

# Financial Statement Release 2016

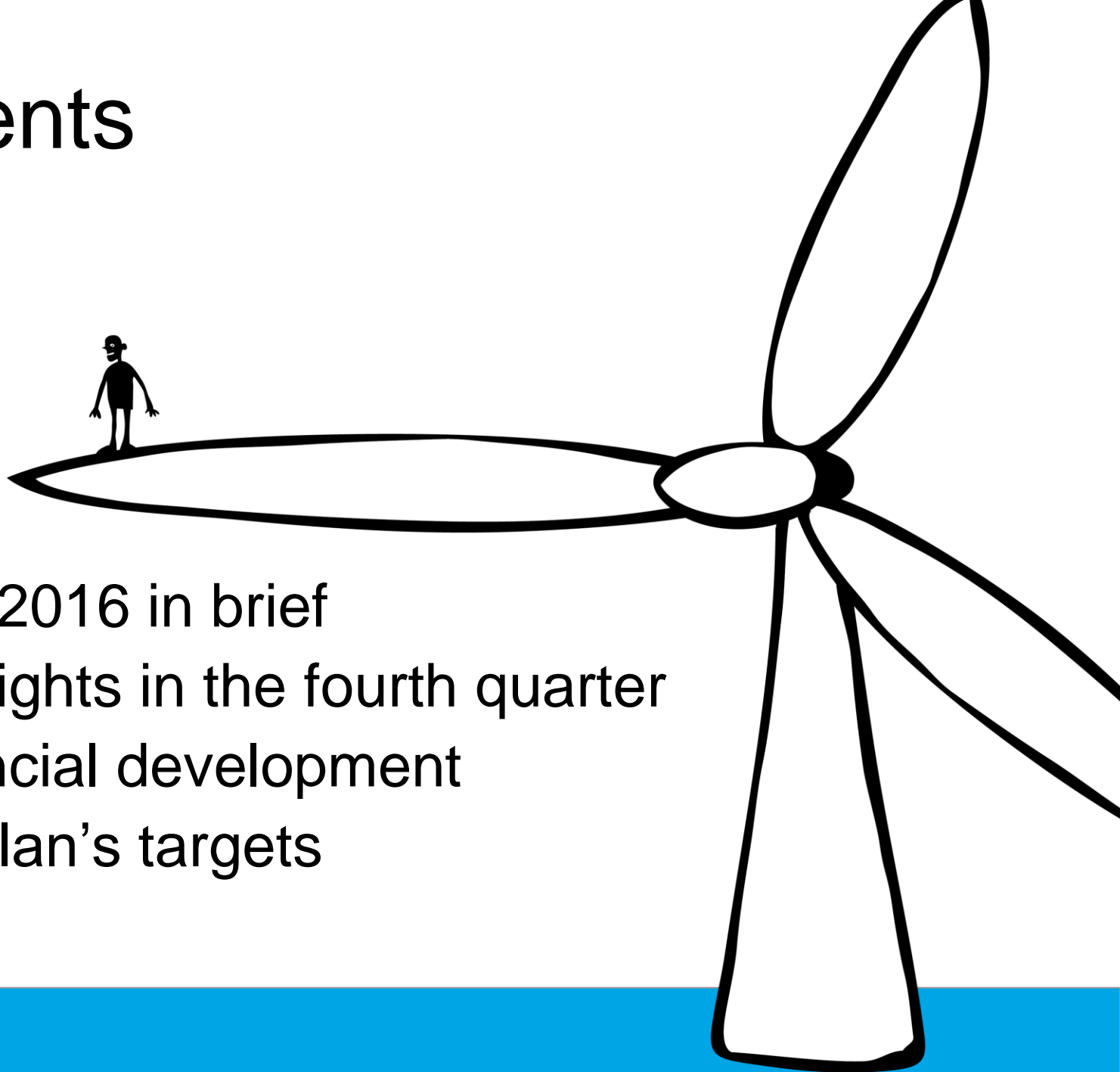
## Strong finish for a year of growth

President and CEO Juha Näkki  
February 9, 2017

**Engineering with  
a difference**



# Contents



1. Year 2016 in brief
2. Highlights in the fourth quarter
3. Financial development
4. Etteplan's targets

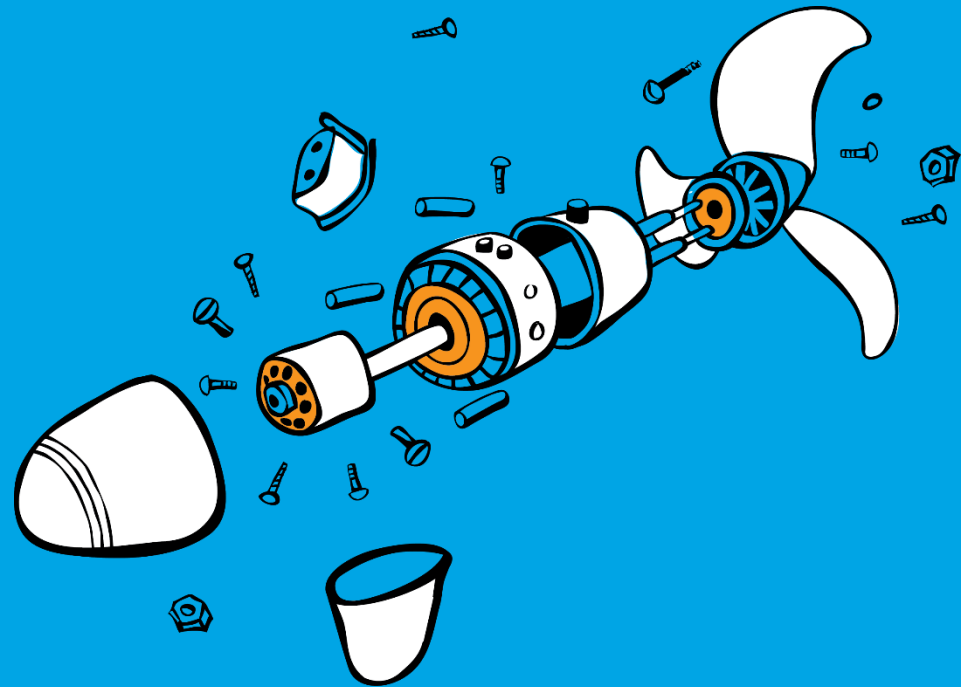
# Uncertainty characterized the markets in 2016

- An uncertain market situation and unpredictable changes in Etteplan's main markets and various customer industries continued throughout the year.
- There were no significant changes in the demand for our services by customer industry, but customer-specific differences were substantial.
- Demand got off to a slow start at the beginning of the year, recovered slightly in the second quarter, but declined in the third quarter. Demand picked up again slightly in the final quarter.
- Companies in all industries are directing their investments to digitalization-related services. Also the outsourcing and centralizing services purchasing trends continued.
- Decision making on new investment projects was slow throughout the year.

# Year 2016 changed Etteplan as a company

- Revenue grew by >30% to a new record level.
- Etteplan strengthened its service offering with two significant acquisitions and established a third service area: Embedded systems and IoT.
  - We are able to respond to customers' growing demand in various areas of digitalization.
  - Strong growth potential.
- We reached the target set for Managed Services during the second quarter.
  - Old target was 50 per cent of net sales by year 2016.
  - New target is 65 per cent of net sales by year 2019.
- EBIT from business operations was at record level in the last quarter.

# Highlights in the fourth quarter



# Market development in Etteplan's main markets in October-December 2016

- In Finland, the demand for engineering services was at a weaker level than in the rest of Europe.
  - Demand picked up again slightly towards the end of the year.
- In Sweden, market demand returned to a good level in the fourth quarter after stabilising slightly in the third quarter.
  - Competition for employees, which burdens the entire engineering industry, continued to be intense.
- Demand in Central Europe remained at a good level.
  - There were no significant changes in the demand situation in Germany and the Netherlands.
  - In Poland, the demand for engineering services remained at a good level.
- In spite of the uncertainty in the Chinese market, companies operating in China increased their purchasing of external services.
  - The service market continued to open up presenting growth opportunities for operators in the engineering industry.

# Highlights 10-12/2016

- + Embedded Systems and IoT service area's development was excellent.
- + Technical documentation continued strong growth and profitability returned to a good level in the last quarter of the year.
- + In China the growth accelerated towards the end of the year.
  - + Hours sold to the Chinese market grew by 38 %.
- New plant engineering investments were slow to start, especially in Finland.
- The Board of Directors proposes dividend of EUR 0.16 (0.15) per share.

# Key figures 10-12/2016

(EUR 1,000)	10-12/2016	10-12/2015	Change %
Revenue	53,137	40,374	31.6
EBIT from business operations	4,557	2,884	58.0
EBIT from business operations, %	8.6	7.1	
Operating profit (EBIT)	4,017	2,584	55.5
EBIT, %	7.6	6.4	
Basic earnings per share, EUR	0.12	0.08*	50.0
Equity ratio, %	40.0	37.8	
Operating cash flow	9,835	7,817	25.8
ROCE, %	21.6	21.3	
Personnel at end of the period	2,545	2,074	22.7

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



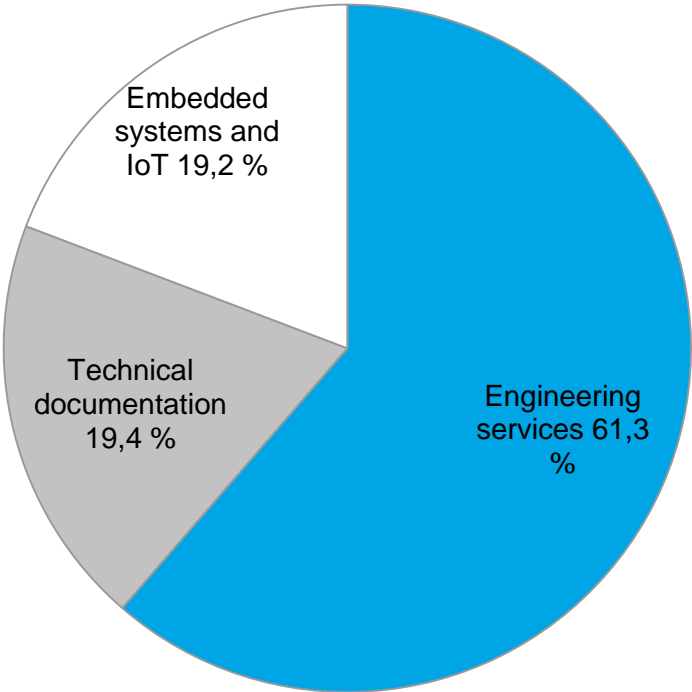
# Key figures 1-12/2016

(EUR 1,000)	1-12/2016	1-12/2015	Change %
Revenue	183,938	141,143	30.3
EBIT from business operations	12,071	9,540	26.5
EBIT from business operations, %	6.6	6.8	
Operating profit (EBIT)	10,131	8,594	17.9
EBIT, %	5.5	6.1	
Basic earnings per share, EUR	0.33	0.28*	17.9
Equity ratio, %	40.0	37.8	
Operating cash flow	5,661	9,932	-43.0
ROCE, %	14.8	17.4	
Personnel at end of the period	2,545	2,074	22.7

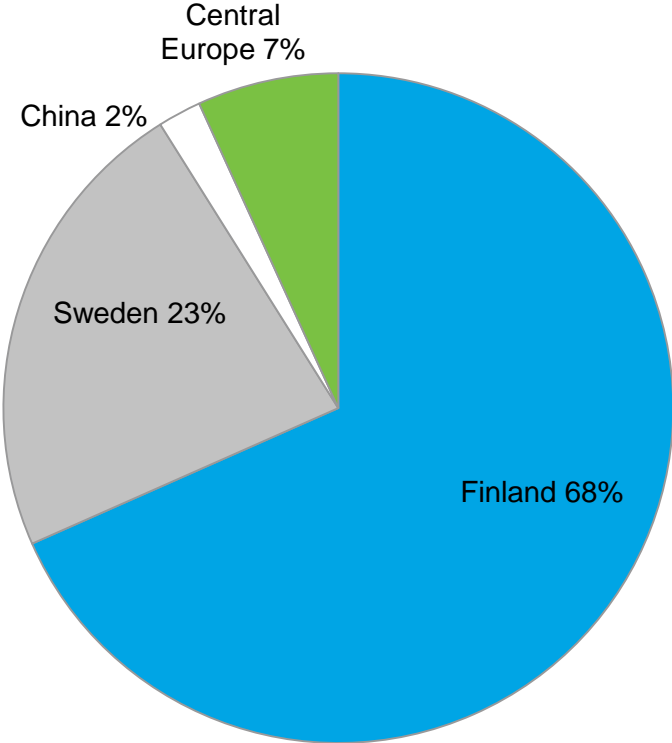
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# Revenue by service area and by country 1-12/2016

Revenue by service area

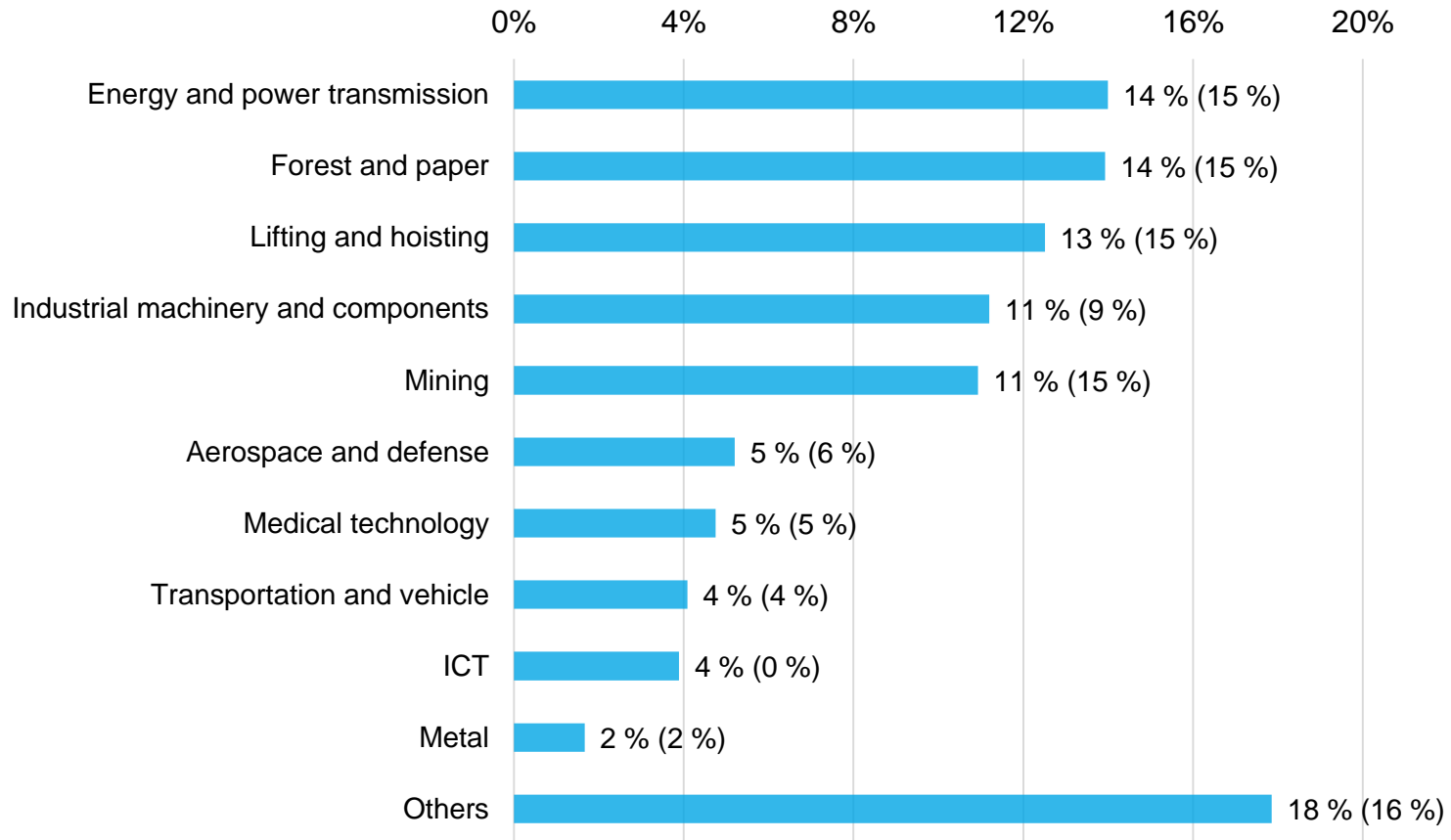


Revenue by country



# Revenue 1-12/2016

## Revenue by customer segment



# Outlook

## **MARKET OUTLOOK 2017**

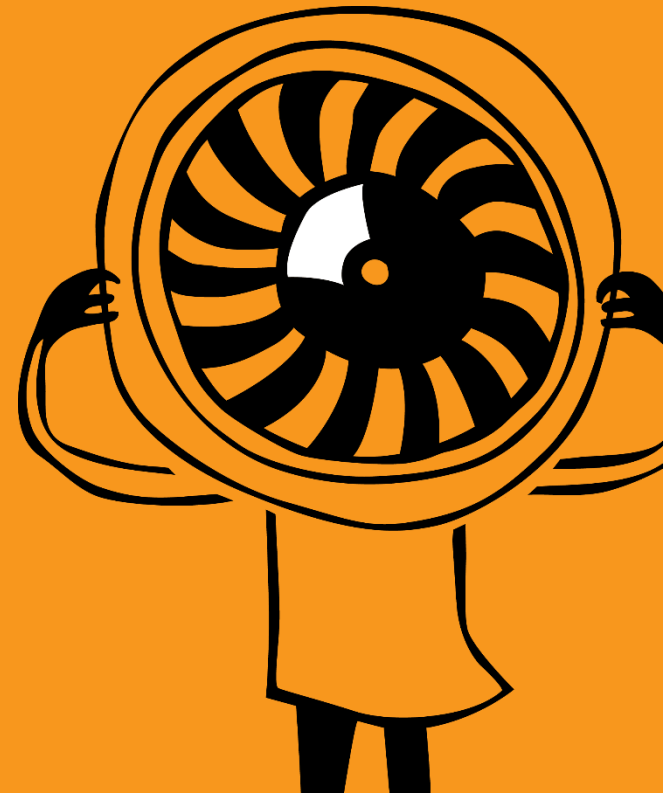
The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. There are signs of recovery in our business environment, but the general uncertainty continues to slow down the start of new investments. Political changes in various countries and upcoming elections can also quickly change the direction of the economy.

The development of the Central European markets is expected to remain unchanged. The favorable development of the Swedish market is expected to continue. In the Finnish market, the market situation is expected to remain weaker than in the rest of Europe. In Asia, the growth of the service market is expected to continue.

## **FINANCIAL GUIDANCE 2017**

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

# Financial development



# Revenue

1-12/2016: EUR 183.9 million (1-12/2015: EUR 141.1 million)

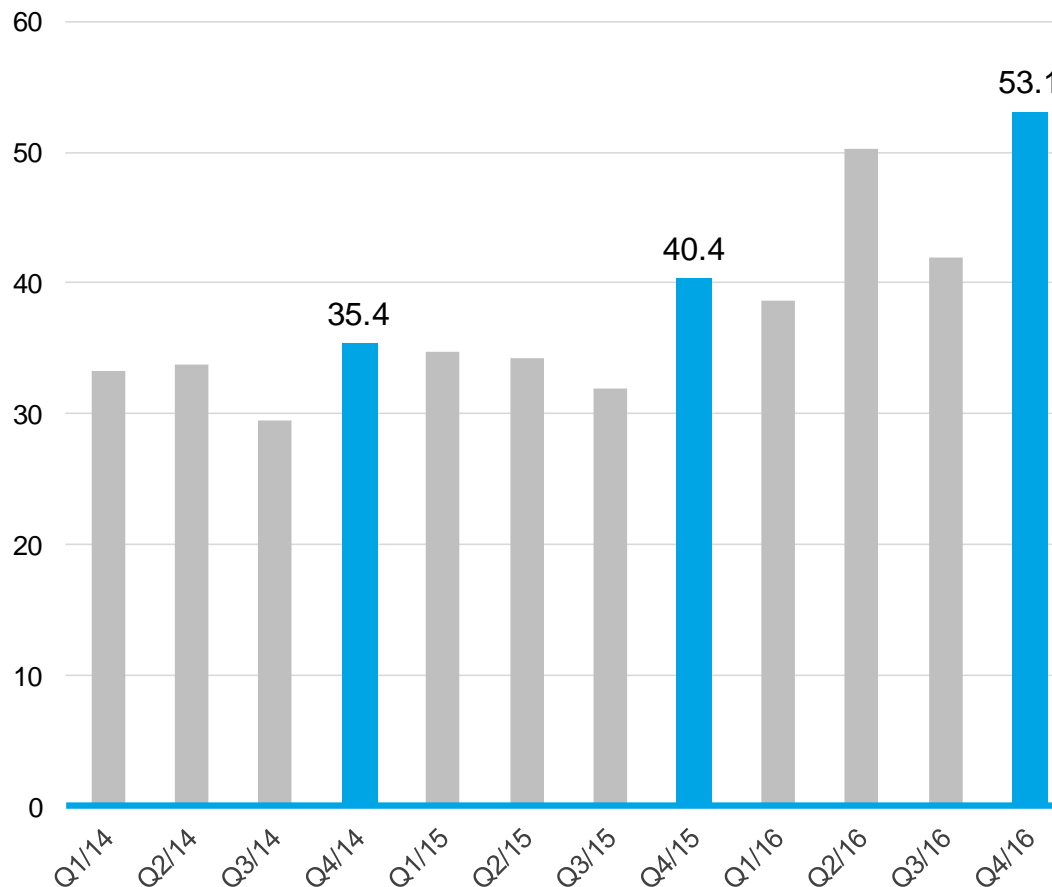
10-12/2016: EUR 53.1 million (10-12/2015: EUR 40.4 million)

The Group's revenue increased in January-December by 30.3% and in October-December by 31.6%; with comparable exchange rates respectively 30.8% and 33.0%.

Organic growth for January-December was 2.5% and in October-December 2.7%; with comparable exchange rates respectively 3.0% and 4.0%.

Revenue was increased by the significant acquisitions carried out in the spring.

Key accounts grew by 10.7% in January-December and 8.9% in October-December.



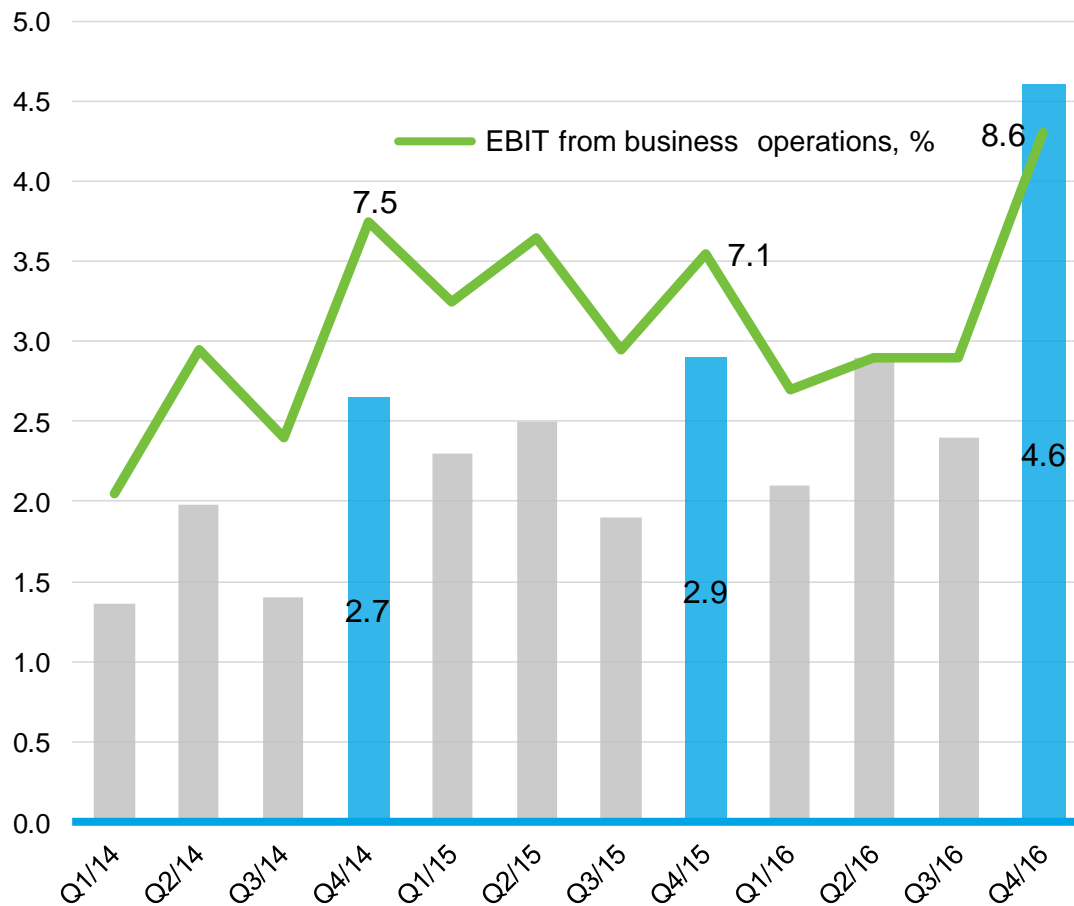
# EBIT from business operations\*

1-12/2016: EUR 12.1 million, 6.6% (1-12/2015: EUR 9.5 million, 6.8%)

10-12/2016: EUR 4.6 million, 8.6% (10-12/2015: EUR 2.9 million, 7.1%)

EBIT from business operations improved by 26.5% in January-December and by 58.0% in October-December.

Exceptional items had a combined negative effect of EUR 1.7 (1.0) million on EBIT from business operations in January-December, and EUR 0.2 (0.4) million in October-December.

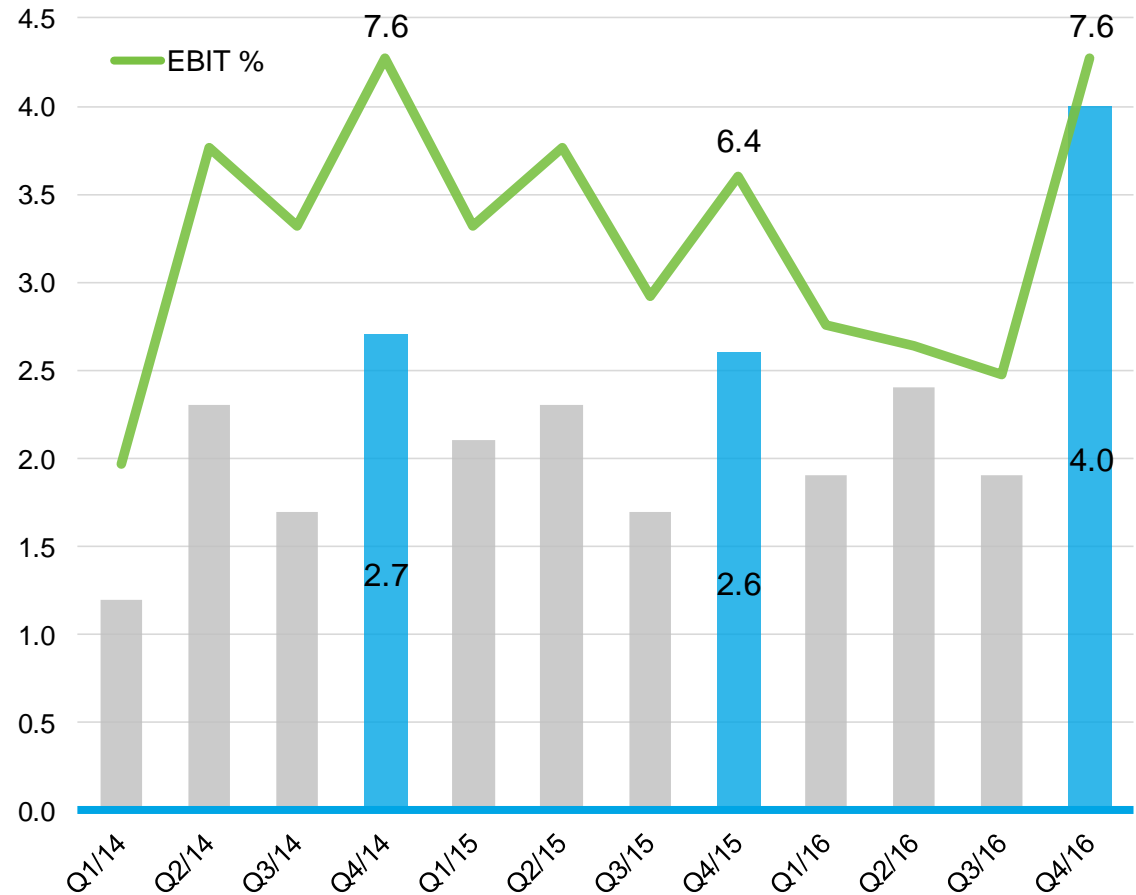


# Operating profit (EBIT) and EBIT %

1-12/2016: EUR 10.1 million, 5.5% (1-12/2015: EUR 8.6 million, 6.1%)

10-12/2016: EUR 4.0 million, 7.6% (10-12/2015: EUR 2.6 million, 6.4%)

Amortization related to acquisitions were EUR 0.5 million in 10-12/2016 and EUR 1.9 million in 1-12/2016.





# Engineering services

Revenue 1-12/2016: EUR 112.8 million (1-12/2015: EUR 112.3 million)  
 Revenue 10-12/2016: EUR 29.9 million (10-12/2015: EUR 32.4 million)

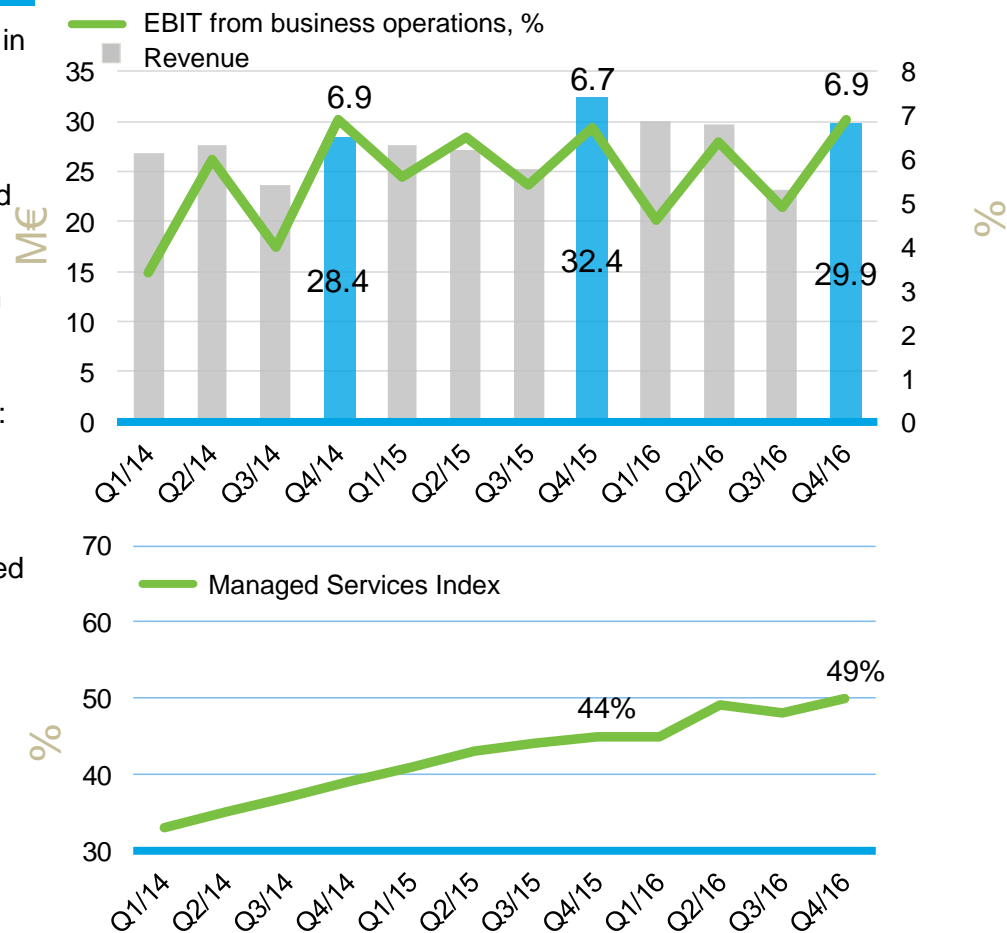
Engineering services accounted for 61.3% of revenue in January-December (2015: 79.6%), and 56.3% in October-December (10-12/2015: 80,3%).

Revenue increased by 0.4% in January-December and decreased by 7.7% in October-December.

EBIT from business operations was EUR 6.5 million in January-December (2015: EUR 6.8 million) or 5.8% (6.1%) of revenue. In October-December EBIT from business operations was EUR 2.1 million (10-12/2015: EUR 2.2 million) or 6.9 (6.7) of revenue.

The transfer of Embedded systems competence area into Embedded systems and IoT – service area affected revenue. On annual level the transferred revenue was approximately EUR 11 million and personnel 130.

In addition new plant engineering investments were slow to start, especially in Finland.



# Technical documentation

Revenue 1-12/2016: EUR 35.7 million (1-12/2015: EUR 28.8 million)

Revenue 10-12/2016: EUR 9.8 million (10-12/2015: EUR 8.0 million)

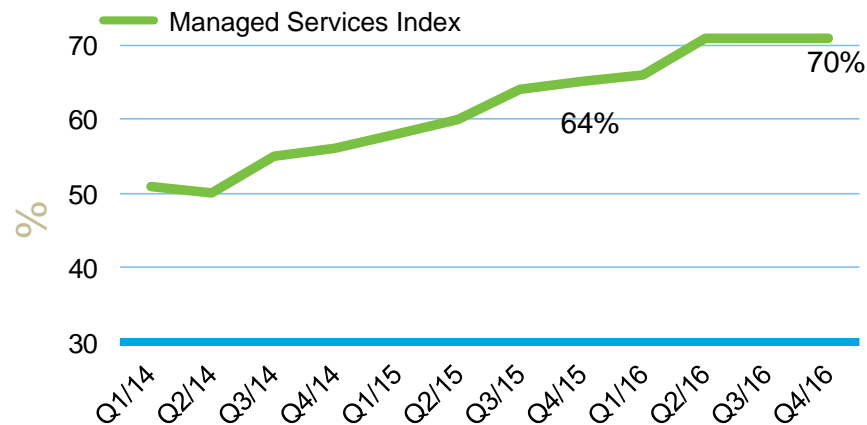
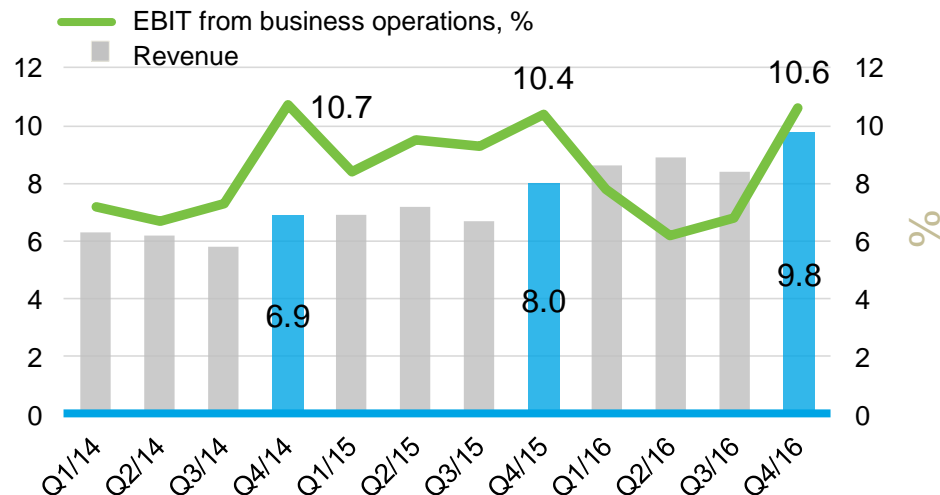
Technical documentation accounted for 19.4% of revenue in January-December (2015: 20.4%), and 18.5% in October-December (10-12/2015: 19.8%).

Revenue increased by 23.8% in January-December and by 23.3% in October-December.

EBIT from business operations was EUR 2.8 million in January-December (2015: EUR 2.7 million) or 7.9% (9.4%) of revenue. In October-December EBIT from business operations was EUR 1.0 million (10-12/2015: EUR 0.8 million) or 10.6 (10.4) of revenue.

The profitability was burdened early in the year by the business in Germany being expectedly weaker, the low level of the software business and the weak demand situation in a few units.

The demand for the software business improved in the final quarter. In addition, implemented measures have helped improve profitability.



# Embedded systems and IoT

Revenue 1-12/2016: EUR 35.4 million

Revenue 10-12/2016: EUR 13.4 million

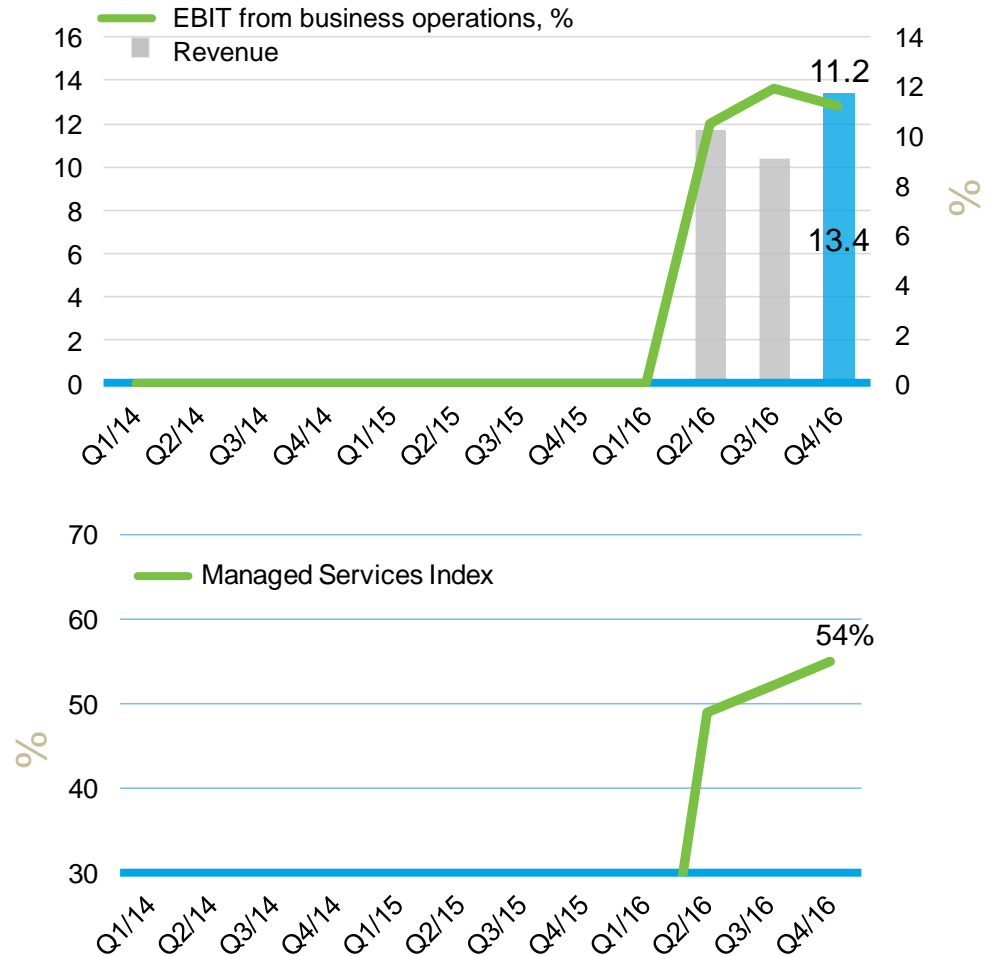
Embedded systems and IoT accounted for 19.2% of revenue in January-December, and 25.2% in October-December.

EBIT from business operations was EUR 4.0 million in January-December or 11.2% of revenue. In October-December EBIT from business operations was EUR 1.5 million or 11.2 of revenue.

Embedded systems competence area was included in Engineering Services in 2015 and Q1 2016.

The service area's demand situation remained very good.

The integration of the business operations of the companies acquired in the second quarter into Etteplan moved ahead according to plan.

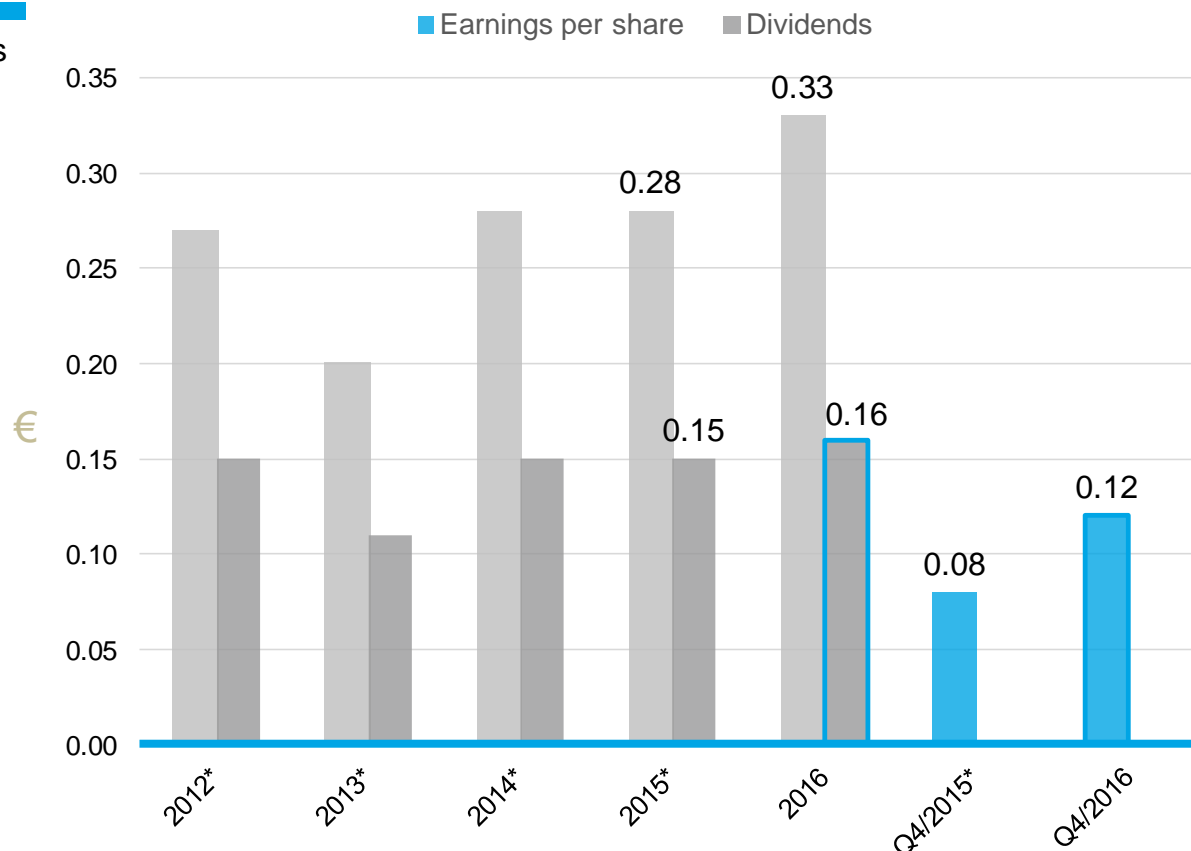


# Earnings per share and dividends

Earnings per share 1-12/2016: EUR 0.33 (1-12/2015: EUR 0.28\*)

Earnings per share 10-12/2016: EUR 0.12 (10-12/2015: EUR 0.08\*)

The Board of Directors proposes dividend of EUR 0.16 (0.15) per share.



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

# Cash flow

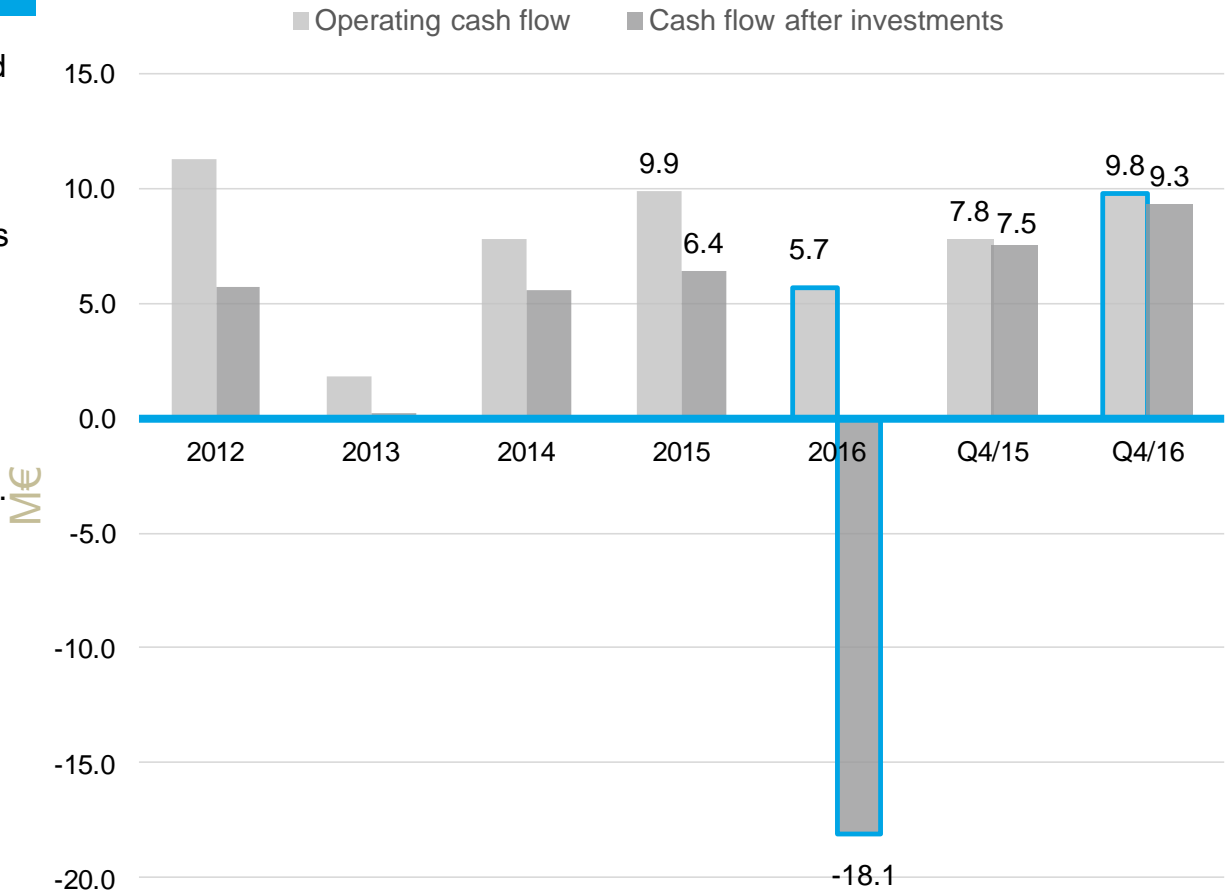
Operating cash flow 1-12/2016: EUR 5.7 million (1-12/2015: EUR 9.9 million)

Operating cash flow 10-12/2016: EUR 9.8 million (10-12/2015: EUR 7.8 million)

Operating cash flow strengthened during the last quarter.

The decrease in 2016 cash flow was attributable to the Company's strong growth and unfavorable mix of payment terms.

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

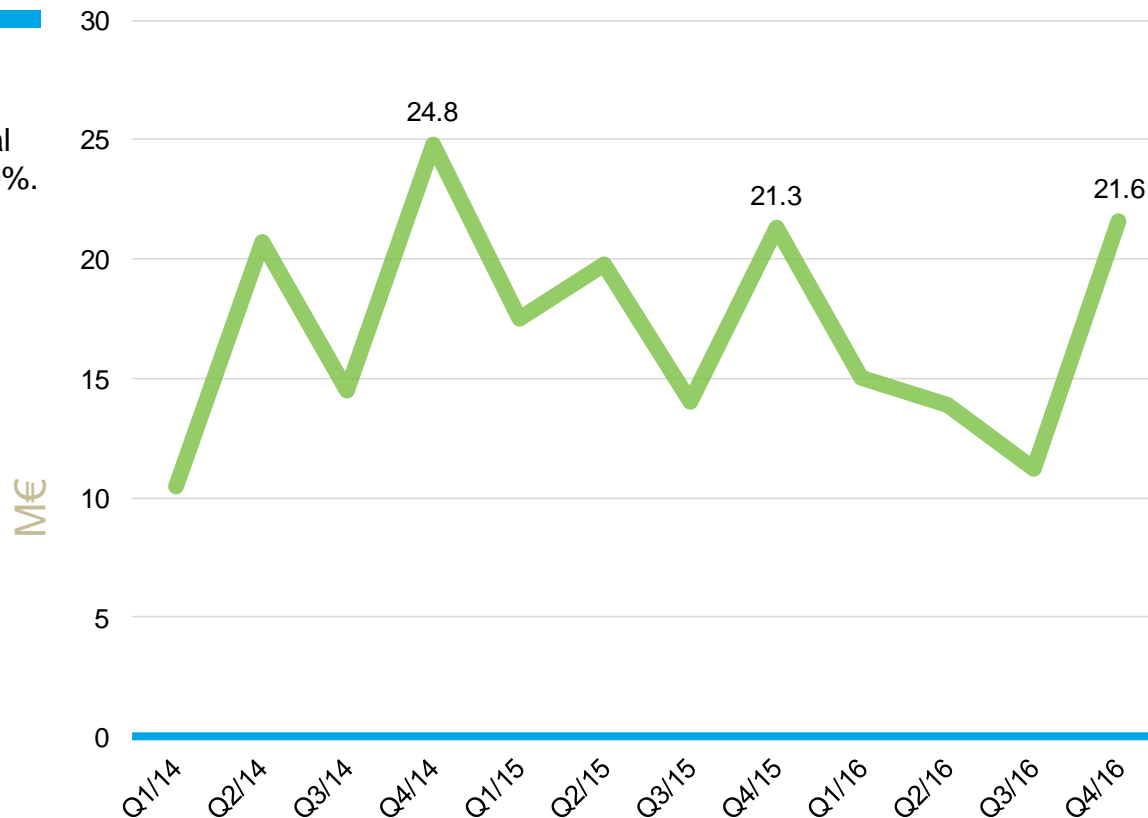


# Return on capital employed (ROCE), %

1-12/2016: 14.8% (1-12/2015: 17.4%)

10-12/2016: 21.6% (10-12/2015: 21.3%)

Engineering services business does not tie significant capital. For this reason return on capital employed should be at least 20%.

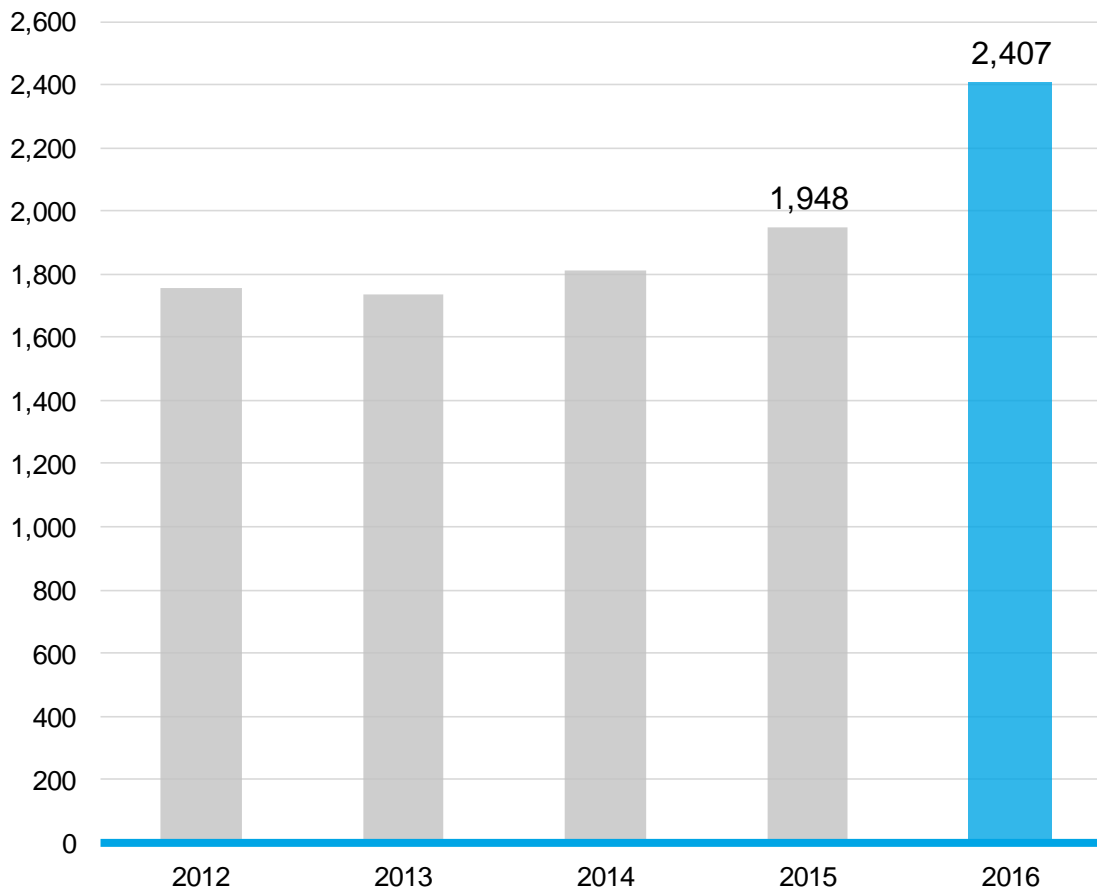


# Personnel, average

1-12/2016: 2,407 (1-12/2015: 1,948)

The average number of personnel increased by 23,6% in January-September.

At the end of the review period, The Group employed 2,545 (December 31, 2015: 2,074) people of which 839 people (December 31, 2015: 706) were employed by the Group outside of Finland.



# Income statement

<b>(EUR 1,000)</b>	<b>1-12/2016</b>	<b>1-12/2015</b>	<b>Change %</b>
Revenue	183,938	141,143	30.3
Other operating income	517	309	
Materials and services	-13,893	-7,918	
Staff costs	-129,172	-101,452	
Other operating expenses	-26,440	-20,384	
Depreciation and amortization	-4,818	-3,104	
<b>Operating profit (EBIT)</b>	<b>10,131</b>	<b>8,594</b>	<b>17.9</b>
Financial income	555	589	
Financial expenses	-1,245	-1,251	
Profit before taxes	9,441	7,933	19.0
Income taxes	-1,838	-1,744	
<b>Profit for the financial year</b>	<b>7,604</b>	<b>6,189</b>	



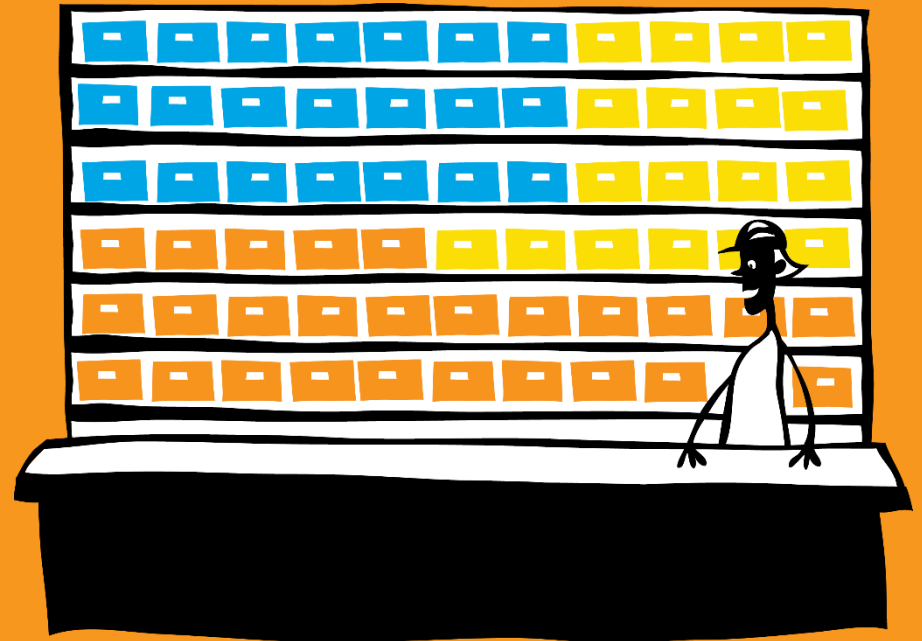
# Balance sheet

(EUR 1,000)	31.12.2016	31.12.2015
Goodwill	58,128	42,734
Other non-current assets	22,031	12,498
<b>Non-current assets, total</b>	<b>80,159</b>	<b>55,232</b>
Inventory	255	0
Trade and other receivables	49,319	28,474
Cash and cash equivalents	4,750	8,807
<b>Current assets, total</b>	<b>54,324</b>	<b>37,281</b>
<b>TOTAL ASSETS</b>	<b>134,483</b>	<b>92,513</b>
Equity, total	52,777	34,618
Non-current liabilities, total	27,750	10,142
Current liabilities, total	53,956	47,753
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>134,483</b>	<b>92,513</b>

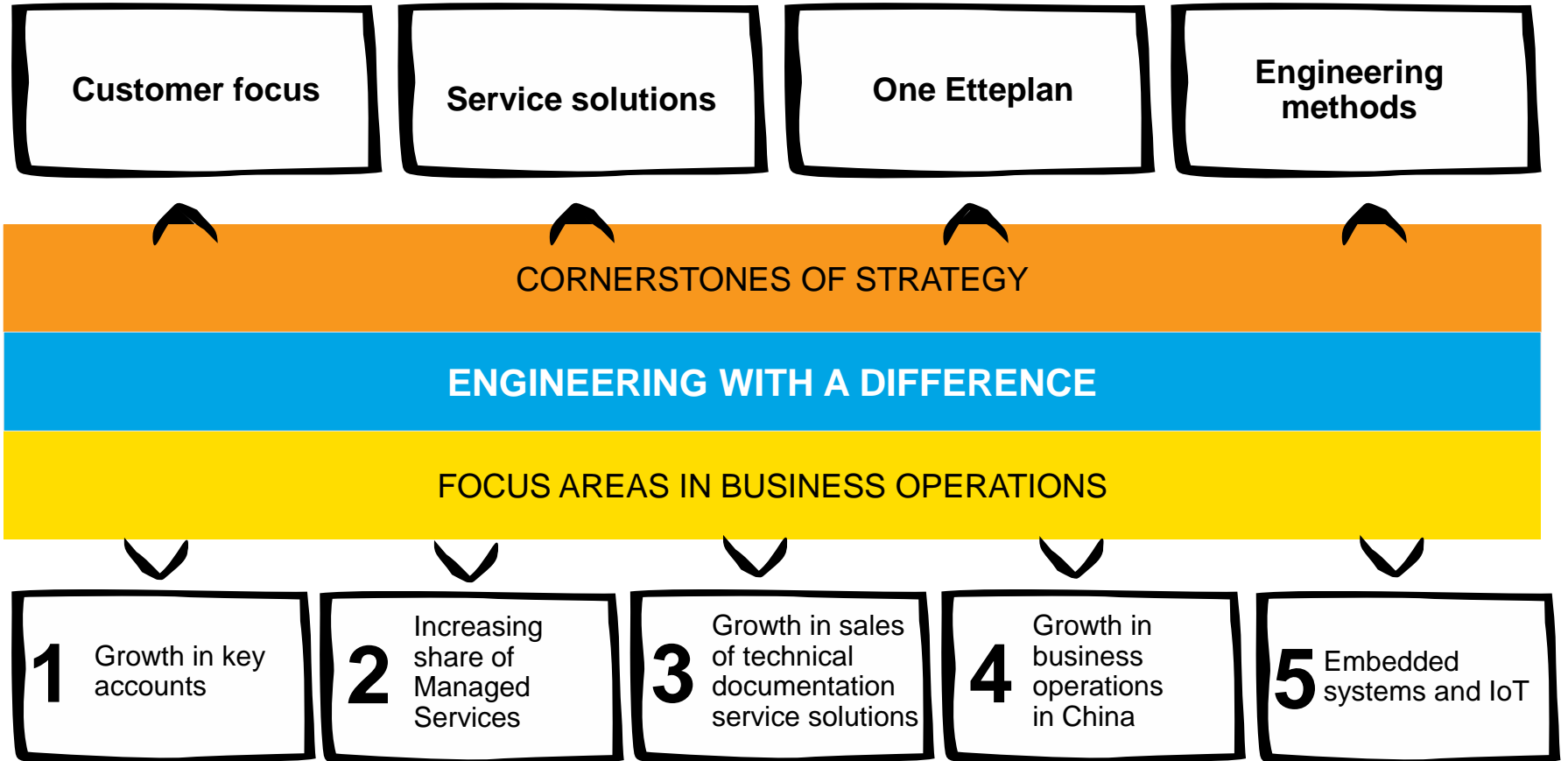
# Cash flow statement

(EUR 1,000)	10-12/2016	10-12/2015	1-12/2016	1-12/2015
<b>Operating cash flow (A)</b>	<b>9,835</b>	<b>7,817</b>	<b>5,661</b>	<b>9,932</b>
Investing cash flow (B)	-574	-338	-23,866	-3,526
<b>Cash flow after investments (A+B)</b>	<b>9,261</b>	<b>7,479</b>	<b>-18,204</b>	<b>6,406</b>
Financing cash flow (C)	-8,191	-3,976	14,184	-160
<b>Variation in cash (A+B+C)</b>	<b>1,070</b>	<b>3,502</b>	<b>-4,020</b>	<b>6,246</b>
<b>Assets at the beginning of the period</b>	<b>3,772</b>	<b>5,373</b>	<b>8,807</b>	<b>2,575</b>
Exchange gains or losses on cash and cash equivalents	-92	-69	-37	-14
<b>Assets at the end of the period</b>	<b>4,750</b>	<b>8,807</b>	<b>4,750</b>	<b>8,807</b>

# Etteplan's targets



# From strategy to action



# Etteplan updated its strategic and financial targets in December 2016

## FINANCIAL TARGETS

**15%**

On average annual revenue growth

1-12/2016: 30.3%

**10%**

EBIT from business operations

1-12/2016: 6.6%

**65%**

Managed Services share of revenue by 2019

1-12/2016: 53%

**>30%**

Equity ratio

1-12/2016: 40%

## ACTIONS

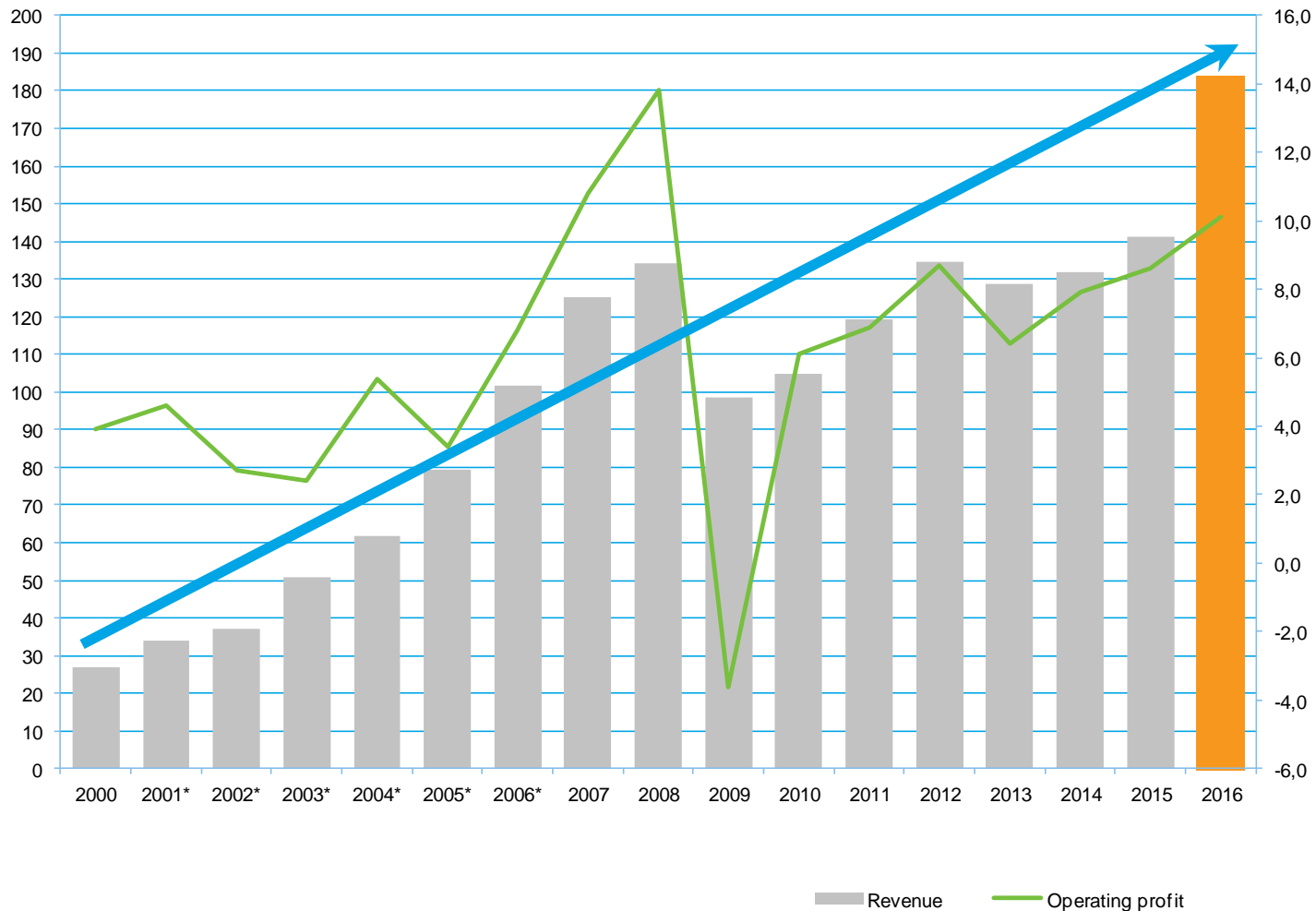
- Growth in key customers
- Organic growth through service solutions
- Acquisitions

- Change in business model towards Managed services
- Market leadership

- Service solutions
- Technology solutions
- Project business

- Corresponding financing arrangements
- Improving cash flow

# Revenue and EBIT 2000-2016



\*includes continued and discontinued operations

# IR contacts



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# Engineering with a difference





**Etteplan**

# The effect of acquisitions on revenue in 2016

Acquired company	Included in Etteplan's figures
Soikea Solutions Oy, Finland	April 1, 2016
Espotel Oy, Finland	April 1, 2016
Suomen Unit Oy, Finland	April 1, 2016
arvato AG, Germany and the Netherlands	January 1, 2016
SAV Oy, Finland	September 1, 2015