Financial Statement Review January–December 2018

Strong operative performance produced excellent results

Etteplan

ETTEPLAN Oyj Financial Statement Review February 7, 2019, at 1:00 pm

ETTEPLAN 2018: Strong operative performance produced excellent results

Review period October-December 2018

- The Group's revenue grew by 7.5 per cent and was EUR 62.9 million (10-12/2017: EUR 58.5 million). At comparable exchange rates, growth was 8.8 per cent.
- Organic revenue growth was 2.8 per cent. At comparable exchange rates, organic growth was 4.1 per cent.
- EBIT from business operations* improved and amounted to EUR 6.1 (4.8) million or 9.8 (8.2) per cent of revenue. EBIT from business operations included non-recurring items with a combined negative effect of EUR 0.2 (0.0) million.
- Operating profit (EBIT) was EUR 5.7 (4.5) million or 9.1 (7.8) per cent of revenue. Operating profit included non-recurring items with a combined effect of EUR 0.0 (0.2) million.
- The profit for the review period was EUR 4.4 (3.5) million.
- Operating cash flow was EUR 15.8 (12.2) million.
- Undiluted earnings per share were EUR 0.18 (0.14).

Review period January-December 2018

- The Group's revenue grew by 10.1 per cent and was EUR 236.5 million (1-12/2017: EUR 214.8 million). At comparable exchange rates, growth was 11.7 per cent.
- Organic revenue growth was 6.2 per cent. At comparable exchange rates, organic growth was 7.9 per cent.
- EBIT from business operations* improved and amounted to EUR 21.9 (17.2) million or 9.3 (8.0) per cent of revenue. EBIT from business operations included non-recurring items with a combined negative effect of EUR 1.0 (0.7) million.
- Operating profit (EBIT) was EUR 20.2 (15.5) million or 8.5 (7.2) per cent of revenue. Operating profit included non-recurring items with a combined negative effect of EUR 0.3 (0.4) million.
- The profit for the review period was EUR 15.3 million (EUR 11.6 million).
- Operating cash flow improved and was EUR 23.1 (18.3) million.
- Undiluted earnings per share were EUR 0.62 (0.47).
- The number of personnel increased by 9.0 per cent and the Group had 3,055 (2,802) employees at the end of December 2018.

- The Board of Directors' dividend proposal is EUR 0.30 (0.23) per share.

Etteplan also monitors non-IFRS performance measures, because they provide additional information on Etteplan's strategic and financial development than other key indicators. More information on performance measures is provided *on page 30.*

Market outlook 2019

The most important factor affecting Etteplan's business is the global development of the machinery and metal industry. Our business environment continues to develop favorably in all market areas. In Europe, demand growth is expected to slow down slightly due to political uncertainty. In Asia, the growth of the service market is expected to continue.

Financial guidance 2019

We expect the revenue and operating profit for the year 2019 to grow compared to 2018.

Key figures

(EUR 1,000)	10-12/2018		10-12/2017		1-12/2018		1-12/2017	
Revenue	62,887		58,520		236,477		214,768	
EBIT from business operations	6,134	(9.8 %)	4,801	(8.2 %)	21,874	(9.3 %)	17,163	(8.0 %)
Operating profit (EBIT)	5,731	(9.1 %)	4,552	(7.8 %)	20,184	(8.5 %)	15,484	(7.2 %)
Basic earnings per share, EUR	0.18		0.14		0.62		0.47	
Equity ratio, %	42.9		40.7		42.9		40.7	
Operating cash flow	15,830		12,158		23,055		18,254	
ROCE, %	21.9		21.2		21.3		17.8	
Personnel at end of the period	3,055		2,802		3,055		2,802	

President and CEO Juha Näkki:

Etteplan had another successful year in 2018. The market situation was good throughout the year in all our market areas and our strong operational efficiency produced record results. Our operating profit rose to a new level, exceeding EUR 20 million for the first time. In addition, our cash flow was excellent. Our revenue also grew by more than 10 per cent. We cannot, however, be fully satisfied with this, as we fell short of our target level of 15 per cent. We continued our growth investments in China for example, and renewed our organization at the beginning of 2019 to respond even better to the changing competitive situation. Our balance sheet is healthy, which provides us with opportunities for developing our business and accelerating our growth as we move forward.

The Engineering Services service area performance was excellent throughout the year. Operational efficiency was at an excellent level, and our profitability exceeded our target level of 10 per cent in the second and third quarter. We were also active in developing our service offering with new technologies, such as additive manufacturing and digital twin solutions, which we expect to be sources of significant future growth.

The Embedded systems and IoT service area recovered in the latter part of the year from the challenges and performed according to our expectations. Growth was strong, supported by the acquisitions of Eatech Oy and Koodain Solutions Oy, and profitability was again excellent in the final quarter. With approximately 700 professionals employed by the service area, we are in an excellent position to support the accelerating digitalization of our customers' business, and we expect continued strong growth from the service area.

Our Technical Documentation business did not reach our expected level during the latter part of the year. Growth slowed down as our customers' investments in new operating models decreased from the previous year, and the number of new outsourcing agreements declined. However, activity in outsourcing discussions has now picked up again, and we currently have several discussions regarding outsourcing solutions ongoing. Business in the fourth quarter was also burdened by the continued challenges in Germany. We have initiated new immediate measures to rectify the situation and we believe the health of the business will improve during the spring.

Our revenue has now grown for 21 consecutive quarters and our operating profit has improved for 11 consecutive quarters. This has been enabled by excellent performance throughout the organization, and I want to thank everyone at Etteplan for these achievements. We are also pleased that our success has been reflected in the Company's market capitalization, and we started the year 2019 in the Mid Cap category on the stock exchange. While the market situation is currently characterized by political uncertainty and demand growth has slowed down, we expect market growth and the positive development of our business to continue in 2019.

Operating environment

Etteplan's business is affected by global megatrends as well as industry-specific development. The Internet of Things (IoT), digitalization, environmental regulations and shorter product life cycles are creating a need for intelligent and efficient engineering solutions in all industrial sectors. Companies continue to direct their investments to these areas, which creates opportunities for operators in the engineering industry. The continued trend of service outsourcing had a positive effect on the industry's development. 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 continued to develop favorably in all market areas. Uncertainty in the markets increased slightly during the year due to the political situation.

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

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

In Finland, the general market demand remained good. The total revenue of companies in the technology industry increased by six per cent in 2018 compared to 2017. During October-December 2018, the value of new orders received by companies in the technology industry was higher than in July-September but lower than the year before. The year-on-year decline is attributable to orders for ships received in the comparison period. Based on the orders in the past few months, we estimate that revenue during the first quarter will be higher compared to last year.

In Finland, the revenue of the engineering business increased by five per cent in 2018 compared to 2017. New orders remained at a high level in October-December, and the order backlog was larger than in December 2017. Based on the orders in the past few months, we estimate the revenue of engineering services companies in the first quarter to be higher compared to last year.

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

In China, demand was at a good level. The opening up of the service market continued, presenting growth opportunities for operators in the engineering industry.

Revenue

Etteplan's revenue grew by 7.5 per cent in October-December and was EUR 62.9 million (10-12/2017: EUR 58.5 million). Revenue increased by 8.8 per cent at comparable exchange rates. Organic growth was 2.8 per cent. At comparable exchange rates, organic growth was 4.1 per cent.

Etteplan's revenue grew by 10.1 per cent in January-December and was EUR 236.5 million (1-12/2017: EUR 214.8 million). Revenue increased by 11.7 per cent at comparable exchange rates. Organic growth was 6.2 per cent. At comparable exchange rates, organic growth was 7.9 per cent.

Etteplan's growth continued in the final quarter of the year. Growth was supported by Etteplan's service offering and strong market position as well as the Eatech acquisition carried out in May.

The rate of growth slowed down due to the shorter December. In addition, two large customers kept their operations entirely shut down for several weeks in December. The challenges in our Technical Documentation business in Germany continued: a significant project delivery was delayed further, and we encountered new unexpected challenges.

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

The revenue of acquired companies is not included in the organic growth of revenue for the 12 months following the acquisition.

Result

EBIT from business operations improved in October-December by 27.8 per cent and was EUR 6.1 (4.8) million, or 9.8 (8.2) per cent of revenue. Non-recurring items had a combined negative effect of EUR 0.2 (0.0) million on EBIT from business operations. The non-recurring items were related to operational restructuring and acquisitions.

EBIT from business operations improved in January-December by 27.5 per cent and was EUR 21.9 (17.2) million, or 9.3 (8.0) per cent of revenue. Non-recurring items had a combined negative effect of EUR 1.0 (0.7) million on EBIT from business operations. Operational costs increased by 8.9 (14.7) per cent.

The utilization rate was high, which continued to improve Etteplan's profitability. The operational efficiency of Engineering Services again produced an excellent result. The profitability of the Embedded Systems and IoT service area was excellent. Measures taken to improve the efficiency of business operations have restored profitability to a level that corresponds to our expectations. In the Technical Documentation service area, challenges in Germany continued to affect profitability.

In October-December, operating profit (EBIT) improved by 25.9 per cent and was EUR 5.7 (4.6) million, or 9.1 (7.8) per cent of revenue. Non-recurring items had a combined effect of EUR 0.0 (0.2) million on operating profit. The non-recurring items were mainly related to operational restructuring and acquisitions as well as changes in contingent considerations.

In January-December, operating profit (EBIT) improved by 30.4 per cent and was EUR 20.2 (15.5) million, or 8.5 (7.2) per cent of revenue. Non-recurring items had a combined negative effect of EUR 0.3 (0.4) million on operating profit.

In January-December, financial expenses amounted to EUR 1.6 (1.3) million.

Profit before taxes for January-December was EUR 19.4 (14.7) million. Taxes in the income statement amounted to 21.2 (21.4) per cent of the result before taxes. The amount of taxes was EUR 4.1 (3.2) million.

The profit for January-December was EUR 15.3 (11.6) million.

Undiluted earnings per share were EUR 0.18 (0.14) in October-December and EUR 0.62 (0.47) in January-December. Equity per share was EUR 2.72 (2.34) at the end of December. Return on capital employed (ROCE) before taxes was 21.9 (21.2) per cent in October-December and 21.3 (17.8) per cent in January-December.

Financial position and cash flow

The Group's cash and cash equivalents stood at EUR 16.1 million at the end of December (EUR 10.1 million). The Group's interest-bearing debt amounted to EUR 36.3 (35.0) million. The total of unused short-term credit facilities stood at EUR 9.9 (8.7) million.

Operating cash flow saw excellent development and was EUR 15.8 (12.2) million in October-December and EUR 23.1 (18.3) million in January-December. Cash flow after investments was EUR 13.1 (13.1) million in January-December. The accrual of cash flow was affected by the good operational result and favorable mix of customers' payment terms.

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

Total assets on December 31, 2018 were EUR 160.6 (144.4) million. Goodwill on the balance sheet was EUR 65.2 (59.0) million.

At the end of December, the equity ratio was 42.9 (40.7) per cent.

Capital expenditure

The Group's gross investments in January-December were EUR 16.5 (7.6) million. The gross investments mainly consisted of acquisitions, growth-related equipment purchases and license fees for engineering software.

Personnel

The number of personnel increased by 9.0 per cent year-on-year and stood at 3,055 (2,802) at the end of December 2018. The Group employed 2,995 (2,711) people on average in January-December. International growth continued and, at the end of December, 1,073 (988) people were employed by the Group outside of Finland. One employee was temporarily laid off at the end of December.

Business review

The success of the outsourcing business and acquisitions strengthen Etteplan's market position and support the Company's growth. The demand for Managed Services and services related to the digitalization of machinery and equipment remained at a good level. Etteplan's customers are investing in digitalization and intelligent devices, which presents significant growth opportunities.

The demand for Etteplan's services continued to develop favorably in all market areas. The lower availability of specialized experts in certain areas affected the development of business. New product development and equipment engineering projects as well as plant engineering investments saw good demand. The demand situation in Finland remained at a good level. In Sweden, Etteplan strengthened its market position and business continued to develop well. The demand for the Company's services remained good in the Netherlands, Germany and Poland.

Boosted by the improved market situation, the new offices opened in 2017 and 2018 and the opening up of the service market, the number of hours sold in the Chinese market increased by 21 per cent in October-December and by 35 per cent in January-December. In January 2019, Etteplan announced it is opening its eighth office in China. The new office will be located in Shenzhen, which is a major city and sub-provincial city in Guangdong Province and part of the Pearl River Delta megalopolis, which has a population of 120 million people. The new office will serve companies operating in southeastern China in particular.

Revenue from key accounts grew by 6.4 per cent in October-December and by 6.1 per cent in January-December compared to 2017.

The share of revenue represented by Managed Services was 54 (57) per cent in January-December. The share of Managed Services decreased slightly year-on-year due to measures taken to improve the profitability of the project business in the Embedded Systems and IoT service area. A further factor was that in the good market environment our customers were buying more individual resources to ensure their deliveries.

Etteplan's target is to achieve a share of 65 per cent of revenue for Managed Services by the end of 2019. Etteplan renewed its organization and structure on January 1, 2019 in order to boost growth, enhance the development of service solutions and sales as well as improve its capability to achieve the target set for Managed Services. The growth in the share of Managed Services enhances Etteplan's capacity management and improves profitability.

Etteplan strengthened its digital services and software capabilities in May 2018 by acquiring Eatech Oy, building on the acquisitions of Soikea Solutions Oy two years ago and Koodain Solutions Oy earlier in 2018. Eatech, Soikea and Koodain together form an agile software design unit within the Embedded Systems and IoT service area, and they will operate in Finland under the Etteplan MORE brand.

Etteplan continued to develop its service solutions and related technology solutions. We strengthened our expertise in areas such as additive manufacturing, digital twin solutions and other digital technologies. We have started our trials related to artificial intelligence this year as well as our first customer project in this field.

Engineering Services

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

(EUR 1,000)	10-12/2018	10-12/2017	Change to prev. year	1-12/2018	1-12/2017	Change to prev. year
Revenue	34,601	33,152	4.4 %	132,061	120,868	9.3 %
EBIT from business operations	3,280	2,930	12.0 %	12,985	9,796	32.6 %
EBIT from business operations, %	9.5	8.8		9.8	8.1	
Managed Services index	52	53		52	53	

The share of Etteplan's revenue represented by Engineering Services in October-December was 55 (57) per cent. In January-December, the share was 56 (56) per cent.

The service area's revenue increased by 4.4 per cent in October-December and amounted to EUR 34.6 (33.2) million. In January-December, revenue increased by 9.3 per cent, amounting to EUR 132.1 (120.9) million.

The good development of the Engineering Services service area continued in the fourth quarter, strengthened by the favorable demand situation. Industrial investments remained at a good level: the demand for new product development and equipment engineering projects as well as plant engineering investments remained good. The service area's growth figures were affected by the shorter December. In addition, two large customers kept their operations entirely shut down for several weeks in December.

In Engineering Services, EBIT from business operations was EUR 3.3 (2.9) million in October-December, or 9.5 (8.8) per cent of revenue. In January-December, EBIT from business operations was EUR 13.0 (9.8) million, or 9.8 (8.1) per cent of revenue. Profitability improved thanks to the excellent utilization rate and operational efficiency.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 52 (53) per cent in October-December. In January-December, the share was 52 (53) per cent.

Etteplan signed several significant cooperation agreements in the fourth quarter of 2018:

Etteplan and the environmental technology company Tana Oy expanded their cooperation to include the digitalization of Tana's service and maintenance operations, i.e. aftermarket services.

With Siemens Industrial Turbomachinery AB, Etteplan agreed on an order to support the additive manufacturing (AM), i.e. 3D printing design, of new parts and applications of gas turbine auxiliary systems. Etteplan is a preferred engineering partner of Siemens Industrial Turbomachinery AB.

Etteplan and the simulation software specialist Mevea Oy developed a digital twin for Sleipner Finland Ltd's product, which Sleipner will use in digitalizing its marketing and after-sales processes. In the application developed by Etteplan and Mevea, an excavator and Sleipner's transport system can be used for training purposes. In a simulation model whose functional characteristics and performance correspond fully with the physical machines.

Embedded systems and IoT

Embedded systems and IoT refers 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 customers is the need to develop a service based on a new business model that takes advantage of digitalization.

(EUR 1,000)	10-12/2018	10-12/2017	Change to prev. year	1-12/2018	1-12/2017	Change to prev. year
Revenue	16,537	13,706	20.7 %	60,017	51,961	15.5 %
EBIT from business operations	2,026	1,006	101.3 %	5,837	4,353	34.1 %
EBIT from business operations, %	12.3	7.3		9.7	8.4	
Managed Services index	47	53		47	53	

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

The share of Etteplan's revenue represented by Embedded systems and IoT was 26 (23) per cent in October-December and 25 (25) per cent in January-December.

The service area's revenue grew by 20.7 per cent in October-December, amounting to EUR 16.5 (13.7) million. In January-December, the growth rate was 15.5 per cent and revenue amounted to EUR 60.0 (52.0) million.

Etteplan accelerated the growth of the service area and strengthened its digital services and software capabilities by acquiring Eatech Oy in May 2018. The integration of Eatech into Etteplan is progressing as planned. Eatech Oy and the previously acquired Soikea Solutions Oy and Koodain Solutions Oy were combined to create a new agile software design unit, which operates in Finland under the Etteplan MORE brand. Following the acquisitions, Etteplan has a total of approximately 700 experts working in different fields of embedded systems and IoT, with 200 of them employed in the new software unit.

The demand situation in the service area is generally good in all customer segments, but the reduced availability of competent professionals, particularly in the software business, slowed growth. The rate of growth slowed down also due to the shorter December.

In Embedded systems and IoT, EBIT from business operations in October-December was EUR 2.0 (1.0) million, or 12.3 (7.3) per cent of revenue. In January-December, EBIT from business operations was EUR 5.8 (4.4) million, or 9.7 (8.4) per cent of revenue.

The profitability of the Embedded systems and IoT service area has been restored to a level that corresponds to our expectations. The utilization rate of the Embedded systems and IoT service area was at a good level in the final quarter of the year. The project business has recovered from the challenges faced at the end of the year 2017 and the beginning of the year 2018 thanks to measures taken to improve operational efficiency.

The service area's Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 47 (53) per cent in October-December. MSI decreased slightly year-on-year due to measures taken to improve the profitability of the project business. In January-December, the share was 47 (53) per cent.

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)	10-12/2018	10-12/2017	Change to prev. year	1-12/2018	1-12/2017	Change to prev. year
Revenue	11,703	11,627	0.7 %	44,305	41,796	6.0 %
EBIT from business operations	951	1,209	-21.3 %	3,684	3,809	-3.3 %
EBIT from business operations, %	8.1	10.4		8.3	9.1	
Managed Services index	75	77		75	77	

The share of Etteplan's revenue represented by Technical Documentation in October-December was 19 (20) per cent. In January-December, the share was 19 (19) per cent.

The service area's revenue in October-December was EUR 11.7 (11.6) million. In January-December, the growth rate was 6.0 per cent and revenue amounted to EUR 44.3 (41.8) million. The rate of growth slowed down in the final quarter due to the shorter December. In addition, our customers invested less in new operating models compared to the strong comparison period, and the number of new outsourcing agreements being lower than in the comparison period. Nevertheless, the demand for outsourcing solutions is picking up, and we are discussing new outsourcing agreements with several customers.

The challenges in our business in Germany continued as well. A significant project delivery was delayed further. The delay in the project is due to problems in the functioning of a particular component chosen by the customer. We have agreed on the use of an alternative component, and we expect the delivery to take place during the first and second quarter. We also encountered new unexpected challenges in Germany related to project leadership, and we have initiated immediate measures to rectify the situation.

The Technical Documentation service area's EBIT from business operations in October-December was EUR 1.0 (1.2) million, or 8.1 (10.4) per cent of revenue. In January-December, EBIT from business operations was EUR 3.7 (3.8) million, or 8.3 (9.1) per cent of revenue. Profitability was weighed down to some extent by delays in a significant project delivery and new challenges related to our operations in Germany.

The Managed Services Index (MSI), which reflects the share of revenue represented by Managed Services, was 75 (77) per cent in October-December. In January-December, the share was 75 (77) per cent.

The utilization rate of Technical Documentation was generally at a good level in the final quarter of 2018.

GOVERNANCE

Annual General Meeting

Etteplan Oyj's Annual General Meeting was held on April 5, 2018, at the Company's premises 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 2017.

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 **Cristina Andersson, Matti**

Huttunen, Robert Ingman, Leena Saarinen, Mikko Tepponen and **Patrick von Essen** as members of the Board of Directors.

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

Board authorization

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 OMX Helsinki Ltd at the market price valid at any given time, so that the Company's total holding of own shares does not exceed ten (10) per cent of all the shares in the Company. The minimum price for the shares to be repurchased is the lowest market price quoted for the shares in the Company in public trading and, correspondingly, the maximum price is the highest market price quoted for the shares in the Company in public trading during the validity of the authorization.

Should the shares in the Company be repurchased in public trading, such shares will not be purchased in proportion to the shareholders' current holdings. In that case, there must be a weighty financial reason for the Company to repurchase its own shares. The shares may be repurchased in order to be used as consideration in potential acquisitions or in other structural arrangements. The shares may also be used for carrying out the Company's incentive schemes for its personnel. The repurchased shares may be retained by the Company, invalidated or transferred further.

The repurchase of the Company's own shares will reduce the non-restricted equity of the Company.

The authorization is valid for 18 months from the date of the resolution of the Annual General Meeting starting on April 5, 2018 and ending on October 5, 2019. The authorization replaces the corresponding previous authorization.

Shares

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Medium Cap market capitalization group in the Industrials sector under the ETTE ticker. Etteplan moved from the Small Cap group to the Medium Cap group on January 1, 2019. The Company has one series of shares. All shares confer an equal right to a dividend and the Company's funds.

The Company's share capital on December 31, 2018, was EUR 5,000,000.00 and the total number of shares was 24,963,308.

The number of Etteplan Oyj shares traded in January-December was 1,151,274 (1-12/2017: 1,659,974), for a total value of EUR 9.72 (12.3) million. The share price low was EUR 7.04, the high EUR 10.35, the average EUR 8.44 and the closing price EUR 7.94. Market capitalization on December 31, 2018, was EUR 197.44 (192.45) million.

Treasury shares

In January-December 2018, Etteplan repurchased a total of 61,513 of the Company's own shares. The Company held 96,203 of its own shares on December 31, 2018 (December 31, 2017: 34,690), which corresponds to 0.39 (December 31, 2017: 0.14) per cent of all shares and voting rights.

Etteplan Oyj's Board of Directors decided on May 28, 2018 to continue to repurchase the Company's own shares until December 31, 2018, based on the authorization given by the Annual General Meeting (AGM) held on April 5, 2018. The repurchases are part of the share repurchase program initiated on December 19, 2017 to repurchase shares for use in fulfilling obligations pertaining to the share-based incentive plan for the Group's key personnel. The maximum price was increased from EUR 9 per share to EUR 10 per share based on a decision made by the Board of Directors on August 16, 2018.

Incentive plan for key personnel

The Board of Directors of Etteplan Oyj decided on May 31, 2017, to establish a new share-based incentive plan for the Group's key personnel. The incentive plan includes one earning period comprising the calendar years 2017-2019. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). The potential reward will be paid partly in the Company's shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel. Approximately 20 people belong to the target group of the incentive plan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 260,000 Etteplan Oyj shares (including also the proportion to be paid in cash). The shares to be paid out as potential rewards will be transferred from the shares held by the Company or shares acquired from the market and, therefore, the incentive plan will have no diluting effect on the value of the share. The potential non-recurring reward of the incentive plan will be paid after the earning period in 2020.

Flaggings

Etteplan Oyj received no flagging notices in January-December 2018.

Events after the review period: Etteplan renews its organization and structure and makes changes in the segment reporting

On January 1, 2019, Etteplan introduced a new global organization in which the service areas form the reporting lines instead of the previous country organization. At the same time, the areas of responsibility of the Management Group's members changed and a new member was appointed to the Management Group. The names of Etteplan's service areas also changed on January 1, 2019.

However, the 2018 Financial Statements Review still reflects the structure and names of service areas used in 2018.

Starting from January 1, 2019, Etteplan's service areas and the people responsible for them are as follows:

- Riku Riikonen, SVP, Engineering Solutions.
- Kari Liuska, SVP, Software and Embedded Solutions.

- Mikael Vatn, SVP, Technical Documentation Solutions.

In addition, we formed four new corporate level functions:

- Global Sales is responsible for developing sales in the entire company. Jukka Lahtinen was appointed as SVP, Global Sales and a member of Etteplan's Management Group.
- Solutions & Technologies will focus on managing and developing our offering, new service solutions, service products and technologies. Petri Ikonen was appointed SVP, Solutions & Technologies.
- Operational Excellence is responsible for Operational Development, Project Management Office and IT. Veikko Lamminen was appointed SVP, Operational Excellence.
- Human Resources was organized as a separate function. It is responsible for human resources, HR development and recruitment. Marcus Reijonen acts as SVP, Human Resources (interim).

Outi Torniainen continues as SVP, Marketing & Communications; and Per-Anders Gådin as CFO; SVP, Finance. All the above are members of Etteplan's Management Group and they report to the President and CEO Juha Näkki. Outi-Maria Liedes-Jauhiainen, SVP, Operational Development and HR, and a member of Etteplan's Management Group, retired at the beginning of 2019.

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

Effects of the adoption of IFRS 16 Leases

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

The new standard will have an effect on the Group's balance sheet, cash flow statement 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 adopted the standard on January 1, 2019 and will report according to it for the first time in the January-March 2019 Interim Report.

EBIT for 2019 is expected to increase slightly, as result of that the interest of the lease liability is treated as a financial cost. The operating cash flow will increase and the financial cash flow will decrease with approximately the same amount as repayment of the principal portion of the lease liability will be classified as cash flows from financing activities. The group's total liabilities will also increase, which will lead to lower equity ratio.

At the time of adopting the standard an interest-bearing liability of approximately EUR 15 million is recognized, corresponding to the discounted future rent payments of the leased items. Rights-of-use assets will be recognized in the balance sheet equal to the amount of the additional liability. More information on page 19 and in the Annual Report 2018.

Operating risks and uncertainty factors

Etteplan's financial results are exposed to a number of strategic, operational and financial risks. The uncertainties caused by the general economic development continue to constitute risks for Etteplan's business. The possibility of changes in customers' business operations is a significant risk to Etteplan's operations. The Company's operations are based on skilled staff. The availability of competent professionals is an important factor for ensuring profitable growth and operations. The increased difficulties in recruiting professional staff, particularly in certain expert disciplines, continued to present a business risk.

Etteplan's risk management review was published on pages 80-83 of the Financial Review 2017.

Annual General Meeting 2019

Etteplan Oyj's Annual General Meeting will be held in Vantaa, Finland, on Thursday, April 4, 2019, starting at 10:00 a.m. The summons to the AGM will be published as a separate release.

The Board's proposal for distribution of 2018 profits

The parent company's distributable shareholders' equity according to the balance sheet on December 31, 2018, is EUR 42,492,281.86. The Board of Directors will propose to the Annual General Meeting, which will convene on April 4, 2019, that on the dividend payout date a dividend of EUR 0.30 per share be paid on the Company's externally owned shares, for a total amount of EUR 7,488,992.40 at most, and that the remaining profit be transferred to retained earnings.

Financial information in 2019

Etteplan Oyj will publish financial information as follows:

- Financial Statements and Annual Report: week 11/2019 (the week of March 11, 2019)
- Interim Report 1-3/2019: Wednesday, May 8, 2019
- Half Year Financial Report 1-6/2019: Tuesday, August 13, 2019
- Interim Report 1-9/2019: Thursday, October 31, 2019

Vantaa, February 7, 2019

Etteplan Oyj

Board of Directors

Additional information:
Juha Näkki, President and CEO, tel. +358 10 307 2077
Outi Torniainen, SVP, Communications and Marketing, tel. +358 10 307 3302

The information presented herein has not been audited.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Revenue	**62,887**	**58,520**	**236,477**	**214,768**
Other operating income	458	283	1,172	446
Materials and services	-5,921	-6,397	-21,822	-20,429
Staff costs	-40,826	-38,593	-156,183	-144,965
Other operating expenses	-9,253	-7,921	-33,667	-29,021
Depreciation and amortization	-1,615	-1,339	-5,792	-5,315
Operating profit (EBIT)	**5,731**	**4,552**	**20,184**	**15,484**
Financial income	-356	207	791	538
Financial expenses	106	-470	-1,580	-1,277
Profit before taxes	**5,480**	**4,289**	**19,396**	**14,745**
Income taxes	-1,053	-821	-4,116	-3,160
Profit for the review period	**4,427**	**3,468**	**15,280**	**11,586**
Other comprehensive income, that may be reclassified to profit or loss				
Currency translation differences	152	-480	-1,200	-727
Other comprehensive income, that will not be reclassified to profit or loss				
Change in fair value of investments available-for-sale	0	-6	0	9
Change in fair value of equity investments at fair value through other comprehensive income	-3	0	3	0
Other comprehensive income, net of tax	**149**	**-486**	**-1,197**	**-718**
Total comprehensive income for the review period	**4,576**	**2,982**	**14,083**	**10,868**
Profit for the review period attributable to				
Equity holders of the parent company	4,427	3,468	15,280	11,470
Non-controlling interest	0	-1	0	115
	4,427	3,468	15,280	11,586
Total comprehensive income for the review period attributable to				
Equity holders of the parent company	4,576	2,983	14,083	10,759
Non-controlling interest	0	-2	0	108
	4,576	2,982	14,083	10,868
Earnings per share calculated from the profit attributable to equity holders of the parent company				
Basic earnings per share, EUR	0.18	0.14	0.62	0.47
Diluted earnings per share, EUR	0.18	0.14	0.62	0.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Dec 31, 2018	Dec 31, 2017
ASSETS		
Non-current assets		
Goodwill	65,165	59,014
Other intangible assets	20,856	17,875
Tangible assets	4,065	3,524
Investments available-for-sale	0	691
Investments at fair value through other comprehensive income	695	0
Other non-current receivables	54	88
Deferred tax assets	161	79
Non-current assets, total	**90,995**	**81,270**
Current assets		
Inventory	362	250
Work in progress	20,503	19,246
Trade and other receivables	32,367	33,260
Current tax assets	223	326
Cash and cash equivalents	16,115	10,074
Current assets, total	**69,569**	**63,157**
TOTAL ASSETS	**160,564**	**144,427**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,000	5,000
Share premium account	6,701	6,701
Unrestricted equity fund	20,101	18,524
Own shares	-452	-80
Cumulative translation adjustment	-3,901	-2,701
Other reserves	231	228
Retained earnings	24,567	18,780
Profit for the review period	15,280	11,470
Equity, total	**67,527**	**57,923**
Non-current liabilities		
Deferred tax liabilities	4,518	3,442
Interest-bearing liabilities	24,105	19,634
Other non-current liabilities	2,036	700
Non-current liabilities, total	**30,659**	**23,776**
Current liabilities		
Interest-bearing liabilities	12,147	15,329
Advances received	3,064	2,057
Trade and other payables	45,386	43,667
Current income tax liabilities	1,782	1,675
Current liabilities, total	**62,378**	**62,728**
Liabilities, total	**93,037**	**86,504**
TOTAL EQUITY AND LIABILITIES	**160,564**	**144,427**

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1,000)	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Operating cash flow				
Cash receipts from customers	64,318	56,207	239,983	211,280
Operating expenses paid	-47,420	-43,281	-212,081	-189,949
Operating cash flow before financial items and taxes	**16,898**	**12,926**	**27,903**	**21,331**
Interest and payment paid for financial expenses	-263	-285	-956	-773
Interest received	14	17	59	55
Income taxes paid	-819	-500	-3,950	-2,359
Operating cash flow (A)	**15,830**	**12,158**	**23,055**	**18,254**
Investing cash flow				
Purchase of tangible and intangible assets	-686	-551	-1,752	-2,105
Acquisition of subsidiaries, net of cash acquired	-95	-300	-8,262	-3,108
Proceeds from sale of tangible and intangible assets	5	21	21	26
Proceeds from sale of investments	0	0	1	0
Investing cash flow (B)	**-776**	**-831**	**-9,992**	**-5,187**
Cash flow after investments (A+B)	**15,053**	**11,327**	**13,063**	**13,067**
Financing cash flow				
Purchase of own shares	-115	0	-516	-262
Expenses paid for directed share issue	0	0	-7	0
Acquisition of non-controlling interest	0	0	0	-1,696
Issue of new current loans	-3,896	-4,224	3,559	607
Repayments of current loans	-14,903	-1,318	-24,743	-5,855
Issue of new non-current loans	14,002	0	22,102	5,000
Payment of finance lease liabilities	-467	-421	-1,765	-1,642
Dividend paid	0	0	-5,684	-3,930
Financing cash flow (C)	**-5,379**	**-5,963**	**-7,054**	**-7,777**
Variation in cash (A+B+C) increase (+) / decrease (-)	**9,674**	**5,364**	**6,009**	**5,290**
Assets at the beginning of the period	6,427	4,620	10,074	4,750
Exchange gains or losses on cash and cash equivalents	14	89	32	35
Assets at the end of the period	16,115	10,074	16,115	10,074

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Legends for table columns

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

(EUR 1,000)	A	B	C	D	E	F	G	H	I	J
Equity Jan 1, 2017	**5,000**	**6,701**	**18,524**	**219**	**-386**	**-1,981**	**24,535**	**52,613**	**165**	**52,777**
Comprehensive income										
Profit for the review period	0	0	0	0	0	0	11,470	11,470	115	11,586
Fair value reserve, available-for-sale assets	0	0	0	9	0	0	0	9	0	9
Cumulative translation adjustment	0	0	0	0	0	-720	0	-720	-7	-727
Total comprehensive income for the year	**0**	**0**	**0**	**9**	**0**	**-720**	**11,470**	**10,759**	**108**	**10,868**
Transactions with owners										
Dividends	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	-1,671	-1,671	-273	-1,945
Purchase of own shares	0	0	0	0	-262	0	0	-262	0	-262
Share-based incentive plan	0	0	0	0	567	0	-154	413	0	413
Transactions with owners, total	**0**	**0**	**0**	**0**	**306**	**0**	**-5,755**	**-5,449**	**-273**	**-5,723**
Equity Dec 31, 2017	**5,000**	**6,701**	**18,524**	**228**	**-80**	**-2,701**	**30,251**	**57,923**	**0**	**57,923**

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

NOTES

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 2018, Etteplan had a turnover of approximately EUR 236 million. The company currently has over 3,000 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 Financial Statement Release for publication at its meeting on February 7, 2019.

Basis for preparation

Figures are presented in thousands or millions of euros as described in connection with each figure. The figures presented are rounded from exact figures and consequently, the sum of figures presented individually can deviate from the presented sum figure. Key figures have been calculated using exact figures.

This Financial Statement Release has been prepared in accordance with the requirements in IAS 34 (Interim Financial Reporting) standard. The Financial Statement Release has been prepared according to the recognition and valuation principles presented in the 2017 Annual Financial Statements, except for the following changes in standards, effective from January 1, 2018 onwards:

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 Group has implemented the standard fully retrospectively on January 1, 2018.

The implementation of the new standard does not have an effect neither on the amount nor timing of revenue recognition. The Group's revenue is mainly consistent of services, the revenue for which is recognized over time as the service is being performed. Identifying separate performance obligations in customer agreements and recognizing revenue according to standalone transaction prices does not affect the timing of revenue recognition. There are no material financing components involved in the Group's transaction prices. The Group's previous accounting policies regarding accounting for variable considerations have been in line with IFRS 15. The Group has not identified incremental costs of obtaining a contract to be activated. Contract assets are presented in the statement of financial position in line item 'Work in progress' and contract liabilities in line item 'Advances received'.

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 Group has implemented the standard on January 1, 2018, but does not present restated comparatives. The Group uses the simplified approach included in the standard, under which the expected credit losses of receivables are measured over the entire lifetime of the receivables.

The implementation of the standard does not have a material impact on the Group's figures. Investments in quoted and unquoted shares, previously classified as available-for-sale (AFS) under IFRS 39 are classified at fair value through other comprehensive income (FVTOCI) under IFRS 9. The main difference between AFS and FVTOCI is that gains and losses resulting from changes in the fair value of equity investments accounted for under FVTOCI are not recycled to the income statement upon impairment or disposal, with only the dividend income recognized in the income statement. Hedge accounting principles have also been renewed in the new standard. The Group does not have derivatives or hedged items.

Future changes in standards, which are published, but not effective yet in 2018 will not have material impact on the Group's figures, except for the following:

IFRS 16 'Leases' -standard requires the lessees to recognize lease agreements on the balance sheet as a right-of-use assets and related lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, which 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, cash flow statement 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 adopted the standard on January 1, 2019 using the simplified approach and does not restate comparative figures. At the time of adopting the standard an interest-bearing liability of approximately EUR 15 million is recognized, corresponding to the discounted future rent payments of the leased items. Rights-of-use assets will be recognized in the balance sheet equal to the amount of the additional liability. In applying the IFRS 16 for the first time, the Group will use the following practical expedients permitted by the standard:

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

Accounting policies requiring management's judgment and key sources of uncertainty concerning estimates

This release includes forward-looking statements, which are based on the current expectations, known factors, decisions and plans of the management. The management believes that the expectations reflected in such forward looking statements are reasonable. However, outcomes could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions as well as changes in the regulatory environment and fluctuations in exchange rates. The key sources of estimation uncertainty were the same as those that applied to the 2017 consolidated financial statements. Management pays special attention to fair value measurements in connection with acquisitions and revenue recognition for fixed price projects.

The Group's management may have to make judgement-based decisions relating to the choice and application of accounting policies. This particularly concerns situations, where effective IFRS standards allow alternative valuation, recording and presenting manners. The Group's management has exercised judgment in implementing the new IFRS standards effective in

2018. Management judgment is exercised, among other things, in determining the timing of the transfer of control when recognizing revenue under IFRS 15 and in determining the amount of expected credit losses under IFRS 9.

Non-IFRS key figures

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

EBIT from business operations and EBIT from business operations, %

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

EBIT from business operations, % presents EBIT from business operations as a percentage share of revenue.

The table below shows a reconciliation between EBIT from business operations and Operating profit (EBIT).

(EUR 1,000)	10-12/2018	10-12/2017	1-12/2018	1-12/2017
EBIT	**5,731**	**4,552**	**20,184**	**15,484**
Amortization on fair value adjustments at acquisitions	652	467	2,371	1,903
Premeasurements of contingent considerations	-250	-219	-681	-224
EBIT from business operations	**6,134**	**4,801**	**21,874**	**17,163**

Organic growth and growth in comparable currencies

Organic (revenue) growth is presented in addition to total revenue growth, because it improves the comparability of revenue growth between periods by presenting the revenue growth without the effects of the last 12 months' acquisitions.

Organic growth is calculated by comparing net sales between comparison periods excluding revenue from acquisitions that have taken place in the past 12 months.

The revenue growth created by last 12 months' acquisitions is presented as un-organic growth.

Revenue growth in comparable currencies is presented, because it improves the comparability of revenue growth between periods by presenting the revenue growth with comparable exchange rates.

For the calculation of growth in comparable currencies, revenue for the current period is calculated by using the comparable period's exchange rates.

The share of revenue represented by Managed Services

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

Key figures

(EUR 1,000)	1-12/2018	1-12/2017	Change to prev. year
Revenue	236,477	214,768	10.1 %
EBIT from business operations	21,874	17,163	27.5 %
EBIT from business operations, %	9.3	8.0	
Operating profit (EBIT)	20,184	15,484	30.4 %
EBIT, %	8.5	7.2	
Profit before taxes	19,396	14,745	31.5 %
Profit before taxes, %	8.2	6.9	
Return on equity, %	24.4	20.9	
ROCE, %	21.3	17.8	
Equity ratio, %	42.9	40.7	
Gross interest-bearing debt	36,252	34,963	3.7 %
Net gearing, %	29.8	43.0	
Balance sheet, total	165,227	144,427	14.4 %
Gross investments	16,527	7,589	117.8 %
Operating cash flow	23,055	18,254	26.3 %
Basic earnings per share, EUR	0.62	0.47	31.9 %
Diluted earnings per share, EUR	0.62	0.47	31.9 %
Equity per share, EUR	2.72	2.34	15.8 %
Personnel, average	2,995	2,711	10.5 %
Personnel at end of the period	3,055	2,802	9.0 %

Revenue and operating profit (EBIT) quarterly

(EUR 1,000)	1-3/2018	1-3/2017	4-6/2018	4-6/2017	7-9/2018	7-9/2017	10-12/2018	10-12/2017
Revenue	58,964	54,802	62,031	54,314	52,595	47,132	62,887	58,520
Operating profit (EBIT)	4,415	3,827	5,653	4,218	4,385	2,887	5,731	4,552
EBIT, %	7.5	7.0	9.1	7.8	8.3	6.1	9.1	7.8

Non-recurring items

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

(EUR 1,000)	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Other operating income	250	219	681	224
Staff costs and other operating expenses	-239	0	-1,012	-660
Operating profit (EBIT)	**11**	**219**	**-331**	**-436**

Revenue and segment information

The Group has one operating segment, the revenue of which consists mainly of rendering of services. The tables below present the division of external revenue and non-current assets by geographical area and the disaggregation of revenue by timing of revenue recognition. The external revenue of each geographical area is presented according to the location of the seller. Non-current assets are presented according to the location of the asset. Etteplan China operations sell their services both locally and through other Group companies thus this revenue is partly included in the revenue from other countries.

Disaggregation of revenue

(EUR 1,000)	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Primary geographical location				
Finland	43,551	38,776	161,571	146,506
Sweden	13,372	13,312	50,353	45,512
China	1,941	1,619	7,587	5,688
Central Europe	4,024	4,813	16,966	17,062
Total	**62,887**	**58,520**	**236,477**	**214,768**
Revenue stream				
Engineering services	34,601	33,152	132,061	120,868
Embedded systems and IoT	16,537	13,706	60,017	51,961
Technical documentation	11,703	11,627	44,305	41,796
Other	46	35	94	143
Total	**62,887**	**58,520**	**236,477**	**214,768**
Timing of revenue recognition				
Transferred at a point in time	655	479	1,969	1,588
Transferred over time	62,232	58,041	234,508	213,180
Total	**62,887**	**58,520**	**236,477**	**214,768**

Non-current assets* by segment

(EUR 1,000)	Dec 31, 2018	Dec 31, 2017
Finland	58,983	48,060
Sweden	23,646	24,529
China	2,171	2,293
Central Europe	5,339	5,618
Total	**90,140**	**80,500**

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

Business combinations

Eatech Oy

Etteplan strengthened its digital services and software capabilities by acquiring Eatech Oy on May 15, 2018. Eatech, founded in 2006, specializes in software and mobile solutions, service design, testing services and also offers continues services for maintaining business critical systems. Eatech currently employes more than 100 experts.

The acquisition consideration recognized at the time of the acquisition is EUR 12,149 thousand in total. The acquisition consideration consists of cash payments, a directed share issue and a contingent consideration. The cash consideration amounts to EUR 8,075 thousand. The fair value of the consideration transferred as a directed share issue, calculated using the closing price on date of acquisition, is EUR 1,584 thousand. In addition to these payments a contingent consideration of EUR 0 - 4,000 thousand (undiscounted amount) is agreed upon. The contingent consideration will be paid in full provided that the thresholds set in the share transfer agreement for revenue and operating profit in years 2018 and 2019 are met. The fair value of the contingent consideration is estimated by applying the income approach. At the time of acquisition the fair value of the contingent consideration was EUR 2,500 thousand.

The goodwill of EUR 6,184 thousand arising from the acquisition is attributable to the technical know-how of the acquiree's personnel, and the company's operating model. None of the goodwill recognized is expected to be deductible for income tax purposes.

A measurement period adjustment of EUR 1,500 thousand was made on Dec 31, 2018 to the fair value of the contingent consideration at the time of acquisition, and correspondingly to goodwill recognized, due to new information gained regarding the circumstances that prevailed at the time of acquisition.

Koodain Solutions Oy

Etteplan reinforced its software design expertise on February 5, 2018, by acquiring Koodain Solutions Oy, a Finnish software development and technology consultancy company. Koodain, which specializes in Android software design and solutions, is included in Etteplan's figures as of February 1, 2018. Koodain Solutions' 11 experts were transferred to Etteplan as existing employees.

The acquisition consideration was EUR 1,360 thousand consisting of a cash payment and a contingent consideration. The cash consideration amounted to EUR 1,000 thousand in total. In addition to this payment a contingent consideration of EUR 0-360 thousand (undiscounted amount) is agreed upon. The contingent consideration will be paid in full provided that Koodain Solutions Oy’s result in the financial year 2018 reaches the thresholds set in the share transfer agreement. The fair value of the contingent consideration is estimated by applying the income approach. At the time of acquisition the fair value of the contingent consideration was EUR 360 thousand.

The goodwill of EUR 903 thousand arising from the acquisition is attributable to the technical know-how of the acquiree's personnel, and the company's operating model. None of the goodwill recognized is expected to be deductible for income tax purposes.

A measurement period adjustment of EUR 60 thousand was made on Dec 31, 2018 to the fair value of the contingent consideration at the time of acquisition, and correspondingly to goodwill recognized, due to new information gained regarding the circumstances that prevailed at the time of acquisition.

Acquisitions total

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

Consideration transferred:	(EUR 1,000)
Cash payments	9,065
Directed share issue	1,584
Contingent consideration	2,860
Total consideration transferred	**13,509**
Assets and liabilities	
Tangible assets	164
Customer relationships (intangible assets)	4,419
Contractual intangible assets	928
Trade and other receivables	2,366
Cash and cash equivalents	1,481
Total assets	**9,357**
Current liabilities	1,866
Deferred tax liability	1,069
Total liabilities	**2,935**
Total identifiable net assets	**6,422**
Formation of Goodwill:	
Consideration transferred	13,509
Total identifiable net assets	-6,422
Goodwill	**7,087**

Trade and other receivables comprise gross contractual amounts of EUR 2,366 thousand, none of which was expected to be uncollectible at time of acquisition.

Costs related to acquisitions, EUR 322 thousand, are included in other operating expenses in the consolidated statement of comprehensive income.

The revenue included in the consolidated statement of comprehensive income contributed by the acquired companies was EUR 7,339 thousand and profit EUR 958 thousand. Had the companies been consolidated from January 1, 2018, the consolidated statement of comprehensive income would show revenue of EUR 239,460 thousand and profit of EUR 15,492 thousand.

Changes in contingent considerations

A profit of EUR 681 thousand was recognized in the income statement from premeasurements of contingent considerations related to previous' years' acquisitions.

Intangible assets

INTANGIBLE ASSETS 2018 (EUR 1,000)	Intangible rights	Internally created intangible assets	Fair value adjustments in acquisitions	Other intangible assets, finance lease	Advance payments	Goodwill	Total
Acquisition cost Jan 1	12,270	2,968	21,146	3,649	240	59,014	99,286
Translation difference	-21	0	-73	-12	0	-936	-1,042
Acquisition of subsidiaries	0	0	5,346	0	0	7,087	12,433
Additions	593	120	0	329	504	0	1,546
Reclassifications between items	712	-606	0	0	-87	0	19
Disposals	-2,562	-217	0	0	0	0	-2,779
Acquisition cost Dec 31	10,992	2,265	26,419	3,966	657	65,165	109,464
Cumulative amortization Jan 1	-10,998	-1,841	-6,964	-2,595	0	0	-22,398
Translation difference	20	0	21	10	0	0	52
Cumulative amortization on disposals and reclassifications	2,544	207	0	0	0	0	2,751
Amortization for the financial period	-644	-200	-2,371	-632	0	0	-3,847
Cumulative amortization Dec 31	-9,079	-1,834	-9,314	-3,216	0	0	-23,443
Book value Dec 31, 2018	**1,913**	**431**	**17,105**	**750**	**657**	**65,165**	**86,021**

INTANGIBLE ASSETS 2017 (EUR 1,000)	Intangible rights	Internally created intangible assets	Fair value adjustments in acquisitions	Other intangible assets, finance lease	Advance payments	Goodwill	Total
Acquisition cost Jan 1	11,689	2,581	20,237	2,293	73	58,128	95,002
Translation difference	-80	0	-66	-9	0	-811	-965
Acquisition of subsidiaries	21	0	975	0	0	1,697	2,692
Additions	615	405	0	1,364	201	0	2,585
Reclassifications between items	29	0	0	0	-34	0	-5
Disposals	-5	-18	0	0	0	0	-23
Acquisition cost Dec 31	12,270	2,968	21,146	3,649	240	59,014	99,286
Cumulative amortization Jan 1	-10,374	-1,480	-5,093	-1,891	0	0	-18,839
Translation difference	59	0	32	8	0	0	99
Amortization for the financial period	-683	-361	-1,903	-711	0	0	-3,659
Cumulative amortization Dec 31	-10,998	-1,841	-6,964	-2,595	0	0	-22,398
Book value Dec 31, 2017	**1,271**	**1,127**	**14,181**	**1,055**	**240**	**59,014**	**76,888**

Tangible assets

TANGIBLE ASSETS 2018 (EUR 1,000)	Land and water	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost Jan 1	19	13,710	8,967	892	23,589
Translation difference	0	-106	-44	0	-151
Acquisition of subsidiaries	0	120	0	44	164
Additions	0	522	1,842	20	2,384
Reclassifications between items	0	78	-91	0	-13
Disposals	0	-744	-1	-32	-777
Acquisition cost Dec 31	19	13,580	10,673	923	25,196
Cumulative depreciation Jan 1	0	-11,851	-7,438	-776	-20,065
Translation difference	0	100	35	0	136
Cumulative amortization on disposals and reclassifications	0	655	89	0	743
Depreciation for the financial period	0	-745	-1,143	-57	-1,945
Cumulative depreciation Dec 31	0	-11,841	-8,457	-833	-21,131
Book value Dec 31, 2018	**19**	**1,739**	**2,216**	**91**	**4,065**

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

Interest-bearing liabilities

(EUR 1,000)	Dec 31, 2018	Dec 31, 2017
Non-current	24,105	19,634
Current	12,147	15,329
Total	**36,252**	**34,963**

Pledges, mortgages and guarantees

(EUR 1,000)	Dec 31, 2018	Dec 31, 2017
For own debts		
Business mortgages	320	320
Pledged shares	120	120
Other contingencies	106	100
For own debts total	**545**	**540**
Operating Lease liabilities		
For payment under one year	4,786	3,382
For payment 1-5 years	4,972	3,815
Operating Lease liabilities total	**9,758**	**7,197**
Pledges, mortgages and guarantees total	**10,303**	**7,736**

Related-party transactions

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

Related-party transactions are priced according to Group's normal pricing basis and sales conditions.

The following transactions were carried out with related parties:

(EUR 1,000)	Dec 31, 2018	Dec 31, 2017
Sales and purchases of services and related receivables and payables		
Sales of services to other related parties	1,100	479
Purchases of services from other related parties	232	202
Trade receivables from other related parties	193	82
Trade payables to other related parties	5	105

Fair values of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3: Inputs that are not based on observable market data (that is, unobservable inputs).

Financial assets recognized at fair value through OCI
(2017: measurement category 'Available for sale')

	2018				2017			
(EUR 1,000)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Quoted shares	185	0	0	**185**	181	0	0	**181**
Premises shares	0	480	0	**480**	0	480	0	**480**
Unquoted shares	0	0	30	**30**	0	0	30	**30**
Total Dec 31	**185**	**480**	**30**	**695**	**181**	**480**	**30**	**691**

Reconciliation of financial assets recognized at fair value through OCI
(2017: measurement category 'Available for sale')

	2018				2017			
(EUR 1,000)	**Quoted shares**	**Premises shares**	**Unquoted shares**	**Total**	**Quoted shares**	**Premises shares**	**Unquoted shares**	**Total**
Opening balance at Jan 1	181	480	30	**691**	170	480	30	**680**
Gain/loss recognized in other comprehensive income	4	0	0	**4**	11	0	0	**11**
Closing balance Dec 31	**185**	**480**	**30**	**695**	**181**	**480**	**30**	**691**

Financial liabilities recognized at fair value through profit or loss

	2018				2017			
(EUR 1,000)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Contingent liability in acquisitions	0	0	2,860	**2,860**	0	0	1,368	**1,368**
Total Dec 31	**0**	**0**	**2,860**	**2,860**	**0**	**0**	**1,368**	**1,368**

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

	2018		2017	
(EUR 1,000)	**Contingent liability**	**Total**	**Contingent liability**	**Total**
Opening balance at Jan 1	1,368	**1,368**	1,568	**1,568**
Additions	3,425	**3,425**	954	**954**
Revaluation	-681	**-681**	-224	**-224**
Translation difference	-10	**-10**	0	**0**
Payment	-1,243	**-1,243**	-929	**-929**
Closing balance Dec 31	**2,860**	**2,860**	**1,368**	**1,368**

Formulas for key figures

IFRS key figures

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

Non-IFRS key figures

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