2019

Financial Review

Etteplan

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The digital era promises massive productivity gains and brand-new business models. To make this a reality, new technologies and smarter solutions need to be adopted on an industrial scale. Companies have to overcome complex challenges standing in the way of their transformation.

We innovate solutions that clear the way for the future. To us, engineering is all about questioning assumptions and using the best technologies available for efficient and sustainable results, from heavy machinery to cloudbased software. We support and serve our customers with industry-specific expertise. In our hands, their challenges turn into solutions that save time, energy or trees and enable new business.

Our ambition is to drive the industrial change, grow and explore together with our customers, wherever they need us. Instead of just selling hours, we design solutions that are innovative, measurable and exceed expectations. Our customers' success is our success.

A year of international growth

Etteplan's operations in 2019 were characterized by international growth. We strengthened our foothold in Sweden with two acquisitions, strengthened our position as the market leader in technical documentation in the Netherlands and started to offer engineering solutions in Germany.

Etteplan had another good year in 2019. Revenue growth continued in the final quarter, making it the 25th consecutive quarter of growth, and our full-year profitability was at the targeted level. We had good success in all three of our service areas: Engineering Solutions, Software and Embedded Solutions, and Technical Documentation Solutions.

The development of the demand situation in Europe was twofold during the year. Demand grew in the first half of the year, but in the second half, demand growth slowed down, and toward the end of the year demand weakened. In Finland, strikes in the engineering and consulting industry in December had a negative effect on our business in all of our service areas. In addition, the strikes in our customer industries hindered our business indirectly as customers focused on minimizing the effects of the srikes. In China, the trade war significantly weakened local demand during the year, although the general market situation showed emergent positive signs before the outbreak of the coronavirus epidemic.

During the year, we accelerated our international growth through four acquisitions: we strengthened our foothold in Sweden by making two acquisitions, we strengthened our market leading position in technical documentation in the Netherlands and we started the Engineering Solutions business in Germany. The integration of all of the acquisitions has progressed according to plan.

The Engineering Solutions service area achieved excellent success, and its profitability was at a good level thanks to operational efficiency. We continued the development of technology solutions, and we are further strengthening our expertise in additive manufacturing, digital twin solutions, artificial intelligence and other digital technologies. In additive manufacturing, we successfully developed 3D printed metal objects with embedded electronics inside them in a way that enables mass production. This technology has enormous potential in the manufacturing industry.

The project business of the Software and Embedded Solutions service area developed well during the year. Toward the end of the year, demand weakened slightly and challenges in certain projects affected profitability. Operational efficiency was at a moderate level.

In the Technical Documentation Solutions service area, demand weakened toward the end of the year. The demand for outsourcing solutions was, nevertheless, good, and we are continuing discussions on new outsourcing agreements with several customers. Operational efficiency was at a moderate level. In October, we launched our first cloud solution for technical documentation. It is the world's first SaaS solution for Simplified Technical English and a fully scalable digital service. A long-delayed project weakened our profitability in Germany, but the situation improved toward the end of the year.

The implementation of our strategy progressed well during the year. The share of revenue represented by Managed Services exceeded 60 per cent for the first time during 2019. The development of the project business was particularly strong. For example, we won the largest plant engineering project in Etteplan's history.

We updated our strategy and financial targets in late December 2019. The main objective of our strategy is to increase the value we create for our customers by further developing our service solutions and increasingly incorporating new technologies into our service offering. We will continue our international growth and we are aiming for revenue of more than EUR 500 million in 2024.

We started the new year in a slightly weaker market situation, but there have already been signs of a recovery during the early part of the year as political uncertainty has decreased.

The Finnish labor market situation affected demand late 2019 and early 2020. The coronavirus outbreak has increased uncertainty in the markets and reduced predictability. We, nevertheless, expect demand to recover and the positive development of our business to continue in 2020.

Etteplan significantly strengthened its foothold in the international markets in 2019. I want to thank our personnel for their good work and our shareholders for their trust in us. I also wish to thank our customers for their successful cooperation.

Juha Näkki
President and CEO

> "The share of revenue represented by Managed Services exceeded 60 per cent for the first time during the year.

Revenue

263

EUR million

↑ 11.3%

Operating profit (EBIT)

22.8

EUR million

↑ 13.4%

Board of Directors' review January 1 – December 31, 2019

Operating environment

Etteplan's business is affected by global megatrends as well as industry-specific developments. The Internet of Things (IoT), digitalization of machinery and equipment, climate change driving needs for products that are in line with the principles of sustainable development, and shorter product life cycles, are creating needs for intelligent and efficient engineering solutions in all industrial sectors. Companies continue to direct their investments to these areas, which creates opportunities for operators in the engineering industry. The continued trend of service outsourcing had a positive effect on the industry's development and it supports Etteplan's growth. The trend of centralizing service purchasing continued as customer demand became increasingly international, presenting growth opportunities for global engineering companies.

The most important factor in Etteplan's development is the global development of the machinery and metal industry. The market situation weakened toward the end of the year. In Finland, the strikes that took place in December influenced business in Etteplan's customer industries and weakened the demand for services in the engineering industry.

The demand for our services weakened toward the end of the year. Customer-specific differences increased and were again considerable. Demand in the mining industry remained at a good level. Demand in the forest, pulp and paper industry remained good. Demand among lifting and hoisting equipment manufacturers weakened slightly. Demand in the energy and power transmission industry remained at a good level. Demand from aerospace and defense equipment manufacturers also weakened slightly. In the transportation and vehicle industry, demand weakened slightly. Demand in the ICT industry remained good.

Competition for employees and the limited availability of specialized experts in certain areas continued to affect the development of the sector in all market areas.

In Finland, market demand was generally at a good level, but the demand situation weakened toward the end of the year and the strikes that took place in December had a negative effect on demand.

The combined revenue of technology industry companies increased by six per cent in 2019 compared to 2018. Based on the orders in the past few months, it is estimated that revenue during the first quarter of 2020 will be slightly higher compared to last year. The number of requests for tenders received by technology industry companies continued to decline.

The revenue of engineering and consulting companies in the technology industry grew by five per cent in 2019 compared to 2018. Based on the orders in the past few months, we estimate that the revenue of engineering and consulting companies in the first quarter of 2020 will be slightly higher compared to the corresponding period last year.

In Sweden, the Netherlands and Poland, market demand weakened slightly further, compared to the previous good level. In Germany, demand in the process industry was at a good level. In China, demand began to recover slightly and the opening up of the service market continued.

Revenue

Etteplan's revenue grew by 11.3 per cent and was EUR 263.3 (2018: 236.5) million. Revenue increased by 12.0 per cent at comparable exchange rates. Organic growth was 3.4 per cent. At comparable exchange rates, organic growth was 4.1 per cent.

Demand weakened toward the end of the year. In Finland, the strike in the engineering and consulting industry had a direct effect of approximately EUR 1.5 million on Etteplan's revenue. The strikes also had extensive indirect impacts as customers focused on minimizing their effects instead of focusing on their normal business.

Growth was accelerated by the acquisitions made during 2019.

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

The revenue of acquired companies is not included in the organic growth of revenue for the 12 months following the acquisition. Devex Mekatronik AB increased Etteplan's revenue effective from June 1, 2019, EMP Engineering Alliance from July 1, 2019, Teknifo AB from October 1, 2019, and Triview Technical Communication B.V. from November 1, 2019.

Result

Operating profit (EBITA) improved 15.1 per cent and was EUR 26.0 (22.6) million, or 9.9 (9.5) per cent of revenue.

Operating profit (EBIT) improved by 13.1 per cent and was EUR 22.8 (20.2) million, or 8.7 (8.5) per cent of revenue.

The strikes in Finland had a significant effect on profitability.

The combined effect of non-recurring items on operating profit (EBITA) and operating profit (EBIT) was EUR 1.1 (-0.3) million.

At the beginning of 2019, Etteplan started to measure its profitability using operating profit (EBITA) instead of EBIT from business operations. The Company updated its financial target concerning profitability on April 4, 2019, and reiterated the target in connection with the strategy renewal on December 18, 2019. The target is to reach 10 per cent operating profit (EBITA) of revenue.

Financial expenses amounted to EUR 1.6 (1.6) million.

Profit before taxes for was EUR 21.9 (19.4) million. Taxes in the income statement amounted to 20.7 (21.2) per cent of the result before taxes. The amount of taxes was EUR 4.5 (4.1) million.

The profit for the financial year was EUR 17.4 (15.3) million.

Basic earnings per share were EUR 0.70 (0.62). Equity per share was EUR 3.09 (2.72) at the end of December. Return on capital employed (ROCE) before taxes was 19.9 (21.3) per cent.

Financial position and cash flow

The Group's cash and cash equivalents stood at EUR 15.9 (16.1) million at the end of December.

The Group's interest-bearing debt amounted to EUR 56.3 (36.3) million. At the time of adopting IFRS 16 "Leases", an interest-bearing lease liability of EUR 12 million was recognized, corresponding to the discounted future rent payments of the leased items. Right-of-use assets were recognized in the balance sheet equal to the amount of the additional liability.

The total of unused short-term credit facilities stood at EUR 14.2 (9.9) million.

Operating cash flow developed well and was EUR 32.9 (23.1) million.

Cash flow after investments was EUR 10.1 (13.1) million.

The accrual of cash flow was affected by the good operational result and the adoption of IFRS 16 "Leases". Operating cash flow increased and financing cash flow decreased by approximately EUR 7.2 million due to the repayment of the principal portion of the lease liability being classified as cash flow from financing activities.

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

Total assets on December 31, 2019 were EUR 202.9 (160.6) million. Goodwill on the balance sheet was EUR 79.0 (65.2) million.

At the end of December, the equity ratio was 38.9 (42.9) per cent. The equity ratio weakened by 2.5 percentage points in relation to the adoption of IFRS 16 "Leases", which led to an increase in the Group's lease liabilities.

Capital expenditure

The Group's gross investments were EUR 36.9 (16.5) million. The gross investments mainly consisted of acquisitions, an increase in lease obligations, growth-related equipment purchases and license fees for engineering software.

Personnel

The number of personnel increased by 12.8 per cent year-on-year and stood at 3,447 (3,055) at the end of December 2019. The Group employed 3,305 (2,995) people on average. International growth continued and, at the end of December, 1,382 (1,073) 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 weakened toward the end of the year. The demand for new product development and equipment engineering projects as well as plant engineering investments weakened slightly. The lower availability of specialized experts in certain areas affected the development of business. The demand situation in Finland remained relatively good, but the strike that took place in Finland in December weakened demand. In Sweden, the Netherlands and Poland, the demand situation has remained unchanged at a weaker level than in early 2019. In Germany, the general demand situation has weakened, but demand in the process industry has remained at a good level. The EMP Engineering Alliance acquisition and the measures taken in the technical documentation business support our development in Germany.

The opening up of the Chinese service market continued. Demand recovered slowly and we won new customers. The number of hours sold in the Chinese market, nevertheless, decreased by 5.0 per cent compared to the high level seen in the reference year.

Revenue from key accounts grew by 4.8 per cent.

Etteplan is a growth company that has defined its most important growth areas as the continuous development of service solutions, digitalization and international growth.

Etteplan's target was to achieve a share of 65 per cent of revenue for Managed Services by the end of 2019. The share of revenue represented by Managed Services grew, particularly due to the growth of the project business, and stood at 60 (54) per cent. Etteplan updated its financial targets on December 18, 2019.

In the recent years, Etteplan has invested in digitalization and software development with the aim of expanding its service offering and competence capital in order to respond to the digitalization needs of its customers. At the same time, we are investing in organic growth as well as the development of our own business and increasing its rate of digitalization.

Etteplan's goal is to grow internationally and provide solutions in all of the Company's service areas in all of its market areas. A further goal is to strengthen competence and the market position through acquisitions. Etteplan made four acquisitions in 2019. The integration of the acquired companies into Etteplan has progressed according to plan.

GOVERNANCE

Annual General Meeting

Etteplan Oyj's Annual General Meeting was held on April 4, 2019. The Annual General Meeting approved the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2018.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.30 per share for the financial year 2018 and to leave the remaining funds in unrestricted equity. The dividend decided on by the Annual General Meeting was paid to the shareholders registered on the record date in the shareholders' register maintained by Euroclear Finland Ltd. The record date for the dividend payout was April 8, 2019, and the date of dividend payout April 15, 2019.

In accordance with the proposal of the Nomination and Remuneration Committee of the Board of Directors, the Annual General Meeting resolved that the Board of Directors shall consist of five members.

In accordance with the proposal of the Nomination and Remuneration Committee of the Board of Directors, the Annual General Meeting re-elected **Cristina Andersson**, **Matti Huttunen**, **Robert Ingman**, **Leena Saarinen** and **Mikko Tepponen** as members of the Board of Directors.

KPMG Oy Ab, Authorized Public Accountants was elected as the Company's auditor.

In its organization meeting subsequent to the Annual General Meeting, the Board of Directors of Etteplan Oyj elected Robert Ingman as Chairman of the Board of Directors. Leena Saarinen was elected the Chairman and Robert Ingman and Matti Huttunen as members of the Nomination and Remuneration Committee of Etteplan Oyj.

Board authorization

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

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

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

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

The authorization is valid for 18 months from the date of the resolution of the Annual General Meeting starting on April 4, 2019, and ending on October 4, 2020. The authorization replaces the corresponding previous authorization.

The Annual General Meeting decided to authorize the Board of Directors to resolve on the issuance of a maximum of 2,500,000 shares through issuance of shares, option rights or other special rights entitling to shares under Chapter 10, Section 1 of the Finnish Companies Act in one or more issues. The authorization includes the right to decide to issue either new shares or shares held by the Company.

The authorization includes the right to deviate from the existing shareholders' pre-emptive subscription right as set forth in Chapter 9, Article 3 of the Companies Act. Therefore, the Board of Directors has the right to direct the share issue, or issuance of the option rights or other special rights conferring entitlement to shares. The authorization also includes the right to decide on all the terms of share issue, option rights or other special rights conferring entitlement to shares. The authorization therefore includes the right to determine share subscription prices, persons entitled to subscribe the shares and other terms and conditions applicable to the subscription. In order to deviate from the shareholders' pre-emptive subscription right, the Company must have a weighty financial reason such as financing of a company acquisition, other arrangement in connection with the development of the Company's business or equity or an incentive scheme to the personnel. In connection with the share issuance, the Board of Directors is entitled to decide that the shares may be subscribed against contribution in kind or otherwise under special terms and conditions. The authorization includes the right to determine whether the subscription price will be entered into the share capital or into the reserve of invested unrestricted equity.

The authorization is valid for two (2) years from the date of the resolution of the Annual General Meeting, starting on April 4, 2019, and ending on April 4, 2021.

Shares

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

The Company's share capital on December 31, 2019, was EUR 5,000,000.00 and the total number of shares was 24,963,308.

The number of Etteplan Oyj shares traded was 1,471,517 (2018: 1,151,274), for a total value of EUR 13.23 (9.72) million. The share price low was EUR 7.46, the high EUR

11.9, the average EUR 8.99 and the closing price EUR 10.15. Market capitalization on December 31, 2019, was EUR 251.79 (197.44) million.

Treasury shares

On February 7, 2019, Etteplan Oyj's Board of Directors decided to initiate a share repurchase program of Etteplan's own shares in accordance with the authorization given to it by the Annual General Meeting on April 5, 2018. The shares are repurchased in order to be used to fulfill obligations pertaining to the share-based incentive plan for the Group's key personnel. The number of repurchased shares will not exceed 60,000 shares and the corresponding number of voting rights, which corresponds to approximately 0.24 per cent of the current total number of Etteplan's shares. The maximum repurchase price is EUR 9.5 per share. The repurchasing of shares began on February 8, 2019.

On April 4, 2019, Etteplan Oyj's Board of Directors decided to continue the share repurchase program of Etteplan's own shares initiated on February 7, 2019, in accordance with the authorization given to it by the Annual General Meeting on April 4, 2019. The terms of the program remained unchanged. On August 13, 2019, Etteplan's Board of Directors increased the maximum repurchase price to EUR 10.5 per share. On September 17, 2019, the repurchase program was concluded as the maximum number of repurchased shares was reached.

Etteplan repurchased a total of 60,000 of the Company's own shares. The Company held 156,203 of its own shares on December 31, 2019 (December 31, 2018: 96,203), which corresponds to 0.63 per cent of all shares and voting rights.

Incentive plan for key personnel

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

Flaggings

Etteplan Oyj received no flagging notices in 2019.

Changes in segment reporting on January 1, 2019

On January 1, 2019, Etteplan introduced a new global organization in which the service areas form the reporting lines instead of the previous country organization. Starting from the beginning of 2019, Etteplan has three service areas: Engineering Solutions; Software and Embedded Solutions; and Technical Documentation Solutions. More detailed information was published in Etteplan's Interim Report for January–March 2019.

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

Starting from the Interim Report for the first quarter of 2019, Etteplan has reported, in addition to revenue and the MSI Index, Operating profit (EBITA), EBITA-% and the number of personnel for each reporting segment/service area. As the premeasurements of contingent considerations are only included at the Group level, the operating profit (EBITA) equals the previously reported EBIT from business operations at the reporting segment/service area level both for the quarters and the full year 2018.

Changes to Etteplan's financial reporting and financial and strategic targets on April 4, 2019

Etteplan started to measure its profitability with operating profit (EBITA) instead of EBIT from business operations both for the Group and for the service areas. Based on the decision of the Board of Directors, the financial target related to profitability was also updated. Etteplan's target is to reach 10 per cent operating profit (EBITA) of revenue. More detailed information was published in Etteplan's Interim Report for January-March 2019.

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

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

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

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

- Growth: 15 per cent average annual revenue growth (unchanged)
- Profitability: 10 per cent operating profit (EBITA) of revenue (new target)
- Managed Services: 65 per cent of revenue represented by Managed Services (Managed Services Index, MSI) by the end of 2019 (unchanged)
- Balance sheet: >30 per cent equity ratio (unchanged)

Effects of the adoption of IFRS 16 Leases

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

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

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

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

Renewed strategy and updated financial targets valid as of January 1, 2020

On December 18, 2019, Etteplan published its renewed strategy and updated financial targets, which took effect on January 1, 2020. The key objective of the strategy update is to create even higher value for our customers and support them in the industrial change. The three key elements of the "Increasing value for customers" strategy are Customer value, Service solutions and Success with people.

Customer value element: the target is to further increase customer value. By understanding the customer's business, utilizing our wide expertise, new innovations and technologies we can create even higher value service solutions for our customers and help them to improve their business.

Service solutions element: the target is to develop service solutions which combine technologies, efficient processes, versatile expertise and world-class engineering tools and methods. We strive to bring new technologies as part of our service solutions and through that improve the customer value.

Success with people element: the target is to maintain, develop and attract talented employees, with whom, and in collaboration with our customers and partners, we will succeed in executing our strategy.

Financial targets:

- Growth: revenue more than EUR 500 million in 2024
- International growth: the share of revenue coming from outside Finland more than 50 per cent of revenue in 2024
- Managed Services: the share of revenue coming from Managed Services (Managed Services Index, MSI) 75 per cent of revenue in 2024
- Profitability: Operating profit (EBITA) 10 per cent of revenue

Event after the review period: The Board of Directors of Etteplan Oyj resolved on key personnel incentive plan
On February 5, 2020 The Board of Directors of Etteplan Oyj resolved to establish a new share-based incentive plan for the Group key personnel.

The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on holding the Company shares.

The plan includes one earning period which includes calendar years 2020–2022. The earning period covers the same years as Etteplan's strategy update published in December 2019. The plan is in line with Etteplan's strategy and supports the achievement of the Company's financial targets.

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 after the end of the earning period. 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 25 people belong to the plan, including the Management Group of Etteplan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 390,000 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 share value.

Event after the end of the review period: The Board of Directors of Etteplan Oyj resolved to establish an Audit Committee
The Board of Directors of Etteplan Oyj has on February 11, 2020 resolved to establish an Audit Committee. The Committee will begin to operate after the Annual General Meeting on April 2, 2020. The Board of Directors to be elected on April 2, 2020 will appoint the members to the Audit Committee among the Directors in the Board's organization meeting after the Annual General Meeting. In the same meeting the Board will confirm the central duties and operating principles of the Committee in a written charter.

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

Market outlook 2020
The most important factor affecting Etteplan's business is the global development of the machinery and metal industry. The year 2020 has got off to a slow start. In Finland, the labor market situation is affecting demand. In China, the coronavirus is influencing the market situation and increasing the uncertainty of the global market outlook. On the other hand, political uncertainty has decreased slightly and demand is expected to pick up during the early part of the year.

Financial guidance 2020
We expect the revenue for 2020 to increase clearly and operating profit (EBIT) to be at the same level or improve compared to 2019.

Annual General Meeting 2020
Etteplan Oyj's Annual General Meeting will be held in Vantaa, Finland, on Thursday, April 2, 2020, 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 2019 profits
The parent company's distributable shareholders' equity according to the balance sheet on December 31, 2019, is EUR 50,824,371.87. The Board of Directors will propose to the Annual General Meeting, which will convene on April 2, 2020, that on the dividend payout date a dividend of EUR 0.35 per share be paid on the Company's externally owned shares, for a total amount of EUR 8,737,157.80 at most, and that the remaining profit be transferred to retained earnings.

Corporate Governance statement
Etteplan publishes the Corporate Governance Statement for 2019 separately from the Board of Directors' review. The statement is available on the Company's website www.etteplan.com

Statement of non-financial information
Etteplan publishes the Statement of non-financial information for 2019 separately from the Board of Directors' review. The statement is available on the Company's website www.etteplan.com.

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 on page 53.

Operating profit (EBITA) and EBITA, %
Operating profit (EBITA) is presented, because it reflects the Group's operational performance better that Operating profit (EBIT). Operating profit (EBITA) does not include amortization of fair value adjustments at acquisitions. EBITA, % presents Operating profit (EBITA) as a percentage share of revenue. The table below shows a reconciliation between Operating profit (EBITA) and Operating profit (EBIT).

EUR 1,000	2019	2018
EBIT	**22,819**	**20,184**
Amortization on fair value adjustments at acquisitions	3,146	2,371
Operating profit (EBITA)	**25,964**	**22,555**

Organic/un-organic growth and growth in comparable currencies
Organic (revenue) growth is presented in addition to total revenue growth, because it improves the comparability of revenue growth between periods by presenting the revenue growth without the effects of the last 12 months' acquisitions. Organic growth is calculated by comparing revenue between comparison periods excluding revenue from acquisitions that have taken place in the past 12 months. The revenue growth created by last 12 months' acquisitions is presented as un-organic growth. Revenue growth in comparable currencies is presented, because it improves the comparability of revenue growth between periods by presenting the revenue growth with comparable exchange rates. For the calculation of growth in comparable currencies, revenue for the current period is calculated by using the comparable period's exchange rates. The figure is presented for Group revenue and organic growth.

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

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

Etteplan Oyj

Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	Jan 1–Dec 31, 2019		Jan 1–Dec 31, 2018	
Revenue	7	**263,292**		**236,477**	
Other operating income	8	2,582		1,172	
Materials and services	10	-26,550		-21,822	
Staff costs	11	-172,520		-156,183	
Other operating expenses	12	-29,273		-33,667	
Depreciation and amortization	19, 20	-14,712		-5,792	
Operating profit (EBIT)		**22,819**	**8.7 %**	**20,184**	**8.5 %**
Financial income	14	695		791	
Financial expenses	15	-1,590		-1,580	
Profit before taxes		**21,924**		**19,396**	
Income taxes	17	-4,536		-4,116	
Profit for the financial year		**17,387**		**15,280**	
Other comprehensive income, that may be reclassified to profit or loss					
Currency translation differences		-398		-1,200	
Other comprehensive income, that will not be reclassified to profit or loss					
Change in fair value of equity investments at fair value through other comprehensive income		-75		3	
Other comprehensive income for the year, net of tax	17	**-473**		**-1,197**	
Total comprehensive income for the year		**16,915**		**14,083**	
Profit for the financial year attributable to					
Equity holders of the parent company		17,387		15,280	
Total comprehensive income attributable to					
Equity holders of the parent company		16,915		14,083	
Earnings per share calculated from the profit attributable to equity holders of the parent company					
Basic earnings per share, EUR	18	0.70		0.62	
Diluted earnings per share, EUR	18	0.70		0.62	

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Goodwill	22	79,044	65,165
Other intangible assets	19	27,472	20,856
Tangible assets	20	17,264	4,065
Investments at fair value through other comprehensive income	21	387	695
Other non-current receivables		54	54
Deferred tax assets	30	259	161
Non-current assets, total		**124,480**	**90,995**
Current assets			
Inventory	23	313	362
Work in progress	7	22,498	20,503
Trade and other receivables	24	39,332	32,367
Current tax assets		401	223
Cash and cash equivalents		15,878	16,115
Current assets, total		**78,421**	**69,569**
TOTAL ASSETS		**202,901**	**160,564**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	5,000	5,000
Share premium account	25	6,701	6,701
Unrestricted equity fund	25	20,101	20,101
Own shares	25	-700	-452
Cumulative translation adjustment	25	-4,299	-3,901
Other reserves	25	108	231
Retained earnings	25	32,441	24,567
Profit for the financial year	25	17,387	15,280
Equity, total		**76,740**	**67,527**
Non-current liabilities			
Deferred tax liabilities	30	6,481	4,518
Interest-bearing liabilities	27	33,116	24,105
Other non-current liabilities	28	27	2,036
Non-current liabilities, total		**39,624**	**30,659**
Current liabilities			
Interest-bearing liabilities	27	23,139	12,147
Advances received	7	5,378	3,064
Trade and other payables	29	55,588	45,386
Current income tax liabilities		2,433	1,782
Current liabilities, total		**86,537**	**62,378**
Liabilities, total		**126,161**	**93,037**
TOTAL EQUITY AND LIABILITIES		**202,901**	**160,564**

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
OPERATING CASH FLOW			
Cash receipts from customers		263,365	239,983
Operating expenses paid		-225,189	-212,081
Operating cash flow before financial items and taxes		38,176	27,903
Interest and payment paid for financial expenses	**15**	-1,192	-956
Interest received	**14**	162	59
Income taxes paid	**17**	-4,262	-3,950
Operating cash flow (A)		**32,884**	**23,055**
INVESTING CASH FLOW			
Purchase of tangible and intangible assets	**19, 20**	-2,063	-1,752
Acquisition of subsidiaries, net of cash acquired	**5**	-21,049	-8,262
Proceeds from sale of tangible and intangible assets		81	21
Proceeds from sale of investments	**21**	215	1
Investing cash flow (B)		**-22,816**	**-9,992**
Cash flow after investments (A+B)		**10,068**	**13,063**
FINANCING CASH FLOW			
Purchase of own shares	**25**	-519	-516
Expenses paid for directed share issue		0	-7
Issue of new current loans	**27**	2,020	3,559
Repayments of current loans	**27**	-8,440	-24,743
Issue of new non-current loans	**27**	13,500	22,102
Payment of lease liabilities	**20**	-9,624	-1,765
Dividend paid	**25**	-7,454	-5,684
Financing cash flow (C)		**-10,517**	**-7,054**
Variation in cash (A+B+C) increase (+) / decrease (-)		**-449**	**6,009**
Assets at the beginning of the financial period		16,115	10,074
Exchange gains or losses on cash and cash equivalents		212	32
Assets at the end of the financial period		15,878	16,115

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

EUR 1,000	Share capital	Share premium account	Unrestricted equity fund	Other reserves	Own shares	Cumulative translation adjustment	Retained earnings	Total
Equity Jan 1, 2019	**5,000**	**6,701**	**20,101**	**231**	**-452**	**-3,901**	**39,846**	**67,527**
Comprehensive income								
Profit for the financial year	0	0	0	0	0	0	17,387	17,387
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	-75	0	0	0	-75
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	0	0	0	-49	0	0	49	0
Cumulative translation adjustment	0	0	0	0	0	-398	0	-398
Total comprehensive income for the year	**0**	**0**	**0**	**-123**	**0**	**-398**	**17,436**	**16,915**
Transactions with owners								
Dividends	0	0	0	0	0	0	-7,454	-7,454
Purchase of own shares	0	0	0	0	-519	0	0	-519
Share-based incentive plan	0	0	0	0	271	0	0	271
Transactions with owners, total	**0**	**0**	**0**	**0**	**-248**	**0**	**-7,454**	**-7,702**
Equity Dec 31, 2019	**5,000**	**6,701**	**20,101**	**108**	**-700**	**-4,299**	**49,829**	**76,740**

The notes are an integral part of the Financial Statements.

Notes to the consolidated financial statements

1 GENERAL INFORMATION

The Parent Company of Etteplan Group is Etteplan Oyj, a Finnish public limited company established under Finnish law. The Company is domiciled in Vantaa. Etteplan's shares are listed in Nasdaq Helsinki Ltd's Mid Cap market capitalization group in the Industrials sector under the ETTE ticker.

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

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

The Etteplan Oyj Board of Directors approved these Financial Statements for publication at its meeting on February 11, 2020.

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

2 A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis for preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared in accordance with IAS and IFRS standards and SIC and IFRIC interpretations approved for implementation in EU directive N:o 1606/2002 at December 31, 2019. The notes to the Financial Statements are also prepared in accordance with the Finnish accounting and company regulation, which complements the IFRS requirements. The Consolidated Financial Statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities, which are recognized at fair value.

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

Figures in the Financial Statements are presented in thousands of euros and are therefore rounded.

2.1.1 Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group

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

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristic
- the exclusion of leases of low value assets in measurement of the right-of-use asset and lease liability
- 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.

The table below describes the formation of IFRS 16 lease liability on Jan 1, 2019.

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

Additional information presented in Note 2.19

b) Forthcoming requirements

The new standards, amendments and interpretations issued, but effective later than for the financial year beginning January 1, 2019 are not expected to have a significant effect on the Consolidated Financial Statements of the Group.

2.2 Consolidation

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

c) Group companies

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

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

2.5 Intangible assets

Intangible assets acquired in business combinations are recognized at fair value at the acquisition date. Other intangible assets are recorded in the balance sheet at historical cost. Assets with limited useful lives are amortized on a straight-line basis over their useful lives. The amortization periods of intangible assets are:

Software and other intangible rights	3 to 7 years
Internally created software	3 to 5 years
Customer base	10 years
Contractual intangible assets	3 years
Other intangible assets	3 years

The residual value, useful life and amortization method of each asset is examined at the end of each financial year and adjusted, if necessary, to reflect the changes in expectations of the economic benefits to be gained from the asset.

Intangible assets are classified as follows;

Intangible rights mainly include software licenses owned by the Group.

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

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

Directly attributable costs, which are capitalized as part of the software product include the software development employee costs and such overhead costs that are directly attributable to the development. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their useful lives. Significant, unfinished intangible assets are tested for impairment annually. Research costs are recognized as an expense as incurred.

Fair value adjustments in acquisitions include intangible assets acquired in business combinations; customer base and contractual intangible assets (non-competition agreements).

Intangible right-of-use assets include leased software activated as described in note 2.19.

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

2.6 Tangible assets

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

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

Buildings	50 years
Office premises	1.5 to 5 years
Computers	3 years
Vehicles	4 to 5 years
Office furniture	5 to 10 years
Renovation of premises	5 to 7 years

Land areas are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in other operating income or expenses in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Tangible right-of-use assets consist of leased computers and cars as well as leased office premises activated as described in note 2.19.

2.7 Impairment of non-financial assets

The Group assesses at the end of each reporting period, whether there are indications of impairment of non-financial assets. Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization, as well as assets with unlimited useful life, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value-in-use. Value-in-use is defined as the discounted estimated future net cash flows generated by the asset or cash-generating unit. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows followed for internal management (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each financial period. The impairment loss recognized for these assets is reversed, in case there has been a change in the estimates of recoverable amount. The impairment loss is only reversed to the amount of the book value of the asset before impairment. An impairment loss for goodwill is not reversed under any circumstances.

The essential assumptions for impairment tests are presented in note 22 to the Financial Statements (Impairment testing).

2.8 Financial instruments

2.8.1 Recognition

Regular purchases and sales of financial instruments are recognized on the trade-date – the date on which the Group commits to purchase or sell the instrument. At initial recognition, the Group measures a financial instrument at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at FVPL are expensed in profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the liability has ceased, that is, the obligation specified in the agreement is fulfilled or revoked or its validity has ended.

2.8.2 Classification

The Group classifies its financial instruments in the following subsequent measurement categories:

Categories of financial assets:

- measured at amortized cost
- measured at fair value through Other Comprehensive Income (FVOCI), and
- measured at fair value through profit or loss (FVPL)

The classification of financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The classification changes only if the business model changes.

Categories of financial liabilities:

- measured at amortized cost, and
- measured at fair value through profit or loss (FVPL)

2.8.3 Subsequent measurement

Gains and losses for assets and liabilities measured at fair value will either be recorded in profit or loss or OCI.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group measures all its equity investments at FVOCI, because the Group's management has made an irrevocable election to present fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of these investments. Only the dividends from these investments are recognized in profit or loss when the Group's right to receive payments is established. These investments consist of premises shares used by the Group and quoted and unquoted, mainly phone company shares, which are not held for trading. The changes in the fair value of these shares does not have a material link to the business operations of the Group.

More information on the balance sheet items included in each measurement category can be found in note 21.

2.8.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. See note 4.1.4 for further details.

2.9 Trade receivables

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables are classified as current assets, if collection is expected in one year or less. Otherwise, they are classified as non-current assets. Expected credit losses are estimated as described in note 4.1.4.

2.10 Cash and cash equivalents

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

2.11 Trade payables and other payables

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

2.12 Loans

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

2.13 Inventory

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

2.14 Equity

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

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

A liability is recognized for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.15 Current and deferred income tax

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

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

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

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

2.16 Employee benefits

a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

b) Bonus plans

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

c) Share-based incentive plans

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

2.17 Revenue recognition

Etteplan's revenue streams consist mainly of the following three service areas:

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

Software and Embedded Solutions 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.

Technical Documentation Solutions 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.

Revenue includes revenue from contracts with customers adjusted for indirect taxes and discounts. Revenue is recognized following a five-step model, on the basis of which the timing and amount of revenue to be recognized is determined. The model involves identifying the contract with the customer and its performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue. Revenue is recognized when the customer obtains control to the promised service or product; either over time or at a point in time. The Group recognizes revenue in a way that represents the rendering of the promised services or goods to the customer, and to such an amount that represents the compensation the Group expects to be entitled to in exchange for the goods and services.

Etteplan divides its services into the following categories according to the applied method of revenue recognition:

- Design and consultancy projects, where either a fixed price or a target price limiting the amount of revenue that can be recognized for the project is set in the agreement with the customer. In this type of projects, revenue is recognized over time based on the percentage of completion method. The percentage of completion is measured as the costs of the project realized as a proportion to the total expected costs of the project, because it is seen as the most accurate way of measuring the transfer of control to the customer. If the agreement includes separately identifiable performance obligations, revenue for each performance obligation is recognized separately. In the case of contracts whose outcome cannot be assessed reliably, project expenditure is expensed for the period in which it arises. Likewise, the amount of revenue recognized from a project does not exceed expenditure. The total loss on a contract that will probably result in a loss is reserved and expensed immediately. The revenue for possible additional work and changes are recognized separately when they comprise a separate performance obligation and are priced according to standalone transaction prices.
- Design and consultancy projects, where all costs incurred can be invoiced to the customer without other limitations than the agreed invoicing price. In this type of projects revenue is recognized over time as the service is being performed. The performance obligation in the agreement with the customer is most typically one working hour.
- Arrangements, where the customer buys a license to software created by Etteplan and maintenance related to the license. Revenue for the license itself is recognized when the customer obtains access to the license. Revenue for maintenance related to the license is recognized over time as the service is rendered.

Transaction prices are based on customer agreements, where separate prices are set for separate performance obligations. Changes to customer agreements as well as additional work agreed on, are recognized as separate performance obligations. The Group has enforceable right to payment for performance completed to date, in case the project is terminated, in essentially all of its projects.

Costs incurred from work performed and transferred to customer, but not yet invoiced, are activated as contract assets and included in the balance sheet line item "Work in progress". Contract assets are transferred to Trade payables upon invoicing. Invoices are most typically payable within 30 days. Payments received from customers in advance of work being transferred are recorded as contract liabilities in the balance sheet line item "Advance payments". These amounts are recognized as revenue as the work is being transferred to the customer.

2.18 Interest and dividend income

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

2.19 Lease agreements

The Group leases various properties, equipment, software and cars. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options as described below.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities (note 27) include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's weighted average incremental borrowing rate. Generally, the Group uses its weighted average incremental borrowing rate as the discount rate.

Right-of-use assets (notes 19 and 20) are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

After the commencement date the right-of-use asset is measured at amortized cost less impairment. It is adjusted with certain remeasurements of the lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use asset is tested for impairment, when necessary, and the possible impairment is recognized through profit or loss.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and small items of office furniture (note 12).

Extension options are included in several of the Group's office premises rental agreements. These terms are used to maximize operational flexibility in terms of managing contracts. The Group's management uses judgment when determining the extent to which the extension options are used. The Group's management has determined the available extension options to be used in such a way that extension options are used up to 18 months in lease agreements with non-cancellable term of under 18 months and for lease agreements with non-cancellable term of 18 months or more no extension options are used, which the management believes to give the most accurate view of the Group's total lease liability.

2.19.1 Recognition of lease agreements in comparison period (under IAS17)

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

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

2.20 Non-recurring items

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

3 CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

When preparing the Consolidated Financial Statements, estimates and assessments must be made concerning the future. These may affect assets and liabilities at the time of balance sheet preparation, as well as income and expenses in the reporting period. Actual figures may differ from those used in the financial statements. The Group's management may have to make judgment based decisions relating to the choice and application of accounting policies for the financial statements. This particularly concerns the cases when effective IFRSs allow alternative valuation, recording and presenting manners. The Group's management has exercised judgment in implementing the new IFRS 16 standard effective in 2019. Management judgment is exercised, among other things, in determining the extent to which extension options included in lease agreements are used.

Judgments and estimates made in the preparation of the financial statements are based on the management's best judgment on the closing date. They are based on previous experience and future expectations considered to be most likely on the closing date. These include, in particular, factors related to the Group's financial operating environment affecting sales and the cost level. The Group monitors the realization of these estimates and assumptions. The effects of any changes in estimates and assumptions are recognized in the period in which they have been detected.

The assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Fair value measurement in connection with acquisitions

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

b) Impairment testing

The Group tests goodwill and intangible assets with unlimited useful lives for impairment annually. Indications of impairment are evaluated in the manner described in note 2.7. Recoverable amounts for cash-generating units are based on value-in-use calculations. Estimates are required in making these calculations. Values recorded in the balance sheet at the end of the financial year were EUR 79,044 thousand (2018: EUR 65,165 thousand). Additional information on the sensitivity of the recoverable amounts to changes in assumptions used is disclosed in note 22 Impairment testing.

c) Contingent considerations

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

d) Revenue recognition
Revenue recognized over time is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The percentage of completion is measured as the costs of the project realized as a proportion to the total expected costs of the project. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change, and at each reporting date. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that trigger the revision become known by management.

4 MANAGEMENT OF FINANCIAL RISKS

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

4.1 Financial risk factors

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

4.1.1 Foreign-currency risk

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

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

b) Translation risk
The Group is exposed to a translation risk caused by fluctuations in foreign currency exchange rates, when it translates balance sheet items of subsidiaries based outside the euro area into its reporting currency. Main risk is with goodwill booked in Swedish Krona (SEK). The goodwill booked in SEK at December 31, 2019 was EUR 26,154 thousand (2018: EUR 22,009 thousand).

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

2019 EUR 1,000	Effect in profit for the financial year	Effect in other equity items	Effect in goodwill
EUR/SEK 10% increase	-231	-694	-2,378
EUR/SEK 10% decrease	282	848	2,906
EUR/PLN 10% increase	16	-164	0
EUR/PLN 10% decrease	-19	201	0
EUR/CNY 10% increase	14	-93	-170
EUR/CNY 10% decrease	-17	114	208

2018 EUR 1,000	Effect in profit for the financial year	Effect in other equity items	Effect in goodwill
EUR/SEK 10% increase	151	-411	-2,001
EUR/SEK 10% decrease	184	503	2,445
EUR/PLN 10% increase	-23	-155	0
EUR/PLN 10% decrease	28	190	0
EUR/CNY 10% increase	-124	17	-169
EUR/CNY 10% decrease	151	-20	207

4.1.2 Interest risk

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

On the balance sheet date, the total amount of interest-bearing debt excluding lease liabilities was EUR 40,657 thousand (2018: EUR 33,243 thousand) covered with contracts in which the interest range is between 0.65 and 2.0 per cent (2018: between 0.65 and 2.0 per cent). All of the Group's loans have variable interest rates.

The Group monitors the interest risk by calculating the effect of one percentage point change in interest rates on the Group's next twelve months' interest expenses. The sensitivity of the interest position to changes in interest rates is determined by calculating how much an equal one percentage point change in interest rates throughout the Group's interest rate range would change yearly interest expenses. Interest bearing loans from financial institutions excluding lease liabilities are included in the calculation. At the balance sheet date, the Group's sensitivity to an increase in interest rates of one percentage point was approximately EUR 333 thousand (2018: EUR 255 thousand).

4.1.3 Financing and liquidity risk

The Group aims to guarantee solid liquidity in all market conditions through efficient cash management. Credit limits tied to cash pool arrangements are used for short-term financing. On the balance sheet date, the Group had EUR 15,959 thousand (2018: EUR 12,092 thousand) of available credit limits, of which EUR 1,799 thousand (2018: EUR 2,163) was in use. Refinancing risk is attempted to be minimized by applying a balanced maturity schedule for its loan portfolio, ensuring sufficient maturity of loans, and using several banks as sources of financing.

The Group has financial covenants, which are tied to the equity ratio of the Group and to the debt/EBITDA ratio of the Group. In case the Group's equity ratio at the time of the Financial Statement is below 25% or the debt/EBITDA ratio is higher than 3.5, the financer has the right to demand immediate payment of all the Group's loans. According to Consolidated Financial Statements in 2019, the terms of these covenants were not breached.

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

Maturity analysis of financial liabilities

2019 EUR 1,000	Less than 1 year	1–5 years
Borrowings	15,757	24,900
Lease payments	7,381	8,216
Interest payments	273	239
Liabilities from acquisitions	2,430	0
Trade and other payables	14,070	20
Financial liabilities total	**39,912**	**33,375**

2018 EUR 1,000	Less than 1 year	1–5 years
Borrowings	10,943	22,300
Lease payments	1,204	1,803
Interest payments	211	278
Liabilities from acquisitions	860	2,000
Trade and other payables	9,641	29
Financial liabilities total	**22,859**	**26,410**

Non-monetary changes in interest-bearing liabilities

EUR 1,000	2019	2018
Interest-bearing liabilities Jan 1	**36,252**	**34,963**
Financing cash flow	-2,544	-847
Non-monetary changes		
IFRS 16 implementation	12,337	0
New leases	10,238	2.170
Lease disposals	-494	0
Liabilities assumed in acquisitions	314	0
Translation differences	153	-35
Non-monetary changes, total	22,547	2.136
Interest-bearing liabilities Dec 31	**56,255**	**36,252**

4.1.4 Counterparty and credit risk

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

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets ("Work in progress") including amounts not due. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The measurement of the expected credit losses includes forward looking information in the form of the estimated growth of the EU gross domestic product.

The Group's management also estimates expected credit losses case-by-case according to management judgment. Generally, the Group recognizes a 50 per cent allowance for receivables that are more than 60 days past due and a 100 per cent reservation for receivables that are more than 90 days past due. The lifetime expected credit loss allowance and the case by case credit loss allowance are presented as net.

The total deduction in trade receivables related to expected credit losses at December 31 is determined as follows:

2019		Past due				
EUR 1,000	**Not due**	**0–30 d**	**31–60 d**	**61–90 d**	**Over 90 d**	**Total**
Expected loss rate	0.1 %	0.1 %	3.1 %	7.2 %	5.9 %	
Trade receivables	30,197	3,725	745	79	1,261	36,008
Contract assets	22,498	0	0	0	0	22,498
Lifetime expected loss allowance	53	4	23	6	74	160
Case by case loss allowance	0	0	0	0	413	413
Loss allowance net						**413**

2018		Past due				
EUR 1,000	**Not due**	**0–30 d**	**31–60 d**	**61–90 d**	**Over 90 d**	**Total**
Expected loss rate	0.1 %	0.1 %	1.4 %	3.8 %	7.3 %	
Trade receivables	23,764	3,000	782	367	965	28,879
Contract assets	20,503	0	0	0	0	20,503
Lifetime expected loss allowance	44	3	11	14	70	143
Case by case loss allowance	0	0	0	0	312	312
Loss allowance net						**312**

Movements of the allowance for impairment

	2019	2018
Loss allowance recognized Jan 1	**-312**	**-251**
Payments received	0	115
Loss allowance in acquirees	-105	0
Provision for impairment of receivables, decrease (+) / increase (-)	4	-175
Loss allowance Dec 31	**-413**	**-312**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

4.2 Capital risk management

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

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

EUR 1,000	2019	2018
Gross interest-bearing debt	56,255	36,252
Less: cash and cash equivalents	-15,878	-16,115
Net debt	40,377	20,137
Total equity	76,740	67,527
Net gearing ratio	**52.6 %**	**29.8%**

5 BUSINESS COMBINATIONS

Devex Mekatronik AB

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

The acquisition consideration recognized at the time of the acquisition was EUR 6,724 thousand in total. The acquisition consideration consists of a cash payment and a contingent consideration. The cash consideration amounts to EUR 4,714 thousand. In addition, a contingent consideration of EUR 0–2,000 thousand (undiscounted amount) is agreed upon. The contingent consideration will be paid in full, provided that the threshold set in the share transfer agreement for operating profit in year 2019 is met. The fair value of the contingent consideration is estimated by applying the income approach. At the time of acquisition the fair value of the contingent consideration was EUR 2,010 thousand.

The goodwill of EUR 3,949 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.

EMP Engineering Alliance

Etteplan expanded its operations in Germany to engineering services and acquired EMP Engineering Alliance, a company specializing in industrial automation and process engineering on July 4, 2019. Previously Etteplan was offering services for technical documentation in Germany. Established in 1984, EMP Engineering Alliance specializes in industrial automation and electrical engineering as well as process engineering, and has companies such as Bayer, Shell and ABB as well as a numerous amount of other process industry companies as customers. In 2018, EMP Engineering Alliance's revenue totaled EUR 16.8 million, and it employs more than 130 experts in process automation in four different cities: Leverkusen, Berlin, Bottrop and Frankfurt.

The acquisition consideration recognized at the time of the acquisition, paid in cash, was EUR 13,494 thousand in total.

The goodwill of EUR 8,730 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.

Teknifo AB

Etteplan continued to strengthen its position in Sweden by acquiring Teknifo AB, a company specializing in technical product documentation, on October 8, 2019. Teknifo AB, established in 1980, is located in Växjö and Ljungby in Southern Sweden and has some 20 employees. Teknifo is strong in technical documentation for heavy industry vehicles.

The acquisition consideration recognized at the time of the acquisition, paid in cash, was EUR 1,226 thousand in total.

The goodwill of EUR 599 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.

Triview Technical Communication B.V.

On November 15, 2019 Etteplan acquired Triview Technical Communication B.V., a Dutch company specializing in technical documentation. Triview Technical Communication B.V. is located in the city of Soesterberg and has some 30 employees. The acquisition fits well with Etteplan's growth strategy as it strengthens Etteplan's leading position in technical documentation in the Netherlands.

The acquisition consideration recognized at the time of the acquisition, paid in cash, was EUR 2,100 thousand in total.

The goodwill of EUR 900 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.

Acquisitions total

The following table summarizes the acquisition consideration, assets acquired and liabilities assumed for the acquisitions in total.

Consideration transferred:	**EUR 1,000**
Cash payment	21,535
Contingent consideration	2,010
Total consideration transferred	**23,545**
Assets and liabilities	
Tangible assets	2,843
Intangible assets	12
Customer relationships (intangible assets)	9,304
Contractual intangible assets	517
Trade and other receivables	6,000
Cash and cash equivalents	1,233
Total assets	**19,908**
Non-current liabilities	1,451
Current liabilities	6,742
Deferred tax liability	2,350
Total liabilities	**10,543**
Total identifiable net assets	**9,365**
Formation of goodwill:	
Consideration transferred	23,545
Total identifiable net assets	-9,365
Goodwill	**14,179**

Trade and other receivables comprise gross contractual amounts of EUR 6,000 thousand, none of which was expected to be uncollectible at time of acquisition.

Costs related to acquisitions, EUR 383 thousand, are included in other operating expenses in the income statement.

The revenue included in the income statement contributed by the acquired companies was EUR 15,205 thousand and profit for the financial year EUR 2,086 thousand. Had the companies been consolidated from January 1, 2019, the income statement would show revenue of EUR 278,530 thousand and profit for the financial year of EUR 17,656 thousand.

Changes in contingent considerations

A profit of EUR 1,636 thousand was recognized in the income statement from premeasurements of contingent considerations related to previous' years' acquisitions.

6 SEGMENT REPORTING

The Group has three reportable segments, the revenue of which consist mainly of rendering of services. Etteplan renewed its organization and structure and made changes to its segment reporting effective from January 1, 2019. Starting from the beginning of 2019, the names of the service areas are Engineering Solutions; Software and Embedded Solutions; and Technical Documentation Solutions. Each service area forms a separate reporting segment. Earlier the Group had one reportable segment. Comparison year's figures are restated according to the new segment structure in the tables below.

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

Software and Embedded Solutions 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.

Technical Documentation Solutions 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.

EUR 1,000 2019	Engineering Solutions	Software and Embedded Solutions	Technical Documentation Solutions	Reportable segments total	Other segments	Total
External revenue	147,037	67,481	48,218	**262,736**	555	**263,292**
Operating profit (EBITA)	14,464	6,263	4,093	**24,820**	1,144	**25,964**
Personnel at end of the period	1,995	713	651	**3,359**	88	**3,447**

EUR 1,000 2018	Engineering Solutions	Software and Embedded Solutions	Technical Documentation Solutions	Reportable segments total	Other segments	Total
External revenue	132,061	60,017	44,305	**236,383**	94	**236,477**
Operating profit (EBITA)	12,985	5,837	3,684	**22,506**	49	**22,555**
Personnel at end of the period	1,735	650	586	**2,970**	85	**3,055**

Reconciliation of Operating profit (EBITA) and Profit before taxes

EUR 1,000	2019	2018
Operating profit (EBITA)	**25,964**	**22,555**
Amortization on fair value adjustments at acquisitions	-3,146	-2,371
Operating profit (EBIT)	**22,819**	**20,184**
Financial income	695	791
Financial expenses	-1,590	-1,580
Profit before taxes	**21,924**	**19,396**

Segments' non-current assets

Segments' non-current assets exclude financial instruments and deferred tax assets. Non-current assets are presented according to the location of the asset, because the Group's chief operating decision-maker follows asset items at country level.

EUR 1,000	2019	2018
Finland	63,498	58,983
Sweden	32,805	23,646
China	2,386	2,171
Central Europe	25,145	5,339
Total	**123,834**	**90,140**

Disaggregation of revenue by geographical area is presented in note 7.

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

The tables below present the disaggregation of revenue by geographical area and timing of revenue recognition. The external revenue of each geographical area is presented according to the location of the seller. Etteplan China operations sell their services both locally and through other Group companies, thus this revenue is partly included in the revenue from other areas.

EUR 1,000	2019	2018
Primary geographical location		
Finland	173,789	161,571
Sweden	57,123	50,353
China	7,116	7,587
Central Europe	25,264	16,966
Total	**263,292**	**236,477**
Timing of revenue recognition		
Transferred at a point in time	2,339	1,969
Transferred over time	260,953	234,508
Total	**263,292**	**236,477**

Assets and liabilities related to contracts with customers

The Group recognized the following contract assets and liabilities related to contracts with customers. For details on impairment loss allowance, please see note 4.1.4. Trade receivables are specified in note 24.

EUR 1,000	2019	2018
Contract assets (Work in progress)		
Work in progress Jan 1	20,503	19,246
Business combinations	1,828	7
Additions	247,163	222,246
Invoicing	-248,056	-219,846
Work in progress and advances received presented as net	935	-1,030
Other changes	125	-121
Contract assets Dec 31	**22,498**	**20,503**
Contract liabilities (Advances received)		
Advances received Jan 1	3,064	2,057
Additions	22,281	18,539
Revenue recognized that was included in the contract liability at the beginning of the period	-20,963	-16,587
Work in progress and advances received presented as net	935	-1,030
Other changes	61	86
Contract liabilities Dec 31	**5,378**	**3,064**

8 OTHER OPERATING INCOME

EUR 1,000	2019	2018
Premeasurement of contingent considerations in business combinations	1,636	681
Insurance and other compensations received	433	290
Other operating income	513	201
Total	**2,582**	**1,172**

9 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 lines in which they are included in the income statement are specified in the table below. Non-recurring items relate to premeasurements of contingent considerations, acquisitions and restructuring.

EUR 1,000	2019	2018
Other operating income	1,636	681
Staff costs and other operating expenses	-539	-1,012
Operating profit (EBIT)	**1,097**	**-331**

10 MATERIALS AND SERVICES

EUR 1,000	2019	2018
Materials	8,466	5,406
Services from others	18,084	16,416
Total	**26,550**	**21,822**

11 NUMBER OF PERSONNEL AND STAFF COSTS

	2019	2018
Personnel		
Personnel at year-end	3,447	3,055
Personnel, average	3,305	2,995
Personnel by category		
Design personnel	3,313	2,926
Administrative personnel	134	129
Total	**3,447**	**3,055**

EUR 1,000	2019	2018
Staff costs		
Wages and salaries	139,098	125,622
Pension costs - defined contribution plans	19,222	18,129
Other indirect employee costs	14,200	12,432
Total	**172,520**	**156,183**

Compensation of the Board of Directors and top management are disclosed in note 32 Related party transactions.

In Sweden and the Netherlands, a part of the pension arrangements are multi-employer defined benefit plans, which are secured through an insurance. The plans pool the assets contributed by various entities that are not under common control. The assets provide benefits to employees of more than one entity. Sufficient information for the calculation of obligations and asset by employer is not available from the insurers. Therefore, these plans are treated in accounting as defined contribution plans. Total amount paid to the insurer in 2019 in Sweden was EUR 1,113 thousand (2018: EUR 1,130 thousand) and in the Netherlands EUR 510 thousand (2018: EUR 463 thousand).

12 OTHER OPERATING EXPENSES

Expenses in 2019 do not include leasing costs for other than low value assets due to IFRS 16 implementation on January 1, 2019.

EUR 1,000	2019	2018
Software and telecommunication expenses	8,291	8,282
Travel expenses	7,422	8,013
Premises expenses	1,144	6,365
Epenses related to leases of low-value assets	900	0
Voluntary personnel expenses	5,679	5,361
Change in credit loss allowance	-4	175
Other expenses	5,841	5,451
Total	**29,273**	**33,648**

13 AUDIT FEES

EUR 1,000	2019	2018
Auditing, KPMG-network	102	82
Auditor's statements based on laws and regulations, KPMG Oy Ab	3	5
Other services (tax services), KPMG Oy Ab	26	19
Other services (other services), KPMG Oy Ab	183	76
Auditing, other auditors	17	74
Other services, other auditors	0	4
Total	**331**	**260**

14 FINANCIAL INCOME

EUR 1,000	2019	2018
Dividend income from investments	11	9
Interest income from loans and other receivables	152	49
Foreign exchange gain	532	733
Total	**695**	**791**

15 FINANCIAL EXPENSES

EUR 1,000	2019	2018
Interest on borrowings	695	679
Leasing interest expenses	196	74
Foreign exchange loss	502	684
Other financial expenses	196	143
Total	**1,590**	**1,580**

16 TRANSLATION DIFFERENCES RECOGNIZED IN INCOME STATEMENT

EUR 1,000	2019	2018
Foreign exchange gain included in financial income	532	733
Foreign exchange loss included in financial expenses	-502	-684
Total	**30**	**49**

17 INCOME TAXES

EUR 1,000	2019	2018
Tax on income from operations	-5,048	-4,195
Tax corrections for previous accounting periods	-19	43
Change in deferred tax asset	98	22
Change in deferred tax liability	432	14
Total	**-4,536**	**-4,116**

Reconciliation between income taxes in the income statement and the theoretical amount of tax that would arise using the Group's domestic tax rate (2019: 20.0%, 2018: 20.0%)

EUR 1,000	2019	2018
Accounting profit before tax	21,924	19,396
Income tax expense		
Mathematical tax based on parent company's tax rate	-4,385	-3,879
Differences (net)		
Effect of different tax rates in group companies	-136	-76
Calculated tax based on non-deductible items on unit's tax rate	-341	-705
Calculated tax based on non-taxable items on unit's tax rate	543	536
Tax corrections for previous accounting periods	19	-43
Use of previously unrecognized tax on confirmed losses	40	345
Unrecognized tax on loss for the period	-300	-265
Other tax difference	24	-29
Income tax expense	**-4,536**	**-4,116**

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

2019	Before tax	Tax charge / credit	After tax
Change in fair value of equity investments at fair value through other comprehensive income	-93	19	-75
Currency translation differences	-398	0	-398
Other comprehensive income for the year, net of tax	**-491**	**19**	**-473**

2018	Before tax	Tax charge / credit	After tax
Change in fair value of equity investments at fair value through other comprehensive income	4	-1	3
Currency translation differences	-1,200	0	-1,200
Other comprehensive income for the year, net of tax	**-1,196**	**-1**	**-1,197**

18 EARNINGS PER SHARE

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

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

	2019	2018
Profit attributable to equity holders of the Parent Company (EUR 1,000)	17,387	15,280
Issue adjusted weighted average number of shares (1,000 pcs)	24,832	24,818
Basic earnings per share (EUR/share)	**0.70**	**0.62**
The diluted weighted avarage number of shares for the calculation of earnings per share (1,000 pcs)	24,832	24,818
Diluted earnings per share (EUR/share)	**0.70**	**0.62**

19 INTANGIBLE ASSETS

2019 EUR 1,000	Intangible rights	Internally created intangible assets	Fair value adjust-ments in acquisitions	Intangible right-of-use assets*	Advance payments	Goodwill	Total
Acquisition cost Jan 1	10,992	2,265	26,419	3,966	657	65,165	109,464
Translation difference	2	0	2	-5	0	-344	-345
Acquisition of subsidiaries	12	0	9,790	0	0	14,224	24,026
Additions	836	49	0	857	37	0	1,778
Reclassifications between items	107	581	0	0	-581	0	107
Disposals	-489	-36	0	0	0	0	-525
Acquisition cost Dec 31	11,460	2,858	36,210	4,818	113	79,044	134,504
Cumulative amortization Jan 1	-9,079	-1,834	-9,314	-3,216	0	0	-23,443
Translation difference	0	0	6	5	0	0	10
Cumulative amortization on disposals and reclassifications	489	33	0	0	0	0	522
Amortization for the financial year	-849	-309	-3,146	-773	0	0	-5,077
Cumulative amortization Dec 31	-9,440	-2,110	-12,454	-3,985	0	0	-27,988
Book value Dec 31, 2019	**2,020**	**749**	**23,756**	**834**	**113**	**79,044**	**106,516**

*2018: Other intangible assets, finance lease (IAS 17)

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 year	-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**

20 TANGIBLE ASSETS

2019 EUR 1,000	Land and water	Buildings	Machinery and equipment	Other tangible assets	Right-of-use assets Machinery and equipment*	Right-of-use assets Premises	Total
Acquisition cost Dec 31, 2018	19	0	13,580	923	10,673	0	25,196
IFRS 16 implementation	0	0	0	0	1,835	10,502	12,337
Acquisition cost Jan 1	19	0	13,580	923	12,508	10,502	37,532
Translation difference	0	0	-53	0	-24	0	-78
Acquisition of subsidiaries	0	501	185	0	686	1,470	2,842
Additions	0	0	1,011	54	2,873	4,352	8,290
Reclassifications between items	0	0	-81	50	0	0	-31
Disposals	0	-5	-2,216	-48	-188	-306	-2,763
Acquisition cost Dec 31	19	495	12,426	979	15,855	16,017	45,792
Cumulative depreciation Jan 1	0	0	-11,841	-832	-8,457	0	-21,131
Translation difference	0	0	57	0	16	0	72
Cumulative depreciation on acquisitions	0	0	-28	0	0	0	-28
Cumulative depreciation on disposals and reclassifications	0	0	2,194	0	0	0	2,194
Depreciation for the financial year	0	0	-877	-45	-2,880	-5,833	-9,635
Cumulative depreciation Dec 31	0	0	-10,496	-878	-11,321	-5,833	-28,528
Book value Dec 31, 2019	**19**	**495**	**1,930**	**101**	**4,534**	**10,184**	**17,264**

*2018: Machinery and equipment, finance lease (IAS 17)

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

Right-of-use assets in total

EUR 1,000	2019	2018
Book value at the end of the previous financial year	2,966	2,583
IFRS 16 implementation	12,337	0
Book value Jan 1	**15,302**	**2,583**
Translation difference	-8	-10
Acquisition of subsidiaries	2,156	0
Additions	8,082	2,170
Disposals and reclassifications	-494	-3
Depreciation for the financial year	-9,486	-1,775
Book value Dec 31	**15,552**	**2,966**

The total cash outflow for leases in financial year 2019 was EUR 9,063 thousand.

Additional information on right-of-use assets and lease liabilities in notes 2.1.1 and 2.19.

21 FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

Financial assets Dec 31, 2019 EUR 1,000	Note	Amortized cost	Fair value through OCI	Book value total	Fair value
Quoted and unquoted shares	21		387	**387**	387
Trade and other receivables	24	36,176		**36,176**	36,176
Cash and cash equivalents		15,878		**15,878**	15,878
Financial assets total		**52,053**	**387**	**52,440**	**52,440**

Financial liabilities Dec 31, 2019 EUR 1,000	Note	Amortized cost	Fair value through profit and loss	Book value total	Fair value
Loans from financial institutions	27	40,657		**40,657**	40,657
Lease liabilities	27	15,597		**15,597**	15,597
Liabilities from acquisitions	29		2,430	**2,430**	2,430
Trade and other payables	29	14,090		**14,090**	14,090
Financial liabilities total		**70,344**	**2,430**	**72,774**	**72,774**

Financial assets Dec 31, 2018 EUR 1,000	Note	Amortized cost	Fair value through OCI	Book value total	Fair value
Quoted and unquoted shares	21		695	695	695
Trade and other receivables	24	29,155		29,155	29,155
Cash and cash equivalents		16,115		16,115	16,115
Financial assets total		**45,271**	**695**	**45,965**	**45,965**

Financial liabilities Dec 31, 2018 EUR 1,000	Note	Amortized cost	Fair value through profit and loss	Book value total	Fair value
Loans from financial institutions	27	33,245		33,245	33,245
Lease liabilities	27	3,007		3,007	3,007
Liabilities from acquisitions	28, 29		2,860	2,860	2,860
Trade and other payables	29	9,670		9,670	9,670
Financial liabilities total		**45,922**	**2,860**	**48,782**	**48,782**

FAIR VALUE HIERARCHY

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

	2019				2018			
EUR 1,000	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Quoted shares	237	0	0	237	185	0	0	185
Premises shares	0	120	0	120	0	480	0	480
Unquoted shares	0	0	30	30	0	0	30	30
Total	**237**	**120**	**30**	**387**	**185**	**480**	**30**	**695**

Reconciliation of financial assets recognized at fair value through OCI

	2019				2018			
EUR 1,000	Quoted shares	Premises shares	Unquoted shares	Total	Quoted shares	Premises shares	Unquoted shares	Total
Opening balance at Jan 1	185	480	30	695	181	480	30	691
Gain/loss recognized in other comprehensive income	52	-145	0	-93	4	0	0	4
Deductions	0	-215	0	-215	0	0	0	0
Closing balance Dec 31	**237**	**120**	**30**	**387**	**185**	**480**	**30**	**695**

Financial liabilities recognized at fair value through profit or loss

	2019				2018			
EUR 1,000	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Contingent liability in acquisitions	0	0	2,430	2,430	0	0	2,860	2,860
Total	**0**	**0**	**2,430**	**2,430**	**0**	**0**	**2,860**	**2,860**

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

	2019		2018	
EUR 1,000	Contingent liability in acquisitions	Total	Contingent liability in acquisitions	Total
Opening balance at Jan 1	2,860	2,860	1,368	1,368
Additions	2,030	2,030	3,425	3,425
Revaluation	-1,636	-1,636	-681	-681
Translation difference	0	0	-10	-10
Payment	-824	-824	-1,243	-1,243
Closing balance Dec 31	**2,430**	**2,430**	**2,860**	**2,860**

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

22 IMPAIRMENT TESTING

Goodwill is allocated to cash-generating units (CGUs) for determination of impairment. In impairment testing, the recoverable amount is defined as value-in-use. Value in use is defined as the discounted estimated future net cash flows generated by the asset or cash-generating unit.

The Group's management follows asset items at country level instead of segment level. Therefore, goodwill is allocated to country level for impairment testing.

The impairment test has been done in Q4 2019 after budgets for 2020 were done and it is based on goodwill as per September 30, 2019. Cash flows after tax are based on budget figures for year one and financials approved by management for the next five-year period. The management makes estimations on the market demand and market environment, which are examined against external information sources. When defining the cash flow, attention is paid on anticipated price and margin development as well as costs, net working capital and investment needs. The management determines these based on past performance and expectations for market development.

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

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

Book value Sep 30 (MEUR)	2019	2018
Finland	38.6	40.0
Sweden	23.7	21.9
China	1.9	1.8
The Netherlands and Germany	11.5	2.8
Total	**75.7**	**66.5**

Key assumptions used for value-in-use calculations	2019	2018
Aggregate growth percentage year 2-5		
Finland	1.0%	1.0%
Sweden	2.0%	2.0%
China	5.0%	5.0%
The Netherlands and Germany	1.0%	1.0%
Growth rate after 5 years	1.0%	1.0%
Discount rate before tax		
Finland	9.2%	10.0%
Sweden	10.1%	9.8%
China	15.6%	15.1%
The Netherlands and Germany	8.5%	9.3%
Discount rate after tax		
Finland	7.5%	8.1%
Sweden	8.1%	7.8%
China	11.5%	11.5%
The Netherlands and Germany	6.6%	7.2%

The recoverable amount exceeds the book value as follows (MEUR):	2019	2018
Finland	175.0	110.5
Sweden	21.9	28.9
China	0.5	5.0
The Netherlands and Germany	11.1	7.4
Total	**208.4**	**151.8**

Sensitivity analysis

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

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

A decrease of profitability by four percentage points would lead to impairment losses in Sweden (EUR 7.5 million), in China (EUR 2.2. million), and in the Netherlands and Germany (EUR 5 million). An increase in the discount rate by four percentage points would lead to impairment losses in China (EUR 0.5 million) and in the Netherlands and Germany (EUR 0.7 million) In China, 0-growth of net sales would lead to an impairment loss of EUR 0.4 million.

In Sweden, a negative change in EBIT% with three percentage points would result in the recoverable amount being equal to the carrying amount. In China, a negative change in EBIT% with one percentage point or an increase in discount rate by two percentage points would result in the recoverable amount being equal to the carrying amount. In the Netherlands and Germany, a negative change in EBIT% with three percentage points or an increase in discount rate by four percentage points would result in the recoverable amount being equal to the carrying amount. Any other likely change in the three parameters isolated would not result in the recoverable amounts being equal to the carrying amounts in the CGUs.

23 INVENTORY

EUR 1,000	2019	2018
Inventory at the beginning of the financial year	362	0
Additions/Deductions	-48	372
Change in the value of inventory recorded in income statement	-1	-10
Total	**313**	**362**

24 TRADE AND OTHER RECEIVABLES

EUR 1,000	2019	2018
Trade receivables	36,008	28,879
Work in progress (contract assets)	22,498	20,503
Credit loss allowance	-413	-312
Other receivables	527	534
Prepayments and accrued income	3,210	3,265
Total	**61,830**	**52,870**

Main items included in prepayments and accrued income	2019	2018
Accruals of personnel expenses	72	447
Prepaid rents	498	374
Other prepayments and accrued income on expenses	2,641	2,444
Total	**3,210**	**3,265**

Analysis of receivables by currency	2019	2018
EUR	40,283	36,800
SEK	16,851	11,875
CNY	2,965	3,198
PLN	1,291	577
Other currencies	440	421
Total	**61,830**	**52,870**

25 EQUITY

Shareholder's equity

Shareholders' equity consists of share capital, share premium account, unrestricted equity fund, own shares, cumulative translation adjustment, other reserves and retained earnings.

Share premium account contains the emission gain from original stock listing as well as funds raised in bonus issues.

Unrestricted equity fund includes funds raised in share issues and decided to be recorded in the Unrestricted equity fund.

Translation differences contains translation differences arising from the conversion of financial statements of foreign units and the foreign subsidiary net investment hedge. The aggregate amount of the net investment hedge (EUR 149 thousand) related to the Swedish unit is recorded in the profit and loss statement upon disposal of the unit.

Other reserves include the fair value reserve, which consists of fair value adjustments of investments at fair value through other comprehensive income amounting to EUR 108 thousand (2018: EUR 231 thousand). The aggregate amount of fair value adjustments are recorded in Retained earnings upon disposal of the investments.

Shares and share capital

The fully paid and registered share capital of the Company at the end of the financial year was EUR 5,000,000 and number of shares was 24,963,308 (2018: 24,963,308). No changes in share capital occurred during financial year. The Company has one series of shares. Each share entitles its holder to one vote in the shareholders' meeting and gives an equal right to dividends.

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

The number of company-held shares at the end of the financial year was 156,203 (2018: 96,203).

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

The Board of Directors has proposed to the Annual General Meeting a dividend of EUR 0.35 to be paid for the financial year 2019.

26 SHARE-BASED PAYMENTS

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

The number of shares expected to be granted to the key personnel at measurement date was 80,730. The fair value of the services provided by the key personnel are determined indirectly from the fair value of the Company's share. The fair value at measurement date was EUR 9.67. Expected dividends or any other features of the shares are excluded from the calculation of fair value.

Staff costs include share-based payments:

EUR 1,000	2019	2018
To be settled in equity in future financial periods	271	144
To be settled in cash in future financial periods	463	176
Total	**734**	**321**

27 INTEREST-BEARING LIABILITIES

EUR 1,000	2019	2018
Non-current		
Loans from financial institutions	24,900	22,302
Lease liabilities*	8,216	1,803
Total	**33,116**	**24,105**

Analysis by currency	2019	2018
EUR	31,048	23,816
SEK	1,270	289
CNY	118	0
PLN	679	0
Total	**33,116**	**24,105**

EUR 1,000	2019	2018
Current		
Loans from financial institutions	15,757	10,943
Lease liabilities*	7,381	1,204
Total	**23,139**	**12,147**

Analysis by currency	2019	2018
EUR	18,379	9,273
SEK	1,486	194
CNY	2,924	2,680
PLN	350	0
Total	**23,139**	**12,147**

*Lease liabilities in 2018 include only finance lease liabilities under IAS 17 due to IFRS 16 implementation on Jan 1, 2019 without restating comparatives.

28 OTHER NON-CURRENT LIABILITIES

EUR 1,000	2019	2018
Liability from acquisitions	0	2,000
Pension liabilities	7	7
Other non-current liabilities	20	29
Total	**27**	**2,036**

29 TRADE AND OTHER PAYABLES

EUR 1,000	2019	2018
Advances received (contract liabilities)	5,378	3,064
Trade payables	14,070	9,641
Accrued expenses	26,150	23,481
Tax payables	12,912	7,730
Liability from acquisitions	2,430	860
Other payables	26	3,674
Total	**60,965**	**48,450**

Main items included in accrued expenses	2019	2018
Interest liabilities	92	38
Accrued employee expenses	23,895	21,771
Other accrued expenses	2,163	1,672
Total	**26,150**	**23,481**

Analysis by currency	2019	2018
EUR	46,244	36,955
SEK	12,232	9,410
CNY	1,225	1,288
PLN	965	707
Other	300	90
Total	**60,965**	**48,450**

30 DEFERRED TAXES

DEFERRED TAXES 2019

Deferred tax assets EUR 1,000	Jan 1, 2019	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2019
Leases	8	0	1	0	0	9
Share-based incentive plan	152	0	97	0	0	250
Total	**161**	**0**	**98**	**0**	**0**	**259**

Deferred tax liabilities EUR 1,000	Jan 1, 2019	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2019
Discretionary provisions	630	-9	184	0	93	898
Fair value adjustments in acquisitions	3,375	-8	-592	0	2,350	5,125
Other timing differences	514	0	-25	-31	0	458
Total	**4,518**	**-17**	**-432**	**-31**	**2,443**	**6,481**

DEFERRED TAXES 2018

Deferred tax assets EUR 1,000	Jan 1, 2018	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2018
Leases	6	0	2	0	0	8
Share-based incentive plan	72	0	80	0	0	152
Total	**79**	**0**	**82**	**0**	**0**	**161**

Deferred tax liabilities EUR 1,000	Jan 1, 2018	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2018
Discretionary provisions	291	-10	348	0	0	630
Fair value adjustments in acquisitions	2,755	-11	-438	0	1,069	3,375
Other timing differences	396	0	117	0	0	514
Total	**3,442**	**-21**	**28**	**0**	**1,069**	**4,518**

At the end of the financial year 2019, the Group had gross losses carried forward of EUR 1,739 thousand (2018: EUR 1,737 thousand) of which a deferred tax asset has not been recognized. These losses are usable to offset future taxable gains a minimum of five years.

31 PLEDGES, MORTGAGES AND GUARANTEES

EUR 1,000	2019	2018
For own debts		
Business mortgages	320	320
Pledged shares	120	120
Other contingencies	591	106
For own debts total	**1,031**	**545**
Operating lease liabilities*		
For payment under one year	0	4,786
For payment 1–5 years	0	4,972
Operating lease liabilities total	**0**	**9,758**
Pledges, mortgages and guarantees total	**1,031**	**10,303**

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

32 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 management personnel is included in the related-party. Key management personnel refers to persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Spouses, wards and companies in control or joint control of the before mentioned persons are considered as other related parties. The ultimate controlling party, Ingman Group Oy Ab, and its group companies are also included in related-parties.

Related-party transactions are priced according to Group's normal pricing basis and purchase conditions, which are equivalent to those that prevail in arm's length transactions.

Group companies Dec 31, 2019

Company	Domicile	Group's / Parent company's holding
Parent company Etteplan Oyj	Vantaa, Finland	
Devex Mekatronik AB	Stockholm, Sweden	100% / 100%
EMP Planungsgesellschaft für Prozessautomation mbH	Leverkusen, Germany	100% / 100%
EMP-B Planungsgesellschaft für Prozessautomation mbH	Berlin, Germany	100% / 100%
EMP Prozessautomation GmbH	Frankfurt am Main, Germany	100% / 100%
Etteplan Finland Oy	Hollola, Finland	100% / 100%
Etteplan Embedded Finland Oy	Espoo, Finland	100% / 100%
Etteplan Poland sp.z.o.o.	Wroclaw, Poland	100% / 0%
Etteplan MORE Oy	Tampere, Finland	100% / 100%
Etteplan Sweden AB	Västerås, Sweden	100% / 100%
Etteplan Technology Center Ltd.	Kunshan, China	100% / 0%
Etteplan Consulting (Shanghai) Co., Ltd.	Shanghai, China	100% / 100%
Etteplan B.V.	Eindhoven, the Netherlands	100% / 100%
Etteplan Netherlands B.V.	Eindhoven, the Netherlands	100% / 0%
Etteplan Deutschland GmbH	Neukirchen-Vlyun, Germany	100% / 0%
Etteplan USA Inc.	Austin (TX), USA	100% / 0%
Triview Technical Communication B.V.	Soesterberg, the Netherlands	100% / 100%

The following group companies have been merged in 2019:	Domicile	Merged to
Eatech Oy	Tampere, Finland	Etteplan MORE Oy
Koodain Solutions Oy	Jyväskylä, Finland	Etteplan MORE Oy
Sorona Innovation AB	Lund, Sweden	Etteplan Sweden AB

The following transactions were carried out with related parties:

EUR 1,000	2019	2018
Sales and purchases of services and related receivables and payables		
Sales of services to other related parties	137	1,100
Purchases of services from other related parties	41	232
Trade receivables from other related parties	2	193
Trade payables to other related parties	11	5

Key management compensation

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

Salaries, fees and fringe benefits paid

EUR 1,000	2019	2018
Members of the Board		
Robert Ingman, Chairman of the Board	75	63
Cristina Andersson	37	30
Matti Huttunen	37	30
Leena Saarinen	39	36
Mikko Tepponen	37	30
Patrick von Essen (until Apr 4, 2019)	8	33
CEO and other members of the Management Group		
Juha Näkki, salaries and fees paid	476	496
Juha Näkki, statutory pension costs	46	54
Other members of the Management Group, salaries and fees paid	1,451	1,696
Other members of the Management Group, statutory pension costs	219	249
Management compensation total	**2,426**	**2,715**

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

Stock options to the key management

Stock options have not been granted to the Company's management during 2019.

33 EVENTS AFTER THE BALANCE SHEET DATE

The Group's management is not aware of any events after the balance sheet date that could have a material impact on the Group's financial position or the figures or calculations reported in these financial statements.

34 KEY FIGURES FOR FINANCIAL TRENDS

EUR 1,000, financial period Jan 1–Dec 31	2019	2018	2017
Revenue	263,292	236,477	214,768
Change in revenue, %	11.3	10.1	16.8
Operating profit (EBITA)	25,964	22,555	17,387
% of revenue	9.9	9.5	8.1
Operating profit (EBIT)	22,819	20,184	15,484
% of revenue	8.7	8.5	7.2
Profit before taxes	21,924	19,396	14,745
% of revenue	8.3	8.2	6.9
Profit for the financial year	17,387	15,280	11,586
Return on equity, %	24.1	24.4	20.9
ROCE, %	19.9	21.3	17.8
Equity ratio, %	38.9	42.9	40.7
Gross investments	36,908	16,527	7,589
% of revenue	14.0	7.0	3.5
Net gearing, %	52.6	29.8	43.0
Personnel, average	3,305	2,995	2,711
Personnel at year end	3,447	3,055	2,802
Staff costs	172,520	156,183	144,965

35 KEY FIGURES FOR SHARES

Financial period Jan 1–Dec 31	2019	2018	2017
Earnings per share, EUR	0.70	0.62	0.47
Equity per share, EUR	3.09	2.72	2.34
Dividend per share, EUR (Proposal by the Board of Directors)	0.35	0.30	0.23
Dividend per earnings per share, %	50	48	49
Effective dividend return, %	3.4	3.8	3.0
P/E-ratio, EUR	14.5	12.8	16.6
Share price, EUR:			
lowest	7.46	7.04	5.56
highest	11.90	10.35	9.49
average for the year	8.99	8.44	7.40
closing	10.15	7.94	7.78
Market capitalization, EUR 1.000	251,792	197,455	192,450
Number of shares traded, 1.000 pcs	1,472	1,151	1,660
Percentage of shares traded	6	5	7
Adjusted average number of shares during the financial year, 1,000 pcs	24,832	24,818	24,663
Adjusted number of shares at year end, 1,000 pcs	24,807	24,963	24,771

FORMULAS FOR THE KEY FIGURES

IFRS KEY FIGURES

Basic earnings per share	=	(Profit for the financial year attributable to equity holders of the parent company) x 100 / Issue adjusted average number of shares during the financial year
Diluted earnings per share	=	(Profit for the financial year attributable to equity holders of the parent company adjusted with dilutive effect) x 100 / Issue adjusted average number of shares during the financial year adjusted with dilutive effect

NON-IFRS KEY FIGURES

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

PARENT COMPANY'S INCOME STATEMENT

EUR 1,000	Note	Jan 1–Dec 31, 2019 FAS	Jan 1–Dec 31, 2018 FAS
Revenue	1	**14,231**	**9,611**
Other operating income	2	34	30
Staff costs	3	-4,933	-4,018
Depreciation and amortization	10.11	-516	-504
Other operating expenses	5	-7,240	-6,907
Operating profit/loss		**1,575**	**-1,787**
Financial income and expenses	6.7	4,725	1,383
Profit/loss before appropriations and taxes		**6,299**	**-404**
Appropriations	8	13,007	11,994
Income taxes	9	-3,030	-2,236
Profit for the financial year		**16,277**	**9,354**

PARENT COMPANY'S BALANCE SHEET

EUR 1,000	Note	Dec 31, 2019 FAS	Dec 31, 2018 FAS
ASSETS			
Non-current assets			
Intangible assets	10	1,953	2,328
Tangible assets	11	19	14
Shares in group companies	12	120,883	98,672
Other investments	12	20	19
Non-current receivables	13	7,409	6,209
Non-current assets, total		**130,284**	**107,242**
Current assets			
Current receivables	14	22,723	18,396
Cash and cash equivalents	15	7,072	10,358
Current assets, total		**29,795**	**28,754**
TOTAL ASSETS		**160,079**	**135,996**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	5,000	5,000
Share premium account	16	6,701	6,701
Unrestricted equity fund	16	20,215	20,215
Own Shares	16	-1,323	-804
Retained earnings	16	15,712	13,812
Profit for the financial year	16	16,277	9,354
Equity, total		**62,582**	**54,278**
APPROPRIATIONS	17	**249**	**256**
Liabilities			
Non-current liabilities	18	24,500	24,000
Current liabilities	19	72,748	57,462
Liabilities, total		**97,248**	**81,462**
TOTAL EQUITY AND LIABILITIES		**160,079**	**135,996**

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1,000	Jan 1–Dec 31, 2019 FAS	Jan 1–Dec 31, 2018 FAS
OPERATING CASH FLOW		
Cash receipts from Group companies	12,071	9,970
Operating expenses paid	-10,495	-10,903
Operating cash flow before financial items and taxes	1,577	-933
Interest and payment paid for financial expenses	-266	-376
Dividends and interest received	5,382	1,371
Income taxes paid	-2,765	-2,045
Operating cash flow (A)	**3,928**	**-1,983**
INVESTING CASH FLOW		
Purchase of tangible and intangible assets	-146	-282
Acquisition of subsidiaries	-22,661	-9,973
Disposal of subsidiaries	0	250
Loans granted to Group companies	-1,200	0
Change of internal bank account receivables	-1,748	916
Investing cash flow (B)	**-25,756**	**-9,089**
FINANCING CASH FLOW		
Purchase of own shares	-519	-516
Issue of new current loans	1,196	2,000
Repayments of current loans	-6,000	-24,492
Change of internal bank account liabilities	5,763	11,713
Issue of new non-current loans	13,500	22,000
Dividend paid	-7,454	-5,684
Group contribution	12,000	9,500
Financing cash flow (C)	**18,487**	**14,521**
Variation in cash (A+B+C) increase (+) / decrease (-)	**-3,341**	**3,449**
Assets at the beginning of the period	10,358	6,675
Exchange gains or losses on cash and cash equivalents	55	235
Assets at the end of the period	7,072	10,358

PARENT COMPANY'S ACCOUNTING POLICIES

Basis of preparation

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

Etteplan Oyj's revenue consists of software and management fees from Group companies.

Activated development costs

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

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

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

Measurement of non-current assets

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

The useful lives of other non-current assets are:

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

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

Income taxes

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

Accumulated appropriations in the parent company

Postponed depreciations of machinery and equipment amount to a total of EUR 15 thousand. A deferred tax asset is not booked for the postponed depreciations.

Pension agreements

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

Lease agreements

Contractual lease payments are expensed over the lease period.

NOTES TO THE INCOME STATEMENT, PARENT COMPANY

1 REVENUE

EUR 1,000	2019	2018
Finland	14,231	9,611

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

2 OTHER OPERATING INCOME

EUR 1,000	2019	2018
Other operating income	34	30
Total	**34**	**30**

3 NUMBER OF PERSONNEL AND STAFF COSTS

	2019	2018
Personnel		
Personnel at year-end	52	47
Personnel, average	51	46
Personnel by category		
Administration personnel	52	47
Total	**52**	**47**

EUR 1,000	2019	2018
Staff costs		
Wages and salaries	4,322	3,440
Pension costs - defined contribution plans	536	502
Other indirect employee costs	75	76
Total	**4,933**	**4,018**

Employee benefits of the Board of Directors and top management are disclosed in the consolidated financial statements note 32 "Related party transactions".

4 AUDIT FEES

EUR 1,000	2019	2018
Auditing, KPMG Oy Ab	31	45
Other services (tax services), KPMG Oy Ab	26	19
Other services (other services), KPMG Oy Ab	183	76
Auditing, other auditors	7	7
Total	**247**	**147**

5 OTHER OPERATING EXPENSES

EUR 1,000	2019	2018
Leasing and rents	998	943
IT costs	3,571	3,168
Services from Group companies	506	610
Other operating expenses	2,164	2,186
Total	**7,240**	**6,907**

6 FINANCIAL INCOME

EUR 1,000	2019	2018
Intra-group dividend income	4,880	1,370
Dividend income from others	8	7
Interest and other financial income, Intra-group	94	94
Foreign exchange gain	58	249
Total	**5,040**	**1,721**

7 FINANCIAL EXPENSES

EUR 1,000	2019	2018
Interest on borrowings from others	297	316
Foreign exchange loss	7	9
Other financial expenses	11	13
Total	**315**	**338**

8 APPROPRIATIONS

EUR 1,000	2019	2018
Group contributions received	13,000	12,000
Increase (-) / decrease (+) in depreciation in excess of plan	7	-6
Total	**13,007**	**11,994**

9 INCOME TAXES

EUR 1,000	2019	2018
Tax on income from operations	3,027	2,176
Tax corrections for previous accounting periods	3	60
Total	**3,030**	**2,236**

NOTES TO THE BALANCE SHEET, PARENT COMPANY

10 INTANGIBLE ASSETS, PARENT COMPANY

Intangible assets 2019 EUR 1,000	Intangible rights	Internally created intangible assets	Other intangible assets	Advance payments	Goodwill	Total
Acquisition cost Jan 1	5,347	0	153	84	2,500	8,084
Additions	105	0	0	28	0	133
Reclassifications between items	0	84	0	-84	0	0
Acquisition cost Dec 31	5,451	84	153	28	2,500	8,217
Cumulative amortization Jan 1	-4,500	0	-153	0	-1,102	-5,756
Amortization for the financial year	-268	-28	0	0	-212	-508
Cumulative amortization Dec 31	-4,768	-28	-153	0	-1,314	-6,263
Book value Dec 31, 2019	**684**	**56**	**0**	**28**	**1,185**	**1,953**

Intangible assets 2018 EUR 1,000	Intangible rights	Other intangible assets	Advance payments	Goodwill	Total
Acquisition cost Jan 1	5,011	153	126	2,500	7,789
Additions	271	0	24	0	295
Reclassifications between items	65	0	-65	0	0
Acquisition cost Dec 31	5,347	153	84	2,500	8,084
Cumulative amortization Jan 1	-4,245	-132	0	-890	-5,267
Amortization for the financial year	-255	-21	0	-212	-489
Cumulative amortization Dec 31	-4,500	-153	0	-1,102	-5,756
Book value Dec 31, 2018	**847**	**0**	**84**	**1,397**	**2,328**

11 TANGIBLE ASSETS, PARENT COMPANY

Tangible assets 2019 EUR 1,000	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan 1	1,148	55	1,203
Additions	13	0	13
Acquisition cost Dec 31	1,161	55	1,217
Cumulative depreciation Jan 1	-1,135	-55	-1,190
Depreciation for the financial year	-8	0	-8
Cumulative depreciation Dec 31	-1,143	-55	-1,198
Book value Dec 31, 2019	**19**	**0**	**19**

Tangible assets 2018 EUR 1,000	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan 1	1,148	55	1,203
Additions	0	0	0
Acquisition cost Dec 31	1,148	55	1,203
Cumulative depreciation Jan 1	-1,121	-54	-1,175
Depreciation for the financial year	-14	-1	-15
Cumulative depreciation Dec 31	-1,135	-55	-1,190
Book value Dec 31, 2018	**13**	**0**	**14**

12 INVESTMENTS, PARENT COMPANY

Investments 2019 EUR 1,000	Shares in Group companies	Other investments	Total
Acquisition cost Jan 1	98,672	19	98,691
Increases	23,848	1	23,848
Decreases	-1,636	0	-1,636
Acquisition cost Dec 31	120,883	20	120,903
Book value Dec 31, 2019	**120,883**	**20**	**120,903**

Investments 2018 EUR 1,000	Shares in Group companies	Other investments	Total
Acquisition cost Jan 1	85,845	19	85,864
Increases	13,748	0	13,748
Decreases	-921	0	-921
Acquisition cost Dec 31	98,672	19	98,691
Book value Dec 31, 2018	**98,672**	**19**	**98,691**

The parent company's direct holdings in Group companies are listed in the consolidated financial statements note 32 "Related-party transactions".

13 NON-CURRENT RECEIVABLES

EUR 1,000	2019	2018
Non-current receivables from Group companies		
Loan receivables	7,409	6,209
Non-current receivables, total	**7,409**	**6,209**

14 CURRENT RECEIVABLES

EUR 1,000	2019	2018
Current receivables from Group companies		
Trade receivables	2,969	1,379
Dividend receivables	0	400
Other receivables	1,178	796
Internal bank account receivables	4,631	2,882
Group contribution receivables	13,000	12,000
Current receivables from others		
Other short-term receivables	14	18
Current prepayments and accrued income	931	921
Current receivables, total	**22,723**	**18,396**
Main items included in prepayments and accrued income		
Prepayments of IT costs	750	429
Other prepayments and accrued income on expenses	181	492
Total	**931**	**921**

15 CASH AND CASH EQUIVALENTS

EUR 1,000	2019	2018
Bank accounts and cash	7,072	10,358
Total	**7,072**	**10,358**

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

16 EQUITY

EUR 1,000	2019	2018
Restricted equity		
Share capital Jan 1	5,000	5,000
Share capital Dec 31	**5,000**	**5,000**
Share premium account Jan 1	6,701	6,701
Share premium account Dec 31	**6,701**	**6,701**
Restricted equity, total	**11,701**	**11,701**
Unrestricted equity		
Unrestricted equity fund Jan 1	20,215	18,715
Directed share issue in business combinations	0	1,500
Unrestricted equity fund Dec 31	**20,215**	**20,215**
Treasury shares Jan 1	-804	-289
Additions	-519	-516
Treasury shares Dec 31	**-1,323**	**-804**
Retained earnings Jan 1	23,166	19,496
Dividends paid	-7,454	-5,684
Retained earnings Dec 31	**15,712**	**13,812**
Profit for the financial year	**16,277**	**9,354**
Unrestricted equity, total	**50,881**	**42,577**
Shareholders' equity, total	**62,582**	**54,278**
Distributable funds Dec 31		
Retained earnings	15,712	13,812
Treasury shares	-1,323	-804
Unrestricted equity fund	20,215	20,215
Profit for the financial year	16,277	9,354
Activated development costs (Advance payments)	-56	-84
Distributable funds Dec 31	**50,824**	**42,492**
Number of shares Jan 1 (1.000 pcs)	24,963	24,771
Directed share issue	0	192
Number of shares Dec 31 (1.000 pcs)	**24,963**	**24,963**

Additional information regarding the shares is presented in section "Shares and share capital" in the consolidated financial statements note 25.

17 ACCUMULATED APPROPRIATIONS

EUR 1,000	2019	2018
Depreciation in excess of plan	249	256
Total	**249**	**256**

18 NON-CURRENT LIABILITIES

EUR 1,000	2019	2018
Loans from financial institutions	24,500	22,000
Accrued liabilities on acquisitions	0	2,000
Total	**24,500**	**24,000**

19 CURRENT LIABILITIES

EUR 1,000	2019	2018
Current liabilities to group companies		
Trade payables	363	82
Other payables	1	225
Internal bank account liabilities	51,903	46,140
Current liabilities to others		
Trade payables	1,775	1,394
Other liabilities	280	195
Accrued expenses	2,902	1,914
Income tax liability	917	652
Accrued liability on acquisitions	2,410	860
Loans from financial institutions	12,196	6,000
Current liabilities total	**72,748**	**57,462**
Main items included in accrued expenses		
Interest liabilities	79	32
Accrued employee expenses	2,434	1,664
Other accrued expenses	389	218
Total	**2,902**	**1,914**

20 PLEDGES, MORTGAGES AND GUARANTEES

EUR 1,000	2019	2018
Guarantees given		
Other contingencies	320	320
Guarantees for Group companies	3,791	4,943
Finance Lease liabilities		
For payment in next financial year	2,807	2,079
For payment later	3,112	1,804
Operating Lease liabilities		
For payment in next financial year	57	75
For payment later	6	48
Credit limits		
Total credit limit available	8,393	8,438
Pledges, mortgages and guarantees total	**18,485**	**17,707**

Etteplan Oyj has given a Parent Company guarantee totalling EUR 4,471 thousand for loans, of which EUR 2,097 thousand is in use, for Etteplan Technology Center Ltd.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 2,322 thousand for loans, of which EUR 602 thousand is in use, for Etteplan Consulting (Shanghai) Co., Ltd.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 570 thousand for loans, of which EUR 0 is in use, for Etteplan B.V.

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

Etteplan Oyj has given a Parent Company guarantee totalling EUR 4,000 thousand for loans, of which EUR 1,002 thousand is in use, for Etteplan Deutschland GmbH.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 717 thousand for loans, of which EUR 0 is in use, for Etteplan Poland sp.z.o.o.

Shares and shareholders

Share capital and shares

On December 31, 2019, Etteplan Oyj's share capital, entered in the trade register and paid in full, was EUR 5,000,000 and the number of shares was 24,963,308. The Company has one series of shares. Each share confers the right to one vote at the General Meeting and the same right to a dividend.

Share quote

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Mid Cap market capitalization group in the Industrials sector under the ETTE ticker. Etteplan moved from the Small Cap group to the Mid Cap group on January 1, 2019.

Share price trend and turnover

The number of Etteplan Oyj shares traded in 2019 was 1,471,517 (2018: 1,151,274), for a total value of EUR 13.23 (9.72) million. The share price low was EUR 7.46, the high EUR 11.9, the average EUR 8.99 and the closing price EUR 10.15. Market capitalization on December 31, 2019, was EUR 251.79 (197.44) million.

Shareholders

At the end of 2019, the Company had 2,914 (2,598) registered shareholders. In total, 492,697 (335,698) shares, or 1.97 (1.35) per cent of all shares, were nominee-registered.

Flaggings

Etteplan Oyj received no flagging notices in 2019.

Treasury shares

On February 7, 2019, Etteplan Oyj's Board of Directors decided to initiate a share repurchase program of Etteplan's own shares in accordance with the authorization given to it by the Annual General Meeting on April 5, 2018. The shares are repurchased in order to be used to fulfill obligations pertaining to the share-based incentive plan for the Group's key personnel. The number of repurchased shares will not exceed 60,000 shares and the corresponding number of voting rights, which corresponds to approximately 0.24 per cent of the current total number of Etteplan's shares. The maximum repurchase price is EUR 9.5 per share. The repurchasing of shares began on February 8, 2019.

On April 4, 2019, Etteplan Oyj's Board of Directors decided to continue the share repurchase program of Etteplan's own shares initiated on February 7, 2019, in accordance with the authorization given to it by the Annual General Meeting on April 4, 2019. The terms of the program remained unchanged. On August 13, 2019, Etteplan's Board of Directors increased the maximum repurchase price to EUR 10.5 per share. On September 17, 2019, the repurchase program was concluded as the maximum number of repurchased shares was reached.

In 2019, Etteplan repurchased a total of 60,000 of the Company's own shares. The Company held 156,203 of its own shares on December 31, 2019 (December 31, 2018: 96,203), which corresponds to 0.63 per cent of all shares and voting rights.

Current authorizations

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

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

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

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

The authorization is valid for 18 months from the date of the resolution of the Annual General Meeting starting on April 4, 2019, and ending on October 4, 2020. The authorization replaces the corresponding previous authorization.

The Annual General Meeting decided to authorize the Board of Directors to resolve on the issuance of a maximum of 2,500,000 shares through issuance of shares, option rights or other special rights entitling to shares under Chapter 10, Section 1 of the Finnish Companies Act in one or more issues. The authorization includes the right to decide to issue either new shares or shares held by the Company.

The authorization includes the right to deviate from the existing shareholders' pre-emptive subscription right as set forth in Chapter 9, Article 3 of the Companies Act. Therefore, the Board of Directors has the right to direct the share issue, or issuance of the option rights or other special rights conferring entitlement to shares. The authorization also includes the right to decide on all the terms of share issue, option rights or other special rights conferring entitlement to shares. The authorization therefore includes the right to determine share subscription prices, persons entitled to subscribe the shares and other terms and conditions applicable to the subscription. In order to deviate from the shareholders' pre-emptive subscription right, the Company must have a weighty financial reason such as financing of a company acquisition, other arrangement in connection with the development of the Company's business or equity or an incentive scheme to the personnel. In connection with the share issuance, the Board of Directors is entitled to decide that the shares may be subscribed against contribution in kind or otherwise under special terms and conditions. The authorization includes the right to determine whether the subscription price will be entered into the share capital or into the reserve of invested unrestricted equity.

The authorization is valid for two (2) years from the date of the resolution of the Annual General Meeting, starting on April 4, 2019, and ending on April 4, 2021.

Option rights

The Company does not currently have a share option program.

Share-based incentive plans

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

Etteplan's Board of Directors confirmed on February 11, 2020, the maximum number of shares, 84,124, earned based on the earning period 2017-2019 of the share-based incentive program for the Company's key personnel, and resolved on the payment of the share rewards from the shares held by the Company. In addition, the Company will pay in cash a proportion to cover taxes and tax-related costs arising from the reward to some 20 people belonging to the target group of the incentive plan. The share rewards will be paid on April 15, 2020.

On February 5, 2020 The Board of Directors of Etteplan Oyj resolved to establish a new share-based incentive plan for the Group key personnel. The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on holding the Company shares. The plan includes one earning period which includes calendar years 2020-2022. The earning period covers the same years as Etteplan's strategy update published in December 2019. The plan is in line with Etteplan's strategy and supports the achievement of the Company's financial targets.

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 after the end of the earning period. 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 25 people belong to the plan, including the Management Group of Etteplan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 390,000 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 share value.

MAJOR SHAREHOLDERS, DECEMBER 31, 2019

Name	Number of shares	Proportion of shares and votes, %
Ingman Group Oy Ab	16,500,000	66.10
Oy Fincorp Ab	2,499,000	10.01
Varma Mutual Pension Insurance Company	985,593	3.95
Tuori Klaus Tapani	402,134	1.61
VAS Invest Oy	370,629	1.48
Taaleritehdas Mikro Markka Fund	339,048	1.36
SEB Gyllenberg Finland Small Cap Fund	335,611	1.34
Tuori Aino	308,275	1.23
Etteplan Oyj	156,203	0.63
Näkki Juha Antti Ilmari	104,947	0.42
Kempe Anna Carita	85,000	0.34
Kokkonen Toni Jere Ensio	58,818	0.24
Kopponen Antti Tapani	58,818	0.24
Mäkelä Esa Tapio	58,818	0.24
Kempe Pia Pauliina	55,000	0.22
Mandatum Life Insurance Company Ltd.	53,583	0.21
Kylänpää Osmo Olavi	53,200	0.21
Säästöpankki Small Cap Mutual Fund	49,241	0.20
Kempe Lasse Martin	45,000	0.18
Kurra Jorma	43,751	0.18
Other shareholders	1,907,942	7.64
Nominee-registrated shares	492,697	1.97
Total	**24,963,308**	**100.00**

BREAKDOWN OF SHAREHOLDINGS BY OWNER GROUP, DECEMBER 31, 2019

Name of the sector	Number of shareholders	Number of shares	Proportion of shares and votes, %
National economy total (domestic sector)			
Companies	111	17,311,098	69.35
Financial and insurance institutions	12	3,249,546	13.02
Public sector entities	3	988,643	3.96
Households	2,764	2,890,396	11.58
Non-profit institutions	8	14,011	0.06
Foreigners	16	16,917	0.07
Nominee-registered shares		492,697	1.97
Total	**2,914**	**24,963,308**	**100.00**

BREAKDOWN OF SHAREHOLDINGS BY SIZE CLASS, DECEMBER 31, 2019

Number of shares, pcs	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares and votes, %
1-100	1,046	35.90	42,395	0.17
101-1,000	1,475	50.62	581,984	2.33
1,001-10,000	349	11.98	927,701	3.72
10,001-100,000	33	1.13	1,107,343	4.44
100,001-1,000,000	9	0.31	3,304,885	13.24
> 1,000,000	2	0.07	18,999,000	76.11
Total	**2,914**	**100.00**	**24,963,308**	**100.00**

Board of Directors' dividend proposal

At December 31, 2019, the parent company's distributable shareholders' equity amounted to EUR 50.8 million, of which the net profit for the financial year was EUR 16.3 million.

The Board of Directors proposes that from the distributable funds at the disposal of the Annual General Meeting, a dividend of EUR 0.35 per share be paid on the Company's externally owned shares, for a total amount of EUR 8.7 million at most. Dividend will not be paid out to shares that are company-held on the record date of dividend payout, April 6, 2020.

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

It is proposed that the dividend be paid on April 15, 2020.

Vantaa, February 11, 2020

Robert Ingman
Chairman of the Board

Cristina Andersson
Member of the Board

Matti Huttunen
Member of the Board

Leena Saarinen
Member of the Board

Mikko Tepponen
Member of the Board

Auditor's Report

To the Annual General Meeting of Etteplan Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Etteplan Oyj (business identity code 0545456-2) for the year ended December 31, 2019. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 13 to the consolidated financial statements.

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

Materiality

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

Key Audit Matters

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

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of goodwill – Accounting policies and Note 22 to the consolidated financial statements	
• Goodwill, totaling EUR 79 million, has increased by EUR 14 million during the financial period as a result of acquisitions, and is a significant individual item in the consolidated balance sheet. • Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount using a discounted cash flow model. Estimating future cash flows underlying the impairment tests involves a significant element of management judgment, particularly in respect of growth in net sales, profitability and discount rates. • Valuation of goodwill is considered a key audit matter due to the significant carrying value and high level of management judgement involved.	• We analyzed critically the management's assumptions that form the basis on which the cash flow projections for future years are prepared. • We involved KPMG valuation specialists to assess the appropriateness of the discount rate used and the technical integrity of calculations as well as for comparison of the assumptions used to the market and industry-specific data. • In addition, we assessed the adequacy of the sensitivity analyses and the appropriate presentation of notes related to impairment tests in the consolidated financial statements.
Revenue recognition – Accounting policies and Note 7 to the consolidated financial statements	
• Revenue recognition consists mainly of revenue from rendering of services. Total revenue amounted to EUR 263 million. • Revenue recognition is a key audit matter due to the significance of revenue when assessing the size of business, growth and profitability of Etteplan. Revenue recognition involves a risk of revenue being recognized in the incorrect period and at inaccurate amount due to related management estimates and large volumes of transaction data. • For projects, where either a fixed price or a target price has been determined, revenue is recognized over time based on the percentage of completion method. The percentage of completion is determined as the proportion of actual costs to the total estimated project costs. Inaccurate cost estimates lead to erroneous revenue recognition.	• We evaluated the company's revenue recognition and accounting policies by reference to the principles of revenue recognition determined under IFRS. • We tested the effectiveness of key internal controls in place over the completeness and accuracy of revenue. We also assessed the operative effectiveness of relevant IT systems for financial reporting purposes. • We compared total revenue estimates to customer contracts for projects where revenue is recognized over time based on the project's percentage of completion. In addition, we analyzed working hours recorded for work in progress projects in comparison to total hours estimated by the management. We also considered the appropriateness of the process for updating estimated project costs and percentages of completion. • In addition, we performed substantive audit procedures to evaluate the completeness and accuracy of revenue recorded and assessed the effect of other events which require management judgment.

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

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

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

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

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

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

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

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

OTHER REPORTING REQUIREMENTS

Information on our audit engagement
KPMG Oy Ab was first appointed as auditors by the Annual General Meeting on April 4, 2017, and our appointment represents a total period of uninterrupted engagement of 3 years.

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

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

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

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

Helsinki, February 26, 2020
KPMG OY AB

Kim Järvi
Authorized Public Accountant, KHT

The availability of competent personnel and market uncertainty were again highlighted in the risk assessment

Etteplan assesses business risks annually. Based on this systematic risk assessment, we adjust our operations as necessary. In the risk assessment conducted in 2019, the overall risk level was unchanged from the previous year. However, the total financial value of risks relative to revenue increased.

A uniform group-wide risk management assessment that covers all risk categories has been conducted annually in connection with the strategy process since 2011. In the assessment, we focus particularly on monitoring changes in previously identified risks, identifying new business risks and developing proactive risk management. Etteplan complies with international risk management criteria (CAS, Casualty Actuarial Society and COSO, Committee of Sponsoring Organizations of the Treadway Commission).

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

The most significant risks in 2019
As in the previous year, Etteplan's major risks in 2019 were related to personnel. For several years now, the availability of competent professionals has been identified as Etteplan's most significant risk in the assessment, as the Company's business and future growth are based on having competent personnel. The materialization of this risk is mitigated by systematic human resource management and by ensuring that Etteplan is perceived as an attractive employer among industry professionals.

Among strategic risks, Etteplan's position in emerging and other global markets emerged as the most significant risk. The major operational risks identified in the 2019 assessment included market uncertainty, particularly in Finland, and potential changes in the customers' business. Operational risks are reduced by Etteplan's long-term customer relationships, the geographical distribution of business operations and Etteplan's diverse expertise.

Six risk categories
Risks related to Etteplan Group's business operations are divided into six categories, and the risks are monitored according to this classification. Etteplan's business risks include both internal and external risks.

Risk classification:
1. Strategic risks
2. Operational risks
3. Personnel risks
4. IT & security risks
5. Financial risks
6. Risks related to EU legislation

The typical risks of Etteplan's business operations are described in the following section. However, the Company's operations may also be subject to other risks. The most significant risks and uncertainties identified during the financial year are described in the report of the Board of Directors on pages 6-13.

Risk category	Examples of risks	Examples of preventive actions	Responsibility
Strategic risks	Risks related to business development, strategy implementation, the lack of highly competent professionals, the business environment, markets, globalization as well as mergers and acquisitions	Strategy and business plans, diversified customer base, balanced personnel structure, compliance with M&A procedures, corporate governance, Code of Conduct and risk management policy	President and CEO, business management, finance, human resources and communications functions
Operational risks	Organization and management, sales, projects, assignments, customer relationship and financing-related risks	Compliance with management systems, sales process, quality policy, the key account process and service delivery processes, the Group's insurance policies	Business management, quality, human resources and finance functions
Personnel risks	Competence management, management and organization, attrition, recruitment, the staffing of assignments, occupational health and well-being related risks	Use of competence management system, employee surveys, internal training, HR management, introduction process, compliance with Code of Conduct	Human resources function, business management, entire personnel
IT & security risks	Information security, network and system downtime, computer viruses and customer IT connections-related risks	Compliance with IT policies and IT security regulations, supplier service level agreements	IT Director, business management, entire personnel
Financial risks	Currency, interest, financing and liquidity, counterparty and credit risks related to the financing of business operations	Compliance with payment and credit policies and Group treasury policy, internal controls	CFO, finance function, business management
Risks related to EU legislation	Risks related to the EU General Data Protection Regulation (GDPR)	Training related to data protection, incorporating data protection into the Company's processes and IT policies	President and CEO, IT Director, HR Director

Strategic risks

In the 2019 assessment, Etteplan's most significant strategic risks were related to the Company's position in the market, business development, the degree to which the Company's technology offering matches future market needs and the competitive situation. The overall level of Etteplan's strategic risks increased from 2018, but the risk level relative to revenue remained unchanged.

The risk level increased from the previous year because the risk related to Etteplan's position in emerging and other global markets was assessed to be more significant than before.

The economic downturn can have a negative effect on investments and hence also on Etteplan's business and profitability. The Group aims to reduce its vulnerability to business cycles through a balanced customer base comprised of customers operating in different industries, markets and geographical areas. The engineering business is characterized by intense global competition.

Operational risks

The key operational risks identified in the assessment were related to the predictability of the market, potential changes in customers' operations, the carrying out of assignments and the digitalization of service solutions. Acquisitions and the related integration processes also constitute an operational risk to Etteplan.

Etteplan's operational risk level decreased from the previous year. The risk related to the predictability of customers' operations was reduced, but new risks were also identified in the assessment. As a result, the relative financial value of the operational risks increased in spite of the growth of Etteplan's revenue.

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

In order to manage operational risks, Etteplan emphasizes compliance with management systems, codes of practice and acceptance procedures, training of personnel and compliance with instructions concerning the management of quotes and contracts, particularly in the delimitation of contractual liability.

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

At Etteplan, the project manager plays a key role in the risk management of assignments. The manager is responsible for managing and controlling the assignment from tender preparation to final acceptance. To ensure the effectiveness of risk management, training is provided to project managers in all of their essential areas of activity. The Group has supervision mechanisms in place for both large and risky assignments. Etteplan also aims to restrict its typical liability risks by using standardized contract terms and insurances.

The Company has a liability insurance program that encompasses the entire Group. However, the insurance does not cover all liability risks.

Personnel risks

If they materialize, personnel risks can slow down the Company's growth. The availability of competent professionals helps ensure the Company's business development, growth and profitability. Etteplan's personnel risks were again estimated to be at a high level in 2019.

Based on the assessment, Etteplan's most significant personnel risks are related to the intense global competition for experts in the field of technology, i.e. the availability of the appropriate expertise, employee retention and attrition as well as competence development. The appropriate staffing of assignments as well as occupational health and well-being issues were also highlighted in the risk assessment.

Etteplan prevents the realization of these risks risks through good human resource management, which includes, among other things, regular PDP discussions, systematic monitoring of occupational health and well-being as well as internal procedures and guidelines. The Group develops the job satisfaction and well-being of its personnel by improving group-wide people processes and by investing in the development of employee competence as well as the quality of management and leadership. Human resource management and the focus areas in 2019 are described in more detail in the Annual Review 2019 on pages 22–27.

Financial risks

The major risks were related to the possibility of external fraud and the use of different currencies in business operations. Etteplan's financial risks remained at a low level in 2019.

Etteplan prevents the realization of financial risks through internal procedures and guidelines as well as through internal control.

The financial risks are managed in accordance with the treasury policy approved by Etteplan's Board of Directors. The aim is to hedge against significant financial risks, balance the cash flow and give the business time to adjust its operations to changing conditions. Reviews concerning financing risks are presented in the notes to the consolidated financial statements on pages 28–31.

IT & security risks

The major IT & security risks were related to external interference with IT systems as well as software licenses and managing their prices. IT & security risks are examined carefully, as Etteplan's business operations are dependent on the undisrupted functioning of information and communication systems. The level of these risks remained unchanged at a moderate level in 2019.

Etteplan prevents the realization of information security related risks by internal procedures and guidelines as well as by internal control. Measures limiting the effects of external influences on the systems include backup copies, firewalls, system monitoring, virus scanners and managing access rights.

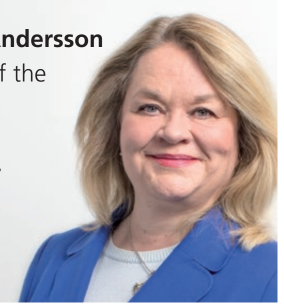
Risks related to EU legislation

Etteplan introduced risks related to EU legislation as a new risk category in 2017. The major risks are related to the EU General Data Protection Regulation and the processing of personal data. These risks remained at a low level in 2019.

Etteplan prevents the materialization of these risks through training related to data protection, by incorporating data protection into the Company's processes and by maintaining up-to-date IT policies. We continuously monitor legislative developments in all areas of our business and update our internal practices and procedures as necessary.

Board of Directors December 31, 2019

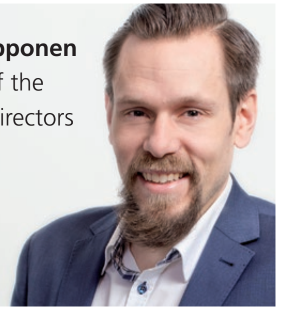
Robert Ingman
Chairman of the Board of Directors since 2013
Member of the Board of Directors since 2009
Member of the Nomination and Remuneration Committee



Cristina Andersson
Member of the Board of Directors since 2017

Matti Huttunen
Member of the Board of Directors since 2015

Leena Saarinen
Member of the Board of Directors since 2013
Chairman of the Nomination and Remuneration Committee

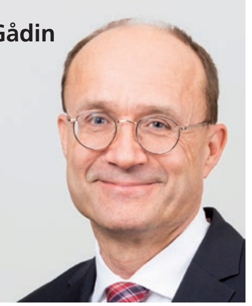


Mikko Tepponen
Member of the Board of Directors since 2017

> More information on Board of Directors' members on Etteplan website at www.etteplan.com.

Management Group December 31, 2019

Juha Näkki
President and CEO



Per-Anders Gådin
CFO

Petri Ikonen
Senior Vice President, Solutions and Technologies

Jukka Lahtinen
Senior Vice President, Global Sales

Veikko Lamminen
Senior Vice President, Operational Excellence

Kari Liuska
Senior Vice President, Software and Embedded Solutions

Riku Riikonen
Senior Vice President, Engineering Solutions

Outi Torniainen
Senior Vice President, Marketing and Communications

Minna Tornikoski
Senior Vice President, Human Resources

Mikael Vatn
Senior Vice President, Technical Documentation Solutions

> More information on Management Group members on Etteplan website at www.etteplan.com.

Investor information

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Mid Cap market capitalization group in the Industrials sector under the ETTE ticker. Etteplan moved from the Small Cap group to the Mid Cap group on January 1, 2019.

Periodic fluctuation

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

A stable dividend payer

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

The Annual General Meeting on April 4, 2019 resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.30 per share for the financial year 2018. The remaining funds were to be left in unrestricted equity. The dividend was paid to the shareholders registered on the record date, April 8, 2019, in the shareholders' register maintained by Euroclear Finland Ltd. The dividend was paid on April 15, 2019.

The Board of Directors proposes to the Annual General Meeting of April 2, 2020, that a dividend of EUR 0.35 per share be paid for the financial year 2019. If the Annual General Meeting approves the Board's proposal on the payment of dividend, the dividend shall be paid to the shareholders registered on the record date of the payment of dividend, April 6, 2020, in the shareholders' register maintained by Euroclear Finland Ltd. The dividend payment date proposed by the Board of Directors is April 15, 2020.

ETTEPLAN'S INVESTOR RELATIONS PRINCIPLES

According to the Disclosure Policy approved by Etteplan's Board of Directors, Etteplan is committed to active and open communication with all parties, regardless of whether the information in question is positive or negative for the Company. The Company's communications are transparent, credible, proactive and consistent under all circumstances. The principle is to be open, truthful and quick in all communications. The aim is to provide truthful, sufficient and up-to-date information on the Company's strategy, businesses, markets and financial situation to provide the capital markets with relevant information on Etteplan as an investment. Etteplan's Disclosure Policy is available on the Company's website at https://www.etteplan.com/investors.

Investor relations are always part of the Company's other communications. Investor relations are based on the same core messages and values as the Company's other operations and communications. In all of its communications, Etteplan emphasizes consistency and a high standard of ethics and complies with the guidelines and regulations concerning listed companies.

Outlook

Etteplan may issue estimates of its market outlook and the development of the Company's revenue and result in its Financial Statement Review, Half Year Financial Report and Interim Reports. Outlook statements are approved by Etteplan's Board of Directors. Etteplan does not publish quarterly forecasts.

Future outlook statements and result estimates may be numerical or verbal and they may concern the development of revenue, the result, the balance sheet or cash flow. The estimates published by the Company are based on the views of future development at the time of publication and they are generally issued for the current financial year.

Silent period

Etteplan observes a silent period of 30 days prior to the announcement of financial results. During this period, the Company's representatives do not meet or otherwise make contact with shareholders, investors, analysts, other market participants or the financial media. The Company's representatives do not comment on financial development, the market situation or the future outlook during the silent period. At other times, we are pleased to respond to inquiries and arrange meetings.

Analysts following Etteplan

Evli Bank Plc, Jerker Salokivi, tel. +358 9 4766 9149
Inderes Oy, Juha Kinnunen, tel. +358 40 778 1368
Nordea Bank Plc, Pasi Väisänen, tel. +358 9 5300 5192

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

Investor relations contacts

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

Information for shareholders

GENERAL MEETING OF SHAREHOLDERS

The Etteplan Oyj Annual General Meeting will be held on Thursday, April 2, 2020, starting at 10 a.m. on the Company premises in Vantaa at Ensimmäinen savu, 01510 Vantaa. The invitation to the General Meeting of Shareholders shall be published according to Etteplan Oyj's Articles of Association on the Company website www.etteplan.com.

RIGHT TO ATTEND

Every shareholder who, on March 23, 2020, is registered as a shareholder on the list of shareholders maintained by Euroclear Finland Ltd has the right to participate in the Annual General Meeting.

NOTIFICATION OF ATTENDEES

To be able to participate in the Annual General Meeting, the shareholder must register for this no later than 10 a.m. on March 30, 2020 either by e-mail to registration@etteplan.com or by telephone on +358 10 307 3222. The shareholder may also register by sending a registration letter to Etteplan Oyj, Yhtiökokous, PO Box 216, 01511 Vantaa, Finland.

The letter must arrive before the registration deadline. Any proxy documents, identified and dated, must be delivered to the Company for inspection to the address mentioned above prior to the expiry of the registration period.

Important dates

Record date for participation in the General Meeting: March 23, 2020
Deadline for registration for the General Meeting: March 30, 2020 at 10 a.m.
General Meeting: April 2, 2020 at 10 a.m.
Record date for the payment of dividend: April 8, 2020
Dividend payment date: April 15, 2020

SHAREHOLDER REGISTER INFORMATION

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

DISCLOSURE OF FINANCIAL INFORMATION IN 2020

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

PUBLICATION DATES FOR REVIEWS AND REPORTS IN 2020:

- Interim report 1-3/2020: Tuesday, May 5, 2020
- Half year financial report 1-6/2020: Tuesday, August 11, 2020
- Interim report 1-9/2020: Thursday, October 29, 2020

Etteplan Oyj
PL 216 (Ensimmäinen savu)
01511 Vantaa
Puh. 010 3070
www.etteplan.com