the Chinese market increased by 47.0 per cent in July-September and 52.0 per cent in January-September. 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. The consideration paid for the acquired 30 per cent stake consists of 35,000 Etteplan shares and an already paid cash component. The shares will be handed over to the seller once the acquisition is registered in China. The registration process with the Chinese authorities has not been completed yet.

Key accounts grew by 20.8 per cent in January-September compared to the previous year, DUE 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. The share of revenue represented by Managed Services was 57 per cent in January-September (1-9/2016: 52 per cent). The growth in the share of Managed Services strengthens 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 the market area's legislation.

| (EUR 1,000)                      | 7-9/2017 | 7-9/2016 | Change to prev. year | 1-9/2017 | 1-9/2016 | Change to prev. year | 1-12/2016* |
|----------------------------------|----------|----------|----------------------|----------|----------|----------------------|------------|
| Revenue                          | 25,866   | 23,239   | 11.3 %               | 87,716   | 82,896   | 5.8 %                | 112,823    |
| EBIT from business operations    | 1,833    | 1,138    | 61.1 %               | 6,866    | 4,432    | 54.9 %               | 6,493      |
| EBIT from business operations, % | 7.1      | 4.9      |                      | 7.8      | 5.3      |                      | 5.8        |
| Managed Services index           | 53       | 48       |                      | 53       | 49       |                      | 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 55 per cent of Etteplan's revenue in July-September (7-9/2016: 55 per cent). In January-September, the share was 56 per cent (1-9/2016: 63 per cent).

The service area's revenue grew by 11.3 per cent in July-September and was EUR 25.9 million (7-9/2016: EUR 23.2 million). In January-September, revenue increased by 5.8 per cent and was EUR 87.7 million (1-9/2016: EUR 82.9 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. New product development and equipment engineering projects continued to see strong demand. New plant engineering investments were started during the quarter. Demand in the mining industry was better than before.

In Engineering services, EBIT from business operations was EUR 1.8 million in July-September (7-9/2016: EUR 1.1 million), or 7.1 (4.9) per cent of revenue. In January-September, EBIT from business operations was EUR 6.9 million (1-9/2016: EUR 4.4 million), or 7.8 (5.3) per cent of revenue. The profitability indicators were affected by the Embedded systems competence area being transferred to the newly established Embedded systems and IoT service area in the second quarter of 2016. Growth in the share of Managed Services and the good utilization rate improved profitability.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, rose to 53 per cent in July-September (7-9/2016: 52 per cent). In January-September, the share was 53 per cent (1-9/2016: 52 per cent). The utilization rate of engineering services was generally at a good level in January-September 2017.

In China, Etteplan began cooperation with, among others, ABB Electrical Machines Ltd.

The integration of SDS Aura Oy, a Finnish company that specializes in shipbuilding strength calculations and steel structure engineering, acquired in June, has progressed according to the plans.

Senop Integration, a Patria Group company, outsourced the engineering of its integration products and customer projects to Etteplan in July.

Etteplan and Mevea, which specializes in real-time simulation technology, agreed on a strategic partnership in Digital Twin solutions. Etteplan and Mevea will jointly offer industrial customers a service based on the real-time simulation software developed by Mevea and the simulation model created by Etteplan for the customer's product. Digital Twin refers to a simulation model created from an industrial machine or device that is capable of producing a virtual twin of the actual machine's use and behavior in real time.

### Embedded systems and IoT

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

| (EUR 1,000)                      | 7-9/2017 | 7-9/2016 | Change to prev. year | 1-9/2017 | 1-9/2016 | Change to prev. year | 1-12/2016* |
|----------------------------------|----------|----------|----------------------|----------|----------|----------------------|------------|
| Revenue                          | 11,469   | 10,396   | 10.3 %               | 38,255   | 22,049   | 73.5 %               | 35,400     |
| EBIT from business operations    | 847      | 1,237    | -31.5 %              | 3,346    | 2,461    | 36.0 %               | 3,956      |
| EBIT from business operations, % | 7.4      | 11.9     |                      | 8.7      | 11.2     |                      | 11.2       |
| Managed Services index           | 53       | 52       |                      | 53       | 52       |                      | 54         |

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



*Etteplan acquired Espotel Oy and Soikea Solutions Oy 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 24 (7-9/2016: 25) per cent in July-September and 25 (1-9/2016: 17) per cent in January-September. The service area's revenue grew by 10.3 per cent in July-September and was EUR 11.5 million (7-9/2016: EUR 10.4 million). In January-September, the rate of growth was 73.5 per cent and revenue amounted to EUR 38.3 million (1-9/2016: EUR 22.0 million). The service area's demand situation remained very good in all market areas. The lower availability of specialized experts in certain areas affected the development of revenue to some extent.

In Embedded systems and IoT, EBIT from business operations in July-September was EUR 0.8 million (7-9/2016: EUR 1.2 million), or 7.4 (11.9) per cent of revenue. In January-September, EBIT from business operations was EUR 3.3 million (1-9/2016: EUR 2.5 million), or 8.7 (11.2) per cent of revenue.

In the beginning of the year profitability was burdened to some extent by investments in organic growth made in the first quarter. The excess hours in long-term projects, which weighed down profitability in the second quarter, continued in the third quarter. They are also expected to reduce profitability slightly in the fourth quarter. Corrective actions to improve the profitability of the project business are ongoing and we expect to see improvements in the results already in the fourth quarter.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, rose to 53 per cent in July-September (7-9/2016: 48 per cent). In January-September, the share was 53 per cent (1-9/2016: 49 per cent). The utilization rate of the Embedded systems and IoT service area was at a good level in the third quarter.

## 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)                      | 7-9/2017 | 7-9/2016 | Change to prev. year | 1-9/2017 | 1-9/2016 | Change to prev. year | 1-12/2016 |
|----------------------------------|----------|----------|----------------------|----------|----------|----------------------|-----------|
| Revenue                          | 9,778    | 8,383    | 16.6 %               | 30,169   | 25,876   | 16.6 %               | 35,714    |
| EBIT from business operations    | 826      | 569      | 45.2 %               | 2,600    | 1,792    | 45.1 %               | 2,838     |
| EBIT from business operations, % | 8.4      | 6.8      |                      | 8.6      | 6.9      |                      | 7.9       |
| Managed Services index           | 78       | 71       |                      | 77       | 70       |                      | 70        |

The share of Etteplan's revenue represented by Technical documentation in July-September was 21 (7-9/2016: 20) per cent. In January-September, the share was 19 per cent (1-9/2016: 20 per cent).

The service area's revenue in July-September grew by 16.6 per cent, amounting to EUR 9.8 million (7-9/2016: EUR 8.4 million). In January-September, the rate of growth was also 16.6 per cent and revenue amounted to EUR 30.1 million (1-9/2016: EUR 25.9 million). The service area's good development was again characterized by strong organic growth and the success of the outsourcing business.

In Technical documentation, EBIT from business operations in July-September was EUR 0.8 million (7-9/2016: EUR 0.6 million), or 8.4 (6.8) per cent of revenue. In January-September, EBIT from business operations was EUR 2.6 million (1-9/2016: EUR 1.8 million), or 8.6 (6.9) per cent of revenue.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, rose to 78 per cent in July-September (7-9/2016: 71 per cent). In January-September, the share was 77 per cent (1-9/2016: 70 per cent) of revenue. The utilization rate of Technical documentation was generally at a good level in the third quarter of 2017.

The integration of Sorona Innovation AB, a Swedish company which specializes in technical documentation solutions, acquired in June, has progressed according to the plans.

Etteplan and Black Bruin Oy, a leading manufacturer of radial piston hydraulic motors and rotators, have agreed on cooperation in technical documentation. Etteplan will supply Black Bruin with instruction documentation, such as user, maintenance and installation manuals.

## **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 Euroclear 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 September 30, 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-September was 1,391,517 (1-9/2016: 1,380,428) for a total value of EUR 10.1 million (EUR 6.7 million). The share price low was EUR 5.56, the high EUR 9.49, the average EUR 7.26 and the closing price EUR 8.44. Market capitalization on September 30, 2017, was EUR 208.48 million (EUR 137.62 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. The shares were repurchased 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. The repurchased shares may be retained by the Company, invalidated or transferred further.

The Company held 69,690 of its own shares on September 30, 2017, which corresponds to 0.28 per cent of all shares and voting rights (September 30, 2016: 0.80 per cent).

In August, Etteplan acquired from Vatable Group full ownership of Etteplan Vatable Technology Centre, Ltd. The consideration paid for the acquired 30 per cent stake consists of 35,000 Etteplan shares and a cash component. The shares will be handed over to the seller once the acquisition is registered in China. The registration process with the Chinese authorities has not been completed yet.

## Incentive plan for key personnel

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

## Flaggings

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

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

Etteplan's financial results are exposed to a number of strategic, operational and financial risks. 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 increased difficulties in recruiting professional staff, particularly in certain expert disciplines, continued to present a business risk.

The uncertainty caused by the general economic development continued in the third quarter of 2017. Risks related to business operations are still at a significant level, but they are not estimated to grow. Etteplan's risk management review was published on pages 80-83 of the Financial Review 2016.

### **Market outlook 2017**

The most important factor for 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 has improved and the positive development is expected to continue. 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.

Vantaa, October 25, 2017

Etteplan Oyj

Board of Directors

Additional information:

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

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

APPENDICES:

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

| (EUR 1,000)   | 7-9/2017      | 7-9/2016      | 1-9/2017       | 1-9/2016       | 1-12/2016      |
|---|---------------|---------------|----------------|----------------|----------------|
| <b>Revenue</b>  | <b>47,132</b> | <b>41,986</b> | <b>156,248</b> | <b>130,800</b> | <b>183,938</b> |
| Other operating income  | 31            | 64            | 164            | 367            | 517            |
| Materials and services  | -4,322        | -3,649        | -14,033        | -8,940         | -13,893        |
| Staff costs   | -31,742       | -28,851       | -106,372       | -93,441        | -129,172       |
| Other operating expenses  | -6,887        | -6,358        | -21,099        | -19,086        | -26,440        |
| Depreciation and amortization   | -1,325        | -1,325        | -3,976         | -3,586         | -4,818         |
| <b>Operating profit (EBIT)</b>  | <b>2,887</b>  | <b>1,866</b>  | <b>10,932</b>  | <b>6,115</b>   | <b>10,131</b>  |
| Financial income  | 102           | 230           | 331            | 660            | 555            |
| Financial expenses  | -257          | -322          | -806           | -1,123         | -1,245         |
| Profit before taxes   | 2,732         | 1,774         | 10,457         | 5,651          | 9,441          |
| Income taxes  | -655          | -318          | -2,339         | -960           | -1,838         |
| <b>Profit for the review period</b>   | <b>2,077</b>  | <b>1,456</b>  | <b>8,118</b>   | <b>4,691</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             | 25            | 0              | 59             | 82             |
| Currency translation differences  | -13           | -535          | -247           | -1,317         | -1,157         |
| Change in fair value of investments available-for-sale  | 3             | 0             | 15             | -5             | -6             |
| Other comprehensive income, net of tax  | -10           | -510          | -232           | -1,264         | -1,080         |
| <b>Total comprehensive income for the review period</b>   | <b>2,067</b>  | <b>946</b>    | <b>7,886</b>   | <b>3,427</b>   | <b>6,524</b>   |
| <b>Profit for the review period attributable to</b>   |               |               |                |                |                |
| Equity holders of the parent company  | 2,061         | 1,388         | 8,002          | 4,555          | 7,436          |
| Non-controlling interest  | 16            | 68            | 116            | 136            | 168            |
|   | 2,077         | 1,456         | 8,118          | 4,691          | 7,604          |
| <b>Total comprehensive income for the review period attributable to</b>                                   |               |               |                |                |                |
| Equity holders of the parent company  | 2,044         | 880           | 7,776          | 3,293          | 6,356          |
| Non-controlling interest  | 23            | 67            | 110            | 134            | 168            |
|   | 2,067         | 946           | 7,886          | 3,427          | 6,524          |
| <b>Earnings per share calculated from the profit attributable to equity holders of the parent company</b> |               |               |                |                |                |
| Basic earnings per share, EUR   | 0.08          | 0.05          | 0.33           | 0.20           | 0.33           |
| Diluted earnings per share, EUR   | 0.08          | 0.05          | 0.33           | 0.20           | 0.33           |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (EUR 1,000)  | Sep 30, 2017   | Sep 30, 2016   | Dec 31, 2016   |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>  |                |                |                |
| <b>Non-current assets</b>  |                |                |                |
| Tangible assets  | 3,393          | 2,753          | 2,910          |
| Goodwill   | 59,465         | 57,364         | 58,128         |
| Other intangible assets  | 18,410         | 18,728         | 18,036         |
| Investments available-for-sale   | 699            | 680            | 680            |
| Other non-current receivables  | 91             | 32             | 41             |
| Deferred tax assets  | 100            | 332            | 365            |
| <b>Non-current assets, total</b>   | <b>82,158</b>  | <b>79,889</b>  | <b>80,159</b>  |
| <b>Current assets</b>  |                |                |                |
| Inventory  | 372            | 316            | 255            |
| Trade and other receivables  | 49,547         | 42,850         | 49,180         |
| Current tax assets   | 208            | 187            | 139            |
| Cash and cash equivalents  | 4,620          | 3,772          | 4,750          |
| <b>Current assets, total</b>   | <b>54,747</b>  | <b>47,126</b>  | <b>54,324</b>  |
| <b>TOTAL ASSETS</b>  | <b>136,905</b> | <b>127,015</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   | 18,524         | 18,524         | 18,524         |
| Own shares   | -283           | -223           | -386           |
| Cumulative translation adjustment  | -2,223         | -2,171         | -1,981         |
| Other reserves   | 235            | 220            | 219            |
| Retained earnings  | 18,981         | 17,107         | 17,099         |
| Profit for the review period   | 8,002          | 4,555          | 7,436          |
| <b>Capital attributable to equity holders of the parent company, total</b> | <b>54,937</b>  | <b>49,713</b>  | <b>52,613</b>  |
| Non-controlling interest   | 0              | 131            | 165            |
| <b>Equity, total</b>   | <b>54,937</b>  | <b>49,843</b>  | <b>52,777</b>  |
| <b>Non-current liabilities</b>   |                |                |                |
| Deferred tax liabilities   | 3,404          | 3,314          | 3,293          |
| Interest-bearing liabilities   | 19,614         | 26,069         | 23,807         |
| Other non-current liabilities  | 733            | 803            | 649            |
| <b>Non-current liabilities, total</b>                                      | <b>23,751</b>  | <b>30,186</b>  | <b>27,750</b>  |
| <b>Current liabilities</b>   |                |                |                |
| Interest-bearing liabilities   | 20,920         | 15,822         | 10,461         |
| Trade and other payables   | 35,974         | 30,263         | 42,513         |
| Current income tax liabilities   | 1,322          | 900            | 982            |
| <b>Current liabilities, total</b>  | <b>58,217</b>  | <b>46,986</b>  | <b>53,956</b>  |
| <b>Liabilities, total</b>  | <b>81,968</b>  | <b>77,172</b>  | <b>81,706</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>136,905</b> | <b>127,015</b> | <b>134,483</b> |



## CONSOLIDATED STATEMENT OF CASH FLOWS

| (EUR 1,000)  | 7-9/2017      | 7-9/2016      | 1-9/2017      | 1-9/2016       | 1-12/2016      |
|--|---------------|---------------|---------------|----------------|----------------|
| <b>Operating cash flow</b>                                   |               |               |               |                |                |
| Cash receipts from customers                                 | 48,176        | 41,534        | 155,073       | 126,864        | 174,644        |
| Operating expenses paid                                      | -48,766       | -44,608       | -146,668      | -128,640       | -165,607       |
| Operating cash flow before financial items and taxes         | -590          | -3,074        | 8,405         | -1,776         | 9,037          |
| Interest and payment paid for financial expenses             | -157          | -113          | -488          | -594           | -813           |
| Interest received  | 13            | 23            | 38            | 35             | 44             |
| Income taxes paid  | -475          | -476          | -1,859        | -1,838         | -2,606         |
| <b>Operating cash flow (A)</b>                               | <b>-1,209</b> | <b>-3,640</b> | <b>6,096</b>  | <b>-4,174</b>  | <b>5,661</b>   |
| <b>Investing cash flow</b>                                   |               |               |               |                |                |
| Purchase of tangible and intangible assets                   | -593          | -417          | -1,554        | -1,313         | -1,879         |
| Acquisition of subsidiaries, net of cash acquired            | -58           | -1,000        | -2,808        | -22,262        | -22,262        |
| Proceeds from contingent asset                               | 0             | 0             | 0             | 215            | 215            |
| Proceeds from sale of tangible and intangible assets         | 2             | 6             | 6             | 23             | 24             |
| Purchase of investments                                      | 0             | 0             | 0             | 0              | -10            |
| Loan receivables, decrease                                   | 0             | 30            | 0             | 35             | 45             |
| Loan receivables, increase                                   | 0             | 10            | 0             | 10             | 0              |
| <b>Investing cash flow (B)</b>                               | <b>-649</b>   | <b>-1,372</b> | <b>-4,357</b> | <b>-23,291</b> | <b>-23,866</b> |
| <b>Cash flow after investments (A+B)</b>                     | <b>-1,858</b> | <b>-5,012</b> | <b>1,739</b>  | <b>-27,465</b> | <b>-18,204</b> |
| <b>Financing cash flow</b>                                   |               |               |               |                |                |
| Share issue net of cost                                      | 0             | -17           | 0             | 13,937         | 13,937         |
| Purchase of own shares                                       | -211          | -309          | -262          | -472           | -693           |
| Acquisition of non-controlling interest                      | -1,696        | 0             | -1,696        | 0              | 0              |
| Short-term loans, increase                                   | 1,272         | 4,815         | 4,832         | 15,335         | 11,685         |
| Short-term loans, decrease                                   | -1,985        | -1,403        | -4,537        | -18,540        | -22,547        |
| Long-term loans, increase                                    | 5,000         | 0             | 5,000         | 20,601         | 20,601         |
| Long-term loans, decrease                                    | 0             | -9            | 0             | -4,558         | -4,569         |
| Payment of finance lease liabilities                         | -425          | -298          | -1,221        | -882           | -1,184         |
| Dividend paid and other profit distribution                  | 0             | 0             | -3,930        | -3,046         | -3,046         |
| <b>Financing cash flow (C)</b>                               | <b>1,954</b>  | <b>2,780</b>  | <b>-1,814</b> | <b>22,375</b>  | <b>14,184</b>  |
| <b>Variation in cash (A+B+C) increase (+) / decrease (-)</b> | <b>96</b>     | <b>-2,232</b> | <b>-75</b>    | <b>-5,090</b>  | <b>-4,020</b>  |
| Assets at the beginning of the period                        | 4,273         | 5,948         | 4,750         | 8,807          | 8,807          |
| Exchange gains or losses on cash and cash equivalents        | -30           | 56            | -55           | 55             | -37            |
| Assets at the end of the period                              | 4,338         | 3,772         | 4,620         | 3,772          | 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> |
| <b>(EUR 1,000)</b>                             | <b>A</b>     | <b>B</b>     | <b>C</b>      | <b>D</b>   | <b>E</b>    | <b>F</b>      | <b>G</b>      | <b>H</b>      | <b>I</b>    | <b>J</b>      |
| <b>Equity Jan 1, 2017</b>                      | <b>5,000</b> | <b>6,701</b> | <b>18,524</b> | <b>219</b> | <b>-386</b> | <b>-1,981</b> | <b>24,535</b> | <b>52,613</b> | <b>165</b>  | <b>52,777</b> |
| <b>Comprehensive income</b>                    |              |              |               |            |             |               |               |               |             |               |
| Profit for the review period                   | 0            | 0            | 0             | 0          | 0           | 0             | 8,002         | 8,002         | 116         | 8,118         |
| Fair value reserve available-for-sale assets   | 0            | 0            | 0             | 15         | 0           | 0             | 0             | 15            | 0           | 15            |
| Cumulative translation adjustment              | 0            | 0            | 0             | 0          | 0           | -241          | 0             | -241          | -6          | -247          |
| <b>Total comprehensive income for the year</b> | <b>0</b>     | <b>0</b>     | <b>0</b>      | <b>15</b>  | <b>0</b>    | <b>-241</b>   | <b>8,002</b>  | <b>7,776</b>  | <b>110</b>  | <b>7,886</b>  |
| <b>Transactions with owners</b>                |              |              |               |            |             |               |               |               |             |               |
| Dividends                                      | 0            | 0            | 0             | 0          | 0           | 0             | -3,930        | -3,930        | 0           | -3,930        |
| Acquisition of NCI without change in control   | 0            | 0            | 0             | 0          | 0           | 0             | -1,471        | -1,471        | -275        | -1,746        |
| Purchase of own shares                         | 0            | 0            | 0             | 0          | -262        | 0             | 0             | -262          | 0           | -262          |
| Share-based incentive plan                     | 0            | 0            | 0             | 0          | 365         | 0             | -154          | 211           | 0           | 211           |
| <b>Transactions with owners, total</b>         | <b>0</b>     | <b>0</b>     | <b>0</b>      | <b>0</b>   | <b>103</b>  | <b>0</b>      | <b>-5,554</b> | <b>-5,451</b> | <b>-275</b> | <b>-5,726</b> |
| <b>Equity Sep 30, 2017</b>                     | <b>5,000</b> | <b>6,701</b> | <b>18,524</b> | <b>235</b> | <b>-283</b> | <b>-2,223</b> | <b>26,983</b> | <b>54,937</b> | <b>0</b>    | <b>54,937</b> |
| <b>(EUR 1,000)</b>                             | <b>A</b>     | <b>B</b>     | <b>C</b>      | <b>D</b>   | <b>E</b>    | <b>F</b>      | <b>G</b>      | <b>H</b>      | <b>I</b>    | <b>J</b>      |
| <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 review period                   | 0            | 0            | 0             | 0          | 0           | 0             | 4,555         | 4,555         | 136         | 4,691         |
| Fair value reserve available-for-sale assets   | 0            | 0            | 0             | -5         | 0           | 0             | 0             | -5            | 0           | -5            |
| Foreign subsidiary net investment hedge        | 0            | 0            | 0             | 0          | 0           | 59            | 0             | 59            | 0           | 59            |
| Cumulative translation adjustment              | 0            | 0            | 0             | 0          | 0           | -1,366        | 51            | -1,315        | -2          | -1,317        |
| <b>Total comprehensive income for the year</b> | <b>0</b>     | <b>0</b>     | <b>0</b>      | <b>-5</b>  | <b>0</b>    | <b>-1,308</b> | <b>4,606</b>  | <b>3,293</b>  | <b>134</b>  | <b>3,427</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          | -472        | 0             | 0             | -472          | 0           | -472          |
| Share-based incentive plan                     | 0            | 0            | 0             | 0          | 270         | 0             | 0             | 270           | 0           | 270           |
| <b>Transactions with owners, total</b>         | <b>0</b>     | <b>0</b>     | <b>14,118</b> | <b>0</b>   | <b>726</b>  | <b>0</b>      | <b>-3,046</b> | <b>11,799</b> | <b>0</b>    | <b>11,799</b> |
| <b>Equity Sep 30, 2016</b>                     | <b>5,000</b> | <b>6,701</b> | <b>18,524</b> | <b>220</b> | <b>-223</b> | <b>-2,171</b> | <b>21,661</b> | <b>49,713</b> | <b>131</b>  | <b>49,843</b> |

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

### **General**

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

In 2016, Etteplan had a turnover of EUR 183.9 million. The company currently has some 2,800 professionals in Finland, Sweden, the Netherlands, Germany, Poland and China. Etteplan's shares are listed on Nasdaq Helsinki Ltd under the ETTE ticker.

The Etteplan Oyj Board of Directors has approved this Interim Report for publication at its meeting on October 25, 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 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.

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

Management is assessing the impact of the standard. An impact analysis has been made for the major revenue streams. At this stage of the assessment, it seems likely that the implementation of the new standard will not have a material effect neither on the amount nor timing of revenue recognition. The Group's revenue is mainly consistent of services, the revenue for which will be recognised over time where permitted by IFRS 15 criteria. Identifying separate performance obligations in customer agreements and recognising revenue according to standalone transaction prices will not affect the timing of revenue recognition. There are no material variable considerations or financing components involved in determining the Group's transaction prices. The Group has not identified incremental costs of obtaining a contract or costs to fulfill a contract to be activated. The Group will adopt the standard fully retrospectively on January 1, 2018.

IFRS 9 'Financial Instruments' includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. The expected impacts are not material to the Group. The Group will adopt the standard on January 1, 2018.

IFRS 16 'Leases' 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 to either short term contracts in which the lease term is 12 months or less, or to low value items i.e. assets of value USD 5,000 or less. The new standard will have a material effect on the Group's balance

sheet and key figures, as at the moment the rental agreements for the Groups offices are classified as operating leases, which are not recognized in the balance sheet. The Group will adopt the standard on January 1, 2019.

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. Critical accounting estimates and management judgments are the same as in the Annual Financial Statements 2016.

## Key Figures

| (EUR 1,000)                      | 1-9/2017 | 1-9/2016 | 1-12/2016 | Change to prev. year |
|----------------------------------|----------|----------|-----------|----------------------|
| Revenue                          | 156,248  | 130,800  | 183,938   | 19.5 %               |
| EBIT from business operations    | 12,362   | 7,514    | 12,071    | 64.5 %               |
| EBIT from business operations, % | 7.9      | 5.7      | 6.6       |                      |
| Operating profit (EBIT)          | 10,932   | 6,115    | 10,131    | 78.8 %               |
| EBIT, %                          | 7.0      | 4.7      | 5.5       |                      |
| Profit before taxes              | 10,457   | 5,651    | 9,441     | 85.0 %               |
| Profit before taxes, %           | 6.7      | 4.3      | 5.1       |                      |
| Return on equity, %              | 20.1     | 14.8     | 17.4      |                      |
| ROCE, %                          | 16.5     | 12.1     | 14.8      |                      |
| Equity ratio, %                  | 40.7     | 39.7     | 40.0      |                      |
| Gross interest-bearing debt      | 40,534   | 41,892   | 34,269    | -3.2 %               |
| Net gearing, %                   | 65.4     | 76.5     | 55.9      |                      |
| Balance sheet, total             | 136,905  | 127,015  | 134,483   | 7.8 %                |
| Gross investments                | 6,610    | 28,590   | 30,186    | -76.9 %              |
| Operating cash flow              | 6,096    | -4,174   | 5,661     | 246.1 %              |
| Basic earnings per share, EUR    | 0.33     | 0.20     | 0.33      | 65.0 %               |
| Diluted earnings per share, EUR  | 0.33     | 0.20     | 0.33      | 65.0 %               |
| Equity per share, EUR            | 2.22     | 2.02     | 2.14      | 10.1 %               |
| Personnel, average               | 2,680    | 2,363    | 2,407     | 13.4 %               |
| Personnel at end of the period   | 2,781    | 2,508    | 2,545     | 10.9 %               |

## Revenue and operating profit (EBIT) quarterly

| (EUR 1,000)             | 1-3/2017 | 1-3/2016 | 4-6/2017 | 4-6/2016 | 7-9/2017 | 7-9/2016 |
|-------------------------|----------|----------|----------|----------|----------|----------|
| Revenue                 | 54,802   | 38,603   | 54,314   | 50,211   | 47,132   | 41,986   |
| Operating profit (EBIT) | 3,827    | 1,896    | 4,218    | 2,352    | 2,887    | 1,866    |
| EBIT, %                 | 7.0      | 4.9      | 7.8      | 4.7      | 6.1      | 4.4      |

## Exceptional Items

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

| (EUR 1,000)                              | 7-9/2017   | 7-9/2016    | 1-9/2017    | 1-9/2016      | 1-12/2016     |
|--|------------|-------------|-------------|---------------|---------------|
| Other operating income                   | -9         | 0           | 6           | 215           | 215           |
| Staff costs and other operating expenses | -81        | -317        | -660        | -1,705        | -1,886        |
| <b>Operating profit (EBIT)</b>           | <b>-90</b> | <b>-317</b> | <b>-654</b> | <b>-1,491</b> | <b>-1,671</b> |

## 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 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)                          | 7-9/2017     | 7-9/2016     | 1-9/2017      | 1-9/2016     | 1-12/2016     |
|--------------------------------------|--------------|--------------|---------------|--------------|---------------|
| <b>EBIT</b>                          | <b>2,887</b> | <b>1,866</b> | <b>10,932</b> | <b>6,115</b> | <b>10,131</b> |
| Amortization on PPA allocations      | 468          | 558          | 1,436         | 1,400        | 1,939         |
| Earn-out revaluation items           | 9            | 0            | -6            | 0            | 0             |
| <b>EBIT from business operations</b> | <b>3,364</b> | <b>2,425</b> | <b>12,362</b> | <b>7,514</b> | <b>12,071</b> |

## Formulas for Key Figures

### Organic growth

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

### EBIT from business operations

Operating profit (EBIT) + amortisation on PPA allocations +/- earn-out revaluation items

### Return on equity (ROE)

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

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

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

### Equity ratio, %

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

### Net gearing, %

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

### Earnings per share

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

### Equity per share

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