

Interim Report January-September 2016

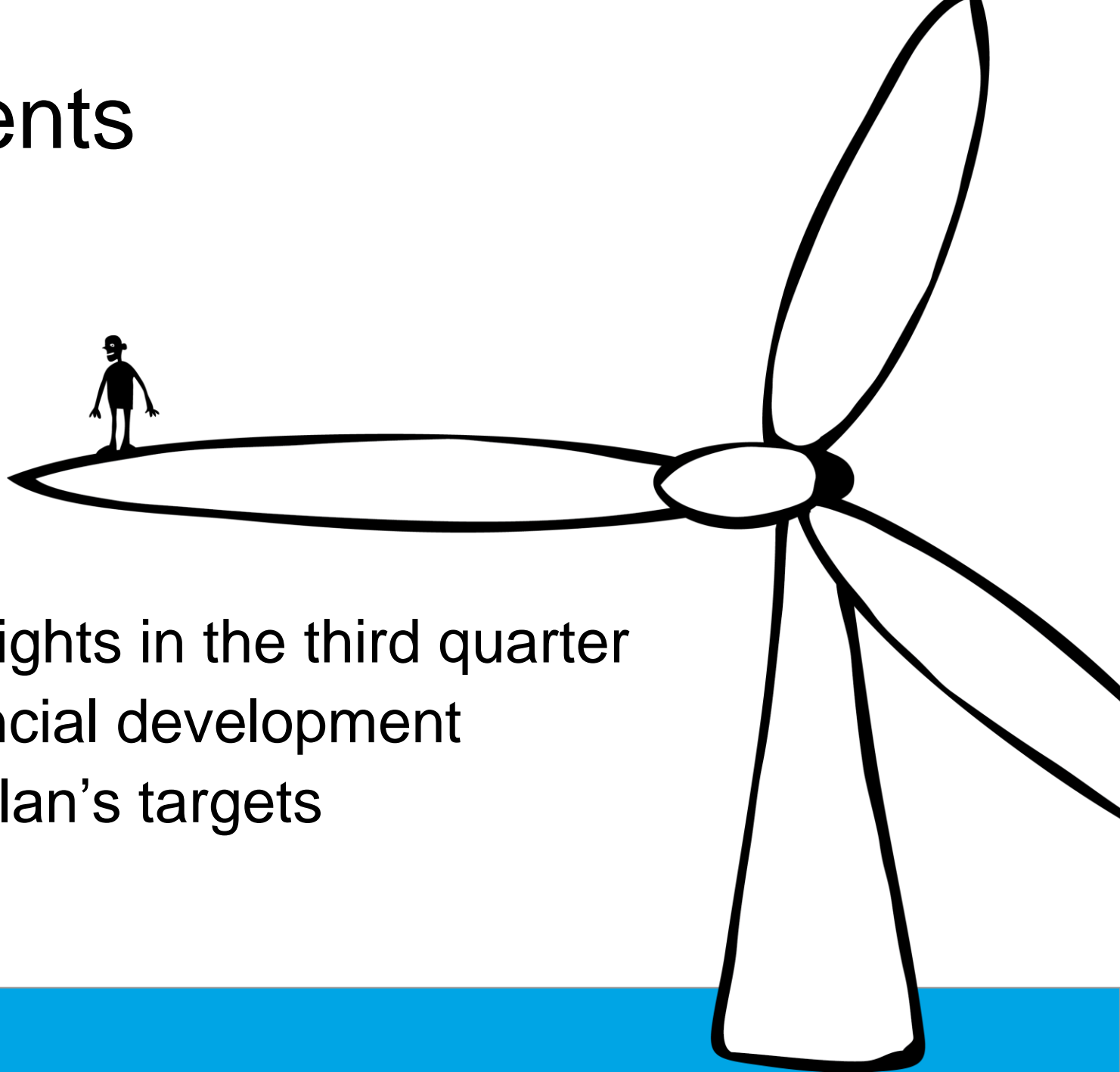
Growth continued, organic growth slowed down

President and CEO Juha Näkki
October 27, 2016

**Engineering with
a difference**

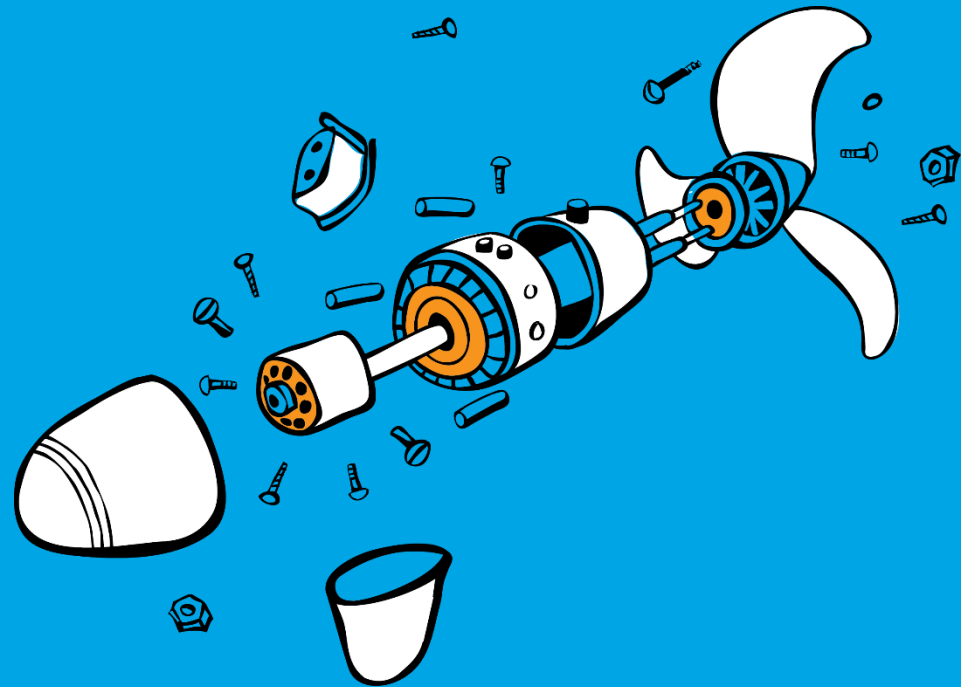


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Highlights in the third quarter



Market review July-September 2016

- The third quarter was characterized by an uncertain market situation and unpredictable changes in Etteplan's main markets and various customer industries.
- There were no significant changes in the demand for our services by customer industry, but customer-specific differences were substantial.
- New equipment and plant engineering investment projects were slow to start after the holiday period especially in Finland, but demand recovered somewhat towards the end of the review period.
- The demand for digitalization-related services remained at a good level.
- Outsourcing trend continued and created opportunities for operators in the engineering industry.

Market development in Etteplan's main markets in July-September 2016

- In Finland demand for engineering services was at a weaker level than in Sweden and Central Europe.
- The good market demand in Sweden leveled off to some extent
 - 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 changes in the demand situation in Germany and the Netherlands.
 - In Poland, the demand remained at a good level.
- Companies operating in China increased their purchasing of external services.
 - The opening up of the service market continued to present growth opportunities for operators in the engineering industry.

Highlights 7-9/2016

- + Embedded Systems and IoT service area developed very well.
- + Growth in Technical documentation was +24%.
- + The local business in China developed favourably.
 - The amount of hours sold in the Chinese market grew by 31,2% in Q3 and 18% in Q1-Q3.
- Development of Engineering Services service area was unsatisfactory.
 - Market uncertainty was visible particularly in equipment and plant engineering in Finland, where demand was at a low level.
- Organic growth turned negative.
 - More holidays fell on the third quarter than usual.

Significant new orders during the fall 2016

- **Order from the German Federal Office of Civil Protection and Disaster Assistance in September**
 - The order includes the delivery of measurement equipment and upgrade-packages of the measurement system used in exploration vehicles to detect hazardous air particles.
 - The deliveries will be due during 2017-2018.
- **Outsourcing from Outokumpu's Tornio mill in October**
 - The outsourcing covers technical engineering and documentation services for Outokumpu's mill in Tornio to Etteplan.
 - 22 of the Tornio mill's employees will transfer to Etteplan as existing employees as of November 1, 2016.
 - Outokumpu's Tornio mill and Kemi mine will also centralize their technical engineering services, technical documentation and information management service purchases with Etteplan.

Key figures 7-9/2016

(EUR 1,000)	7-9/2016	7-9/2015	Change %
Revenue	41,986	31,880	31.7
EBIT from business operations	2,425	1,894	28.0
EBIT from business operations, %	5.8	5.9	
Operating profit (EBIT)	1,866	1,655	12.7
EBIT, %	4.4	5.2	
Basic earnings per share, EUR	0.05	0.06*	-16.7
Equity ratio, %	39.7	37.0	
Operating cash flow	-3,640	-1,717	-112.0
ROCE, %	11.2	14.0	
Personnel at end of the period	2,508	2,078	20.7

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

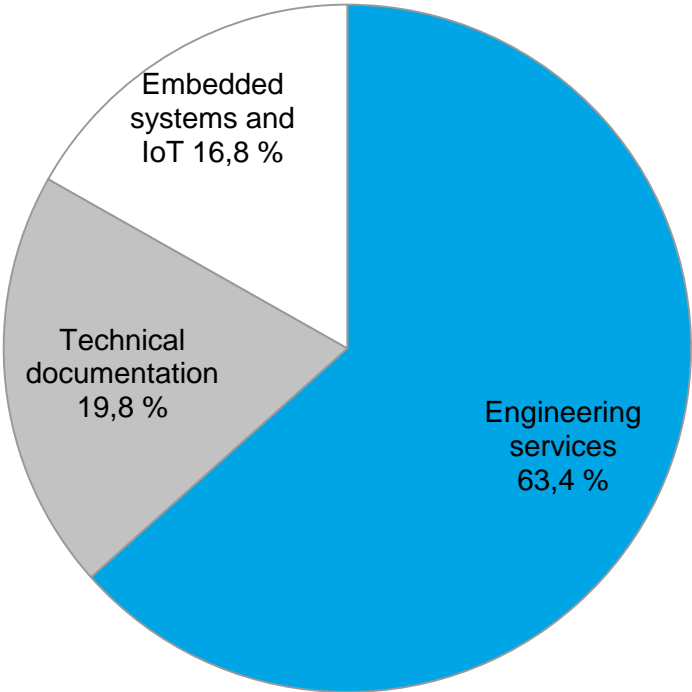
Key figures 1-9/2016

(EUR 1,000)	1-9/2016	1-9/2015	Change %
Revenue	130,800	100,770	29.8
EBIT from business operations	7,514	6,656	12.9
EBIT from business operations, %	5.7	6.6	
Operating profit (EBIT)	6,115	6,011	1.7
EBIT, %	4.7	6.0	
Basic earnings per share, EUR	0.20	0.20*	0.0
Equity ratio, %	39.7	37.0	
Operating cash flow	-4,174	2,115	-297.3
ROCE, %	12.1	15.9	
Personnel at end of the period	2,508	2,078	20.7

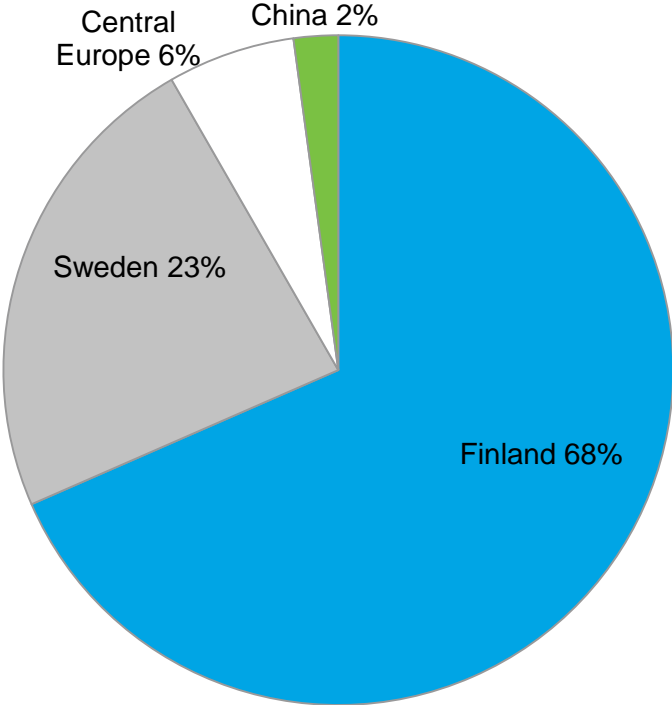
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Revenue by service area and by country 1-9/2016

Revenue by service area

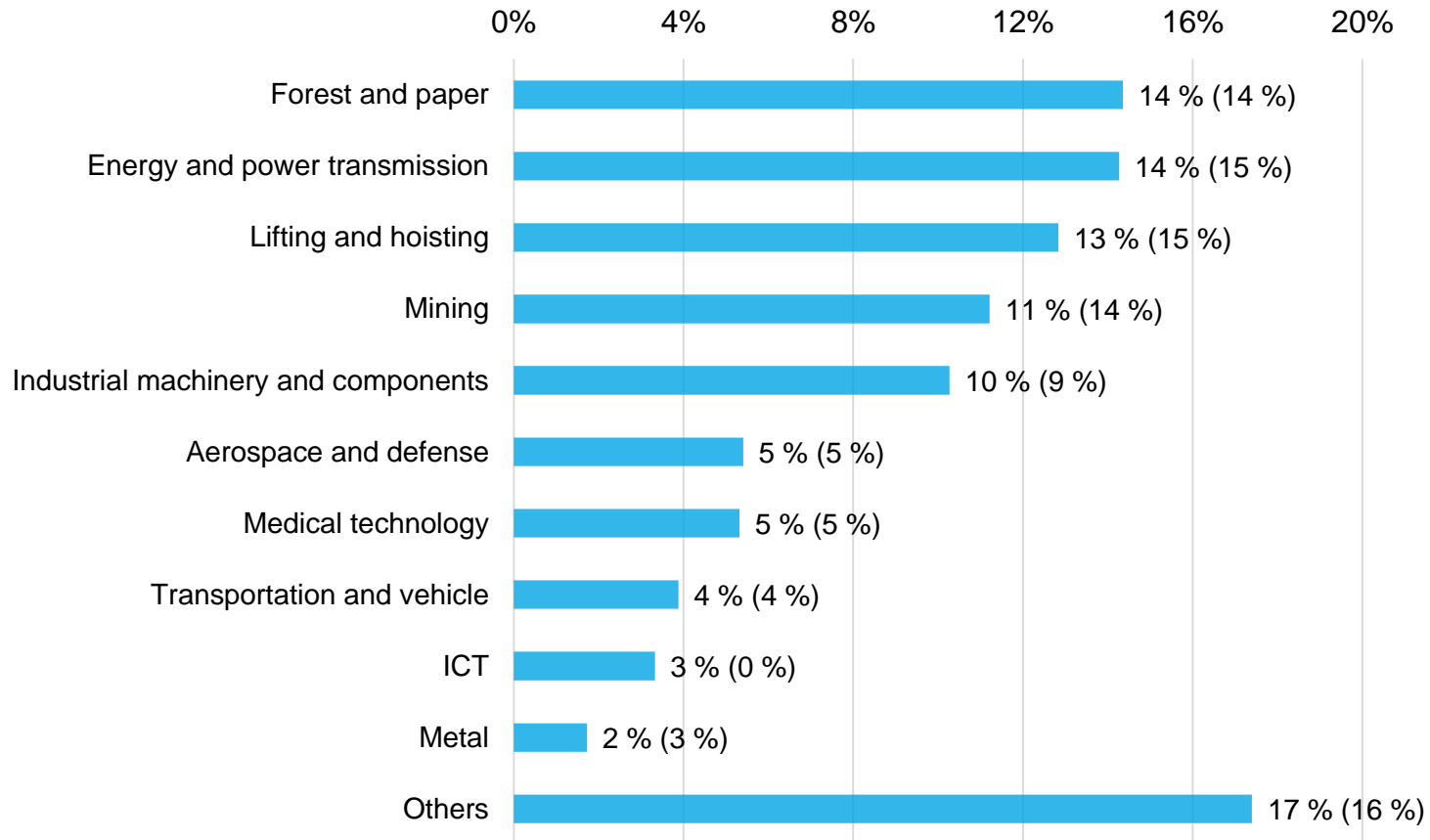


Revenue by country



Revenue 1-9/2016

Revenue by customer segment



Outlook

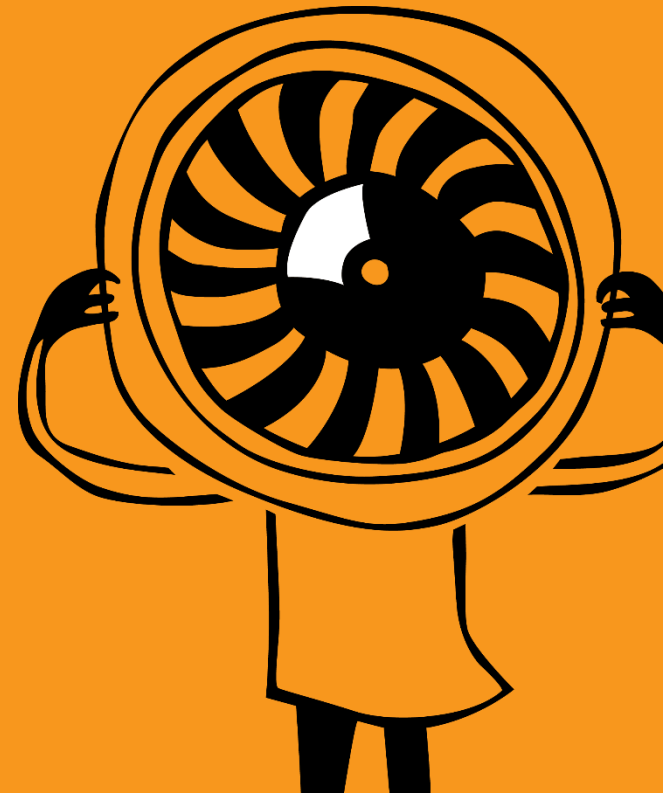
UPDATED MARKET OUTLOOK OCTOBER 27, 2016

The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. We anticipate that the prevailing uncertainty in the world economy will slow new investments. The relatively good growth expectations for the European market in 2016 have weakened slightly due to increased economic uncertainty. In the Finnish market, the market situation is expected to remain weaker than in the rest of Europe. In Asia, the service market development is expected to continue.

FINANCIAL GUIDANCE MARCH 15, 2016

We expect the revenue and operating profit for the full year 2016 to grow significantly compared to 2015.

Financial development



Revenue

1-9/2016: EUR 130.8 million (1-9/2015: EUR 100.8 million)

7-9/2016: EUR 42.0 million (7-9/2015: EUR 31.9 million)

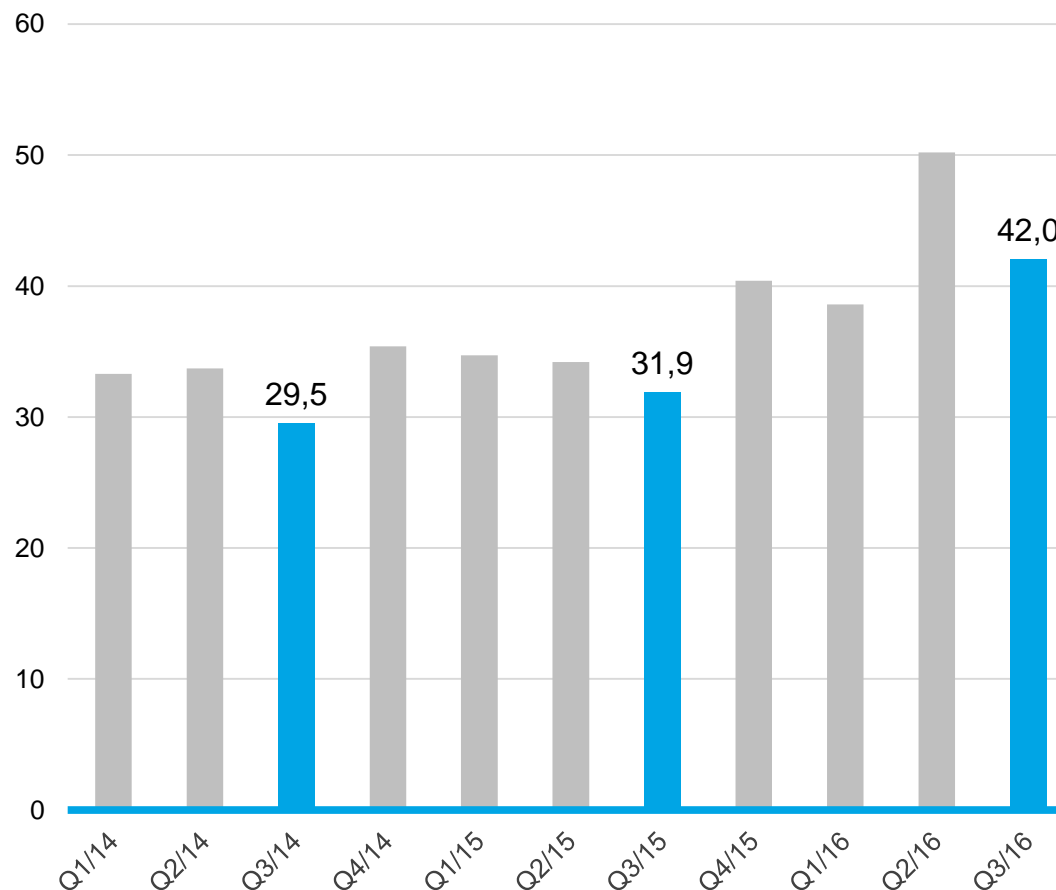
The Group's revenue increased in January-September by 29.8 % and in July-September by 31.7%.

Organic growth for January-September was 2.5% and in July-September -3.5%.

New equipment and plant engineering investment projects started at a low pace after the holiday season especially in Finland.

More holidays fell on the third quarter than usual.

Key accounts grew by 11.2% in January-September and 7.2% in July-September.



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

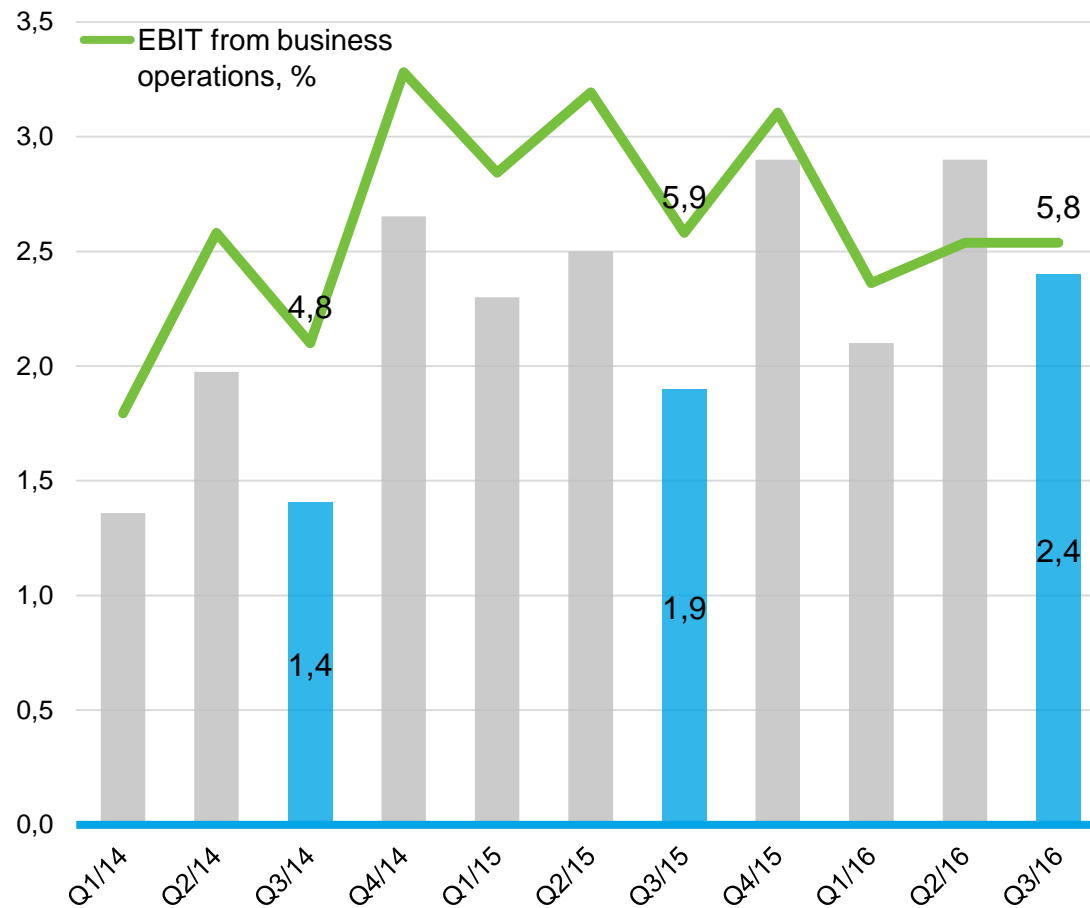
EBIT from business operations

1-9/2016: EUR 7.5 million, 5.7% (1-9/2015: EUR 6.7 million, 6.6%)

7-9/2016: EUR 2.4 million, 5.8% (7-9/2015: EUR 1.9 million, 5.9%)

Exceptional items had a combined negative effect of EUR 1.5 million on EBIT from business operations in January-September and EUR 0.3 million in July-September.

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

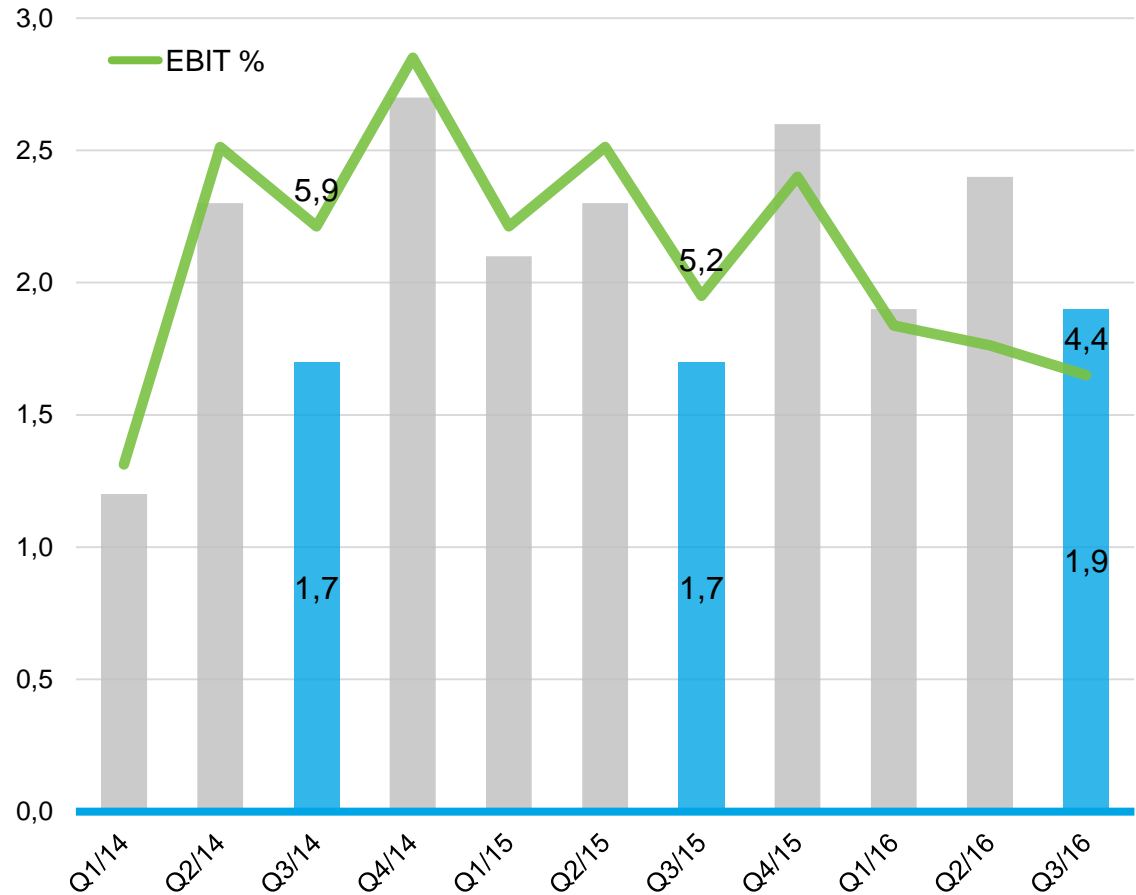


Operating profit (EBIT) and EBIT %

1-9/2016: EUR 6.1 million, 4.7% (1-9/2015: EUR 6.0 million, 6.0%)

7-9/2016: EUR 1.9 million, 4.4% (7-9/2015: EUR 1.7 million, 5.2%)

Amortization related to acquisitions were EUR 0.6 million in 7-9/2016 and EUR 1.4 million in 1-9/2016.



Engineering services

Revenue 1-9/2016: EUR 82.9 million (1-9/2015: EUR 79.9 million)

Revenue 7-9/2016: EUR 23.2 million (7-9/2015: EUR 25.2 million)

Engineering services accounted for 55.4 % (7-9/2015: 78.9%) of revenue in July-September.

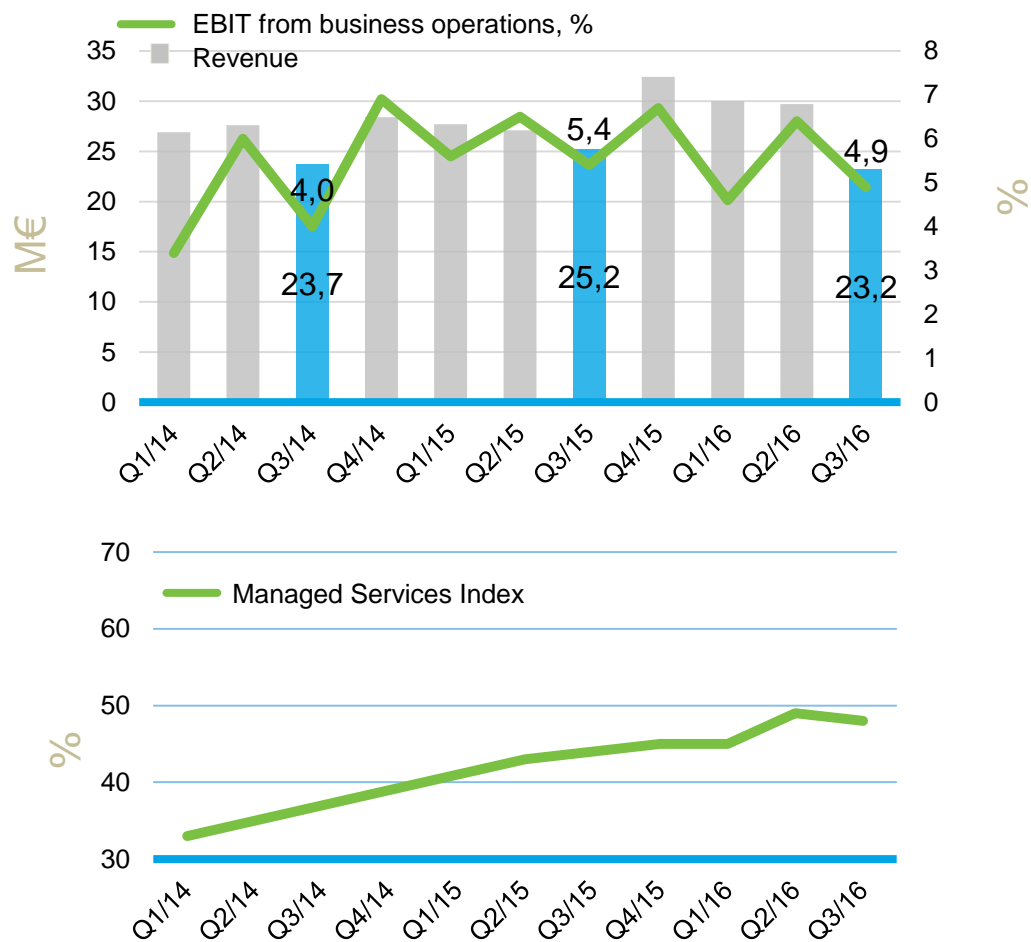
Revenue decreased by -7.6% in July-September.

The transfer of Embedded systems competence area into Embedded systems and IoT – service area affected revenue.

The revenue was also affected by a very slow start to new investments after the holiday season especially in Finland, particularly in plant engineering services.

In July-September, EBIT from business operations was EUR 1.1 million (7-9/2015: EUR 1.4 million) or 4.9% (7-9/2015: 5.4%) of revenue.

The share of Managed Services was 48% of revenue in July-September.



Technical documentation

Revenue 1-9/2016: EUR 25.9 million (1-9/2015: EUR 20.9 million)

Revenue 7-9/2016: EUR 8.4 million (7-9/2015: EUR 6.7 million)

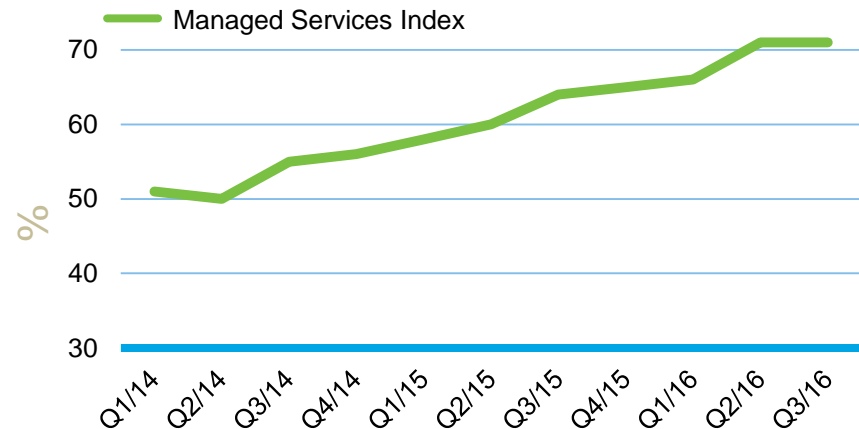
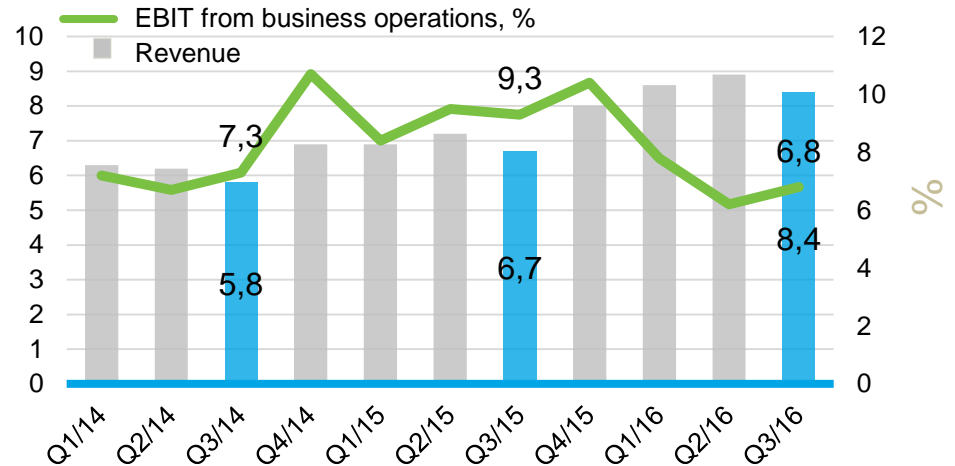
Technical documentation accounted for 20.0% (7-9/2015: 21.2%) of revenue in July-September.

Revenue grew by 24.2% in July-September.

EBIT from business operations was EUR 0.6 million (7-9/2015: EUR 0.6 million) or 6.8% (7-9/2015: 9.3%) of revenue.

The decline in EBIT from business operations was attributable to the slow start to business in Germany in the first half of the year, the low volume of the software business and license sales, and the weak demand for the services of certain units.

In July-September the share of Managed Services was 71% of revenue.



Embedded systems and IoT

Revenue 1-9/2016: EUR 22.0 million

Revenue 7-9/2016: EUR 10.4 million

Embedded systems and IoT accounted for 24.7% of revenue in July-September.

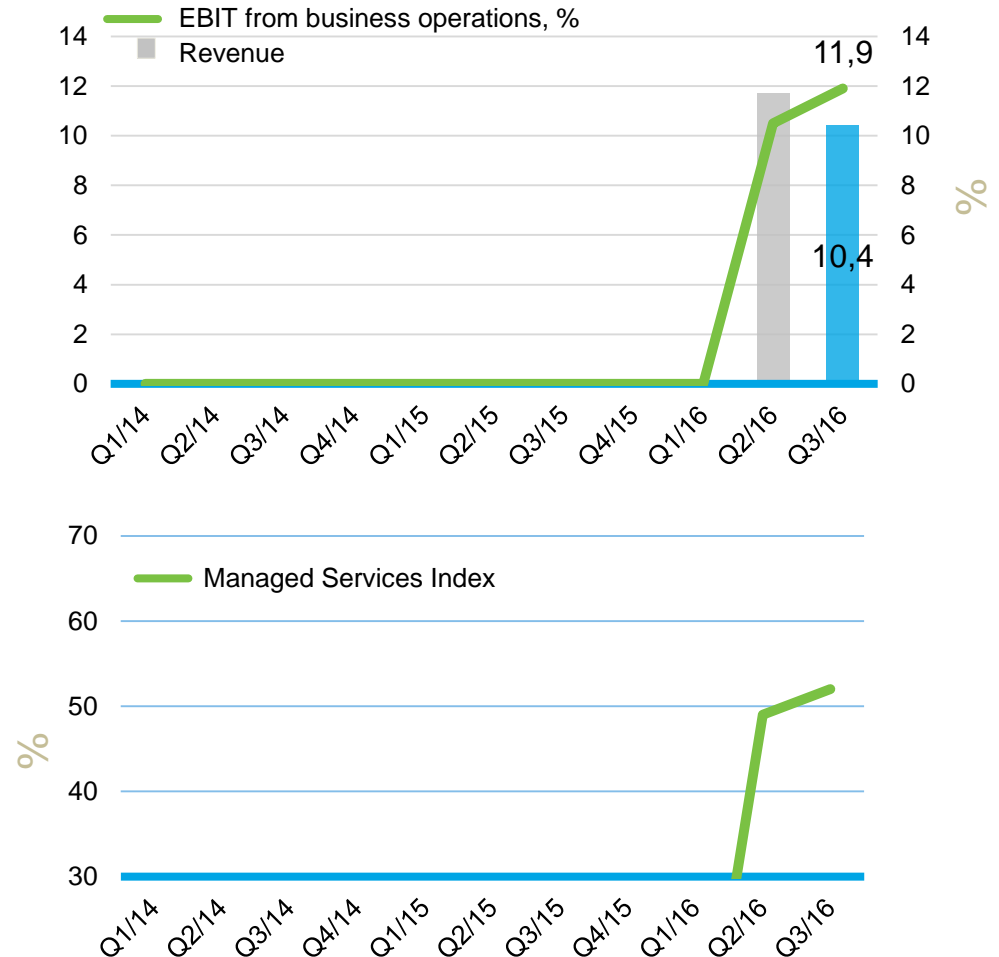
EBIT from business operations was EUR 1.2 million or 11.9% of revenue.

Several significant new deals for embedded systems were made in both Finland and Poland in the third quarter.

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

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

In July-September the share of Managed Services was 52% of revenue.

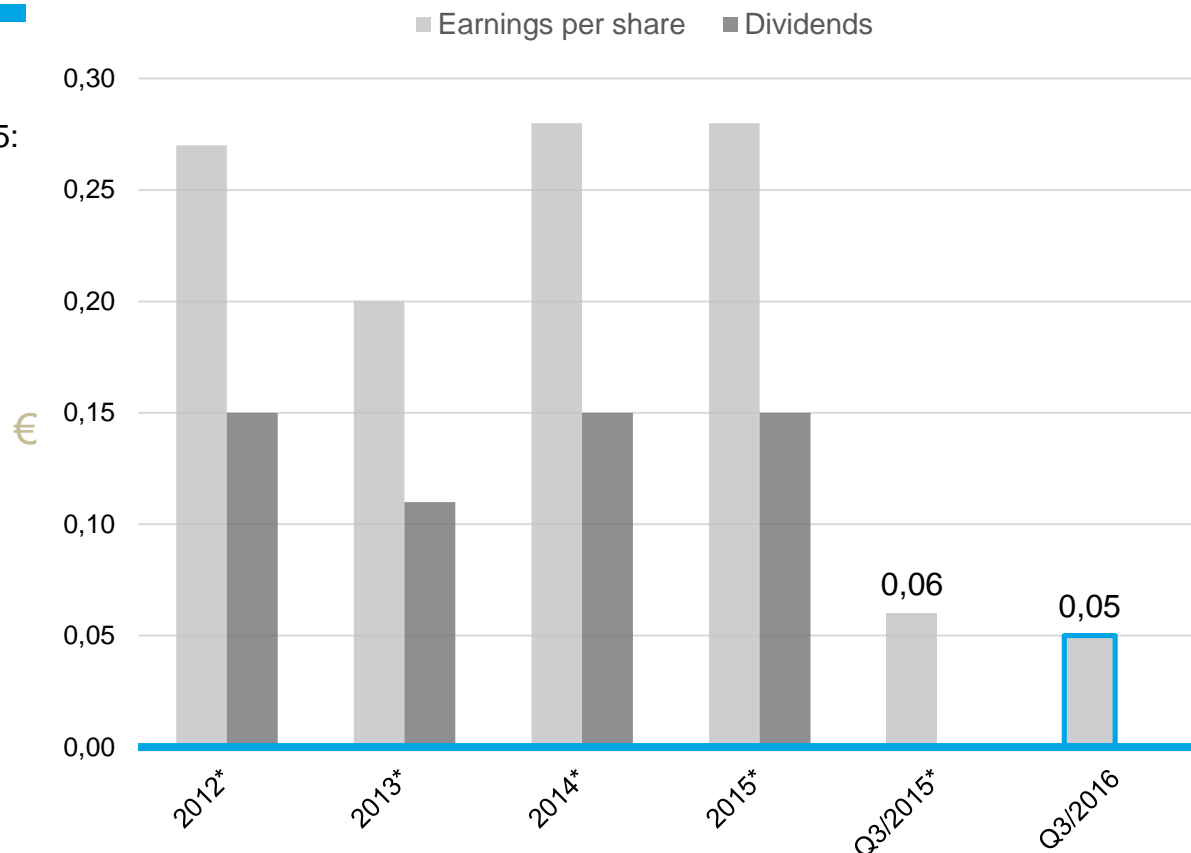


Earnings per share and dividends

Earnings per share 1-9/2016: EUR 0.20 (1-9/2015: EUR 0.20*)

Earnings per share 7-9/2016: EUR 0.05 (7-9/2015: EUR 0.06*)

The amount of shares totaled
24,771,492 in the end of
September (September 30, 2015:
20,665,559).



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

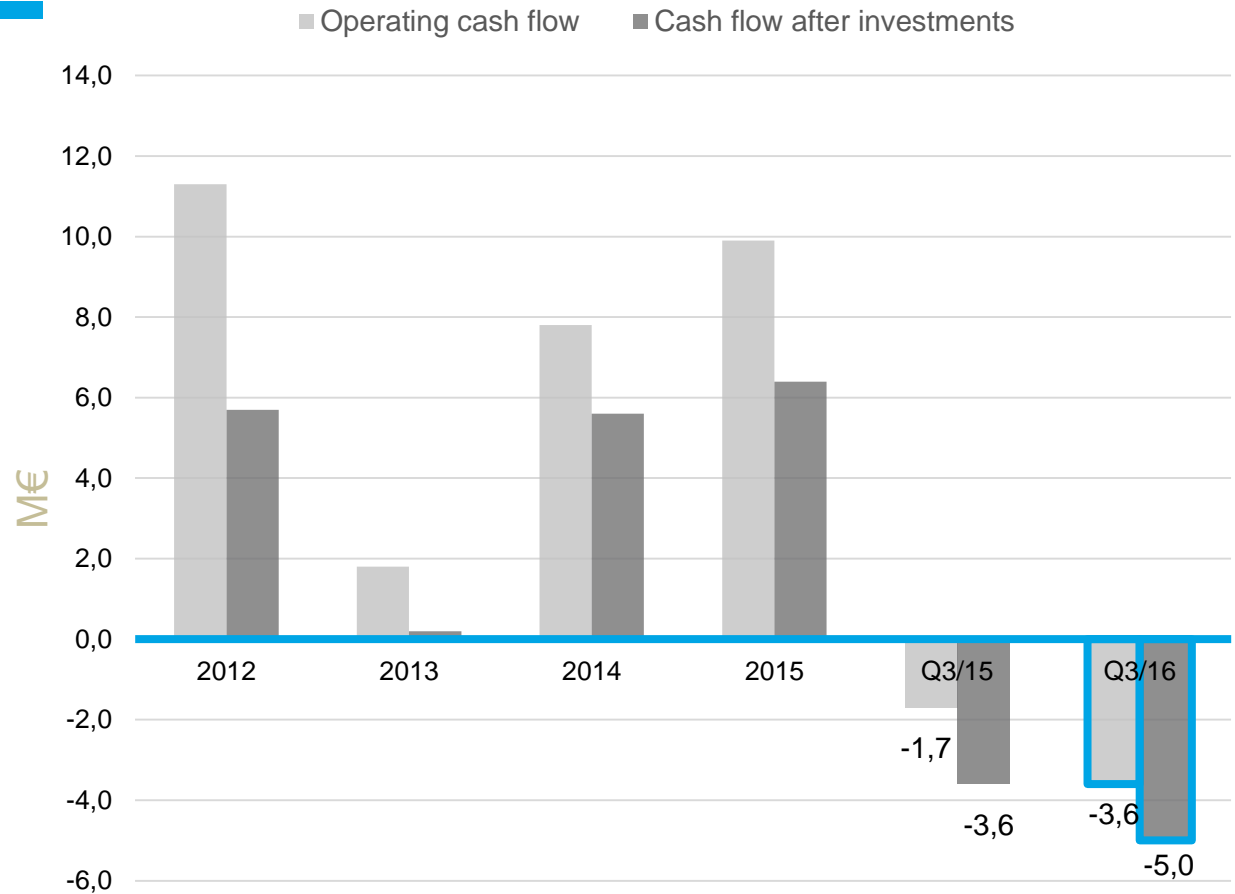
Cash flow

Operating cash flow 1-9/2016: EUR -4.2 million (1-9/2015: EUR 2.1 million)
Operating cash flow 7-9/2016: EUR -3.6 million (7-9/2015: EUR -1.7 million)

Operating cash flow weakened and was EUR -3.6 million (7-9/2015: EUR -1.7 million).

The decrease in 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.

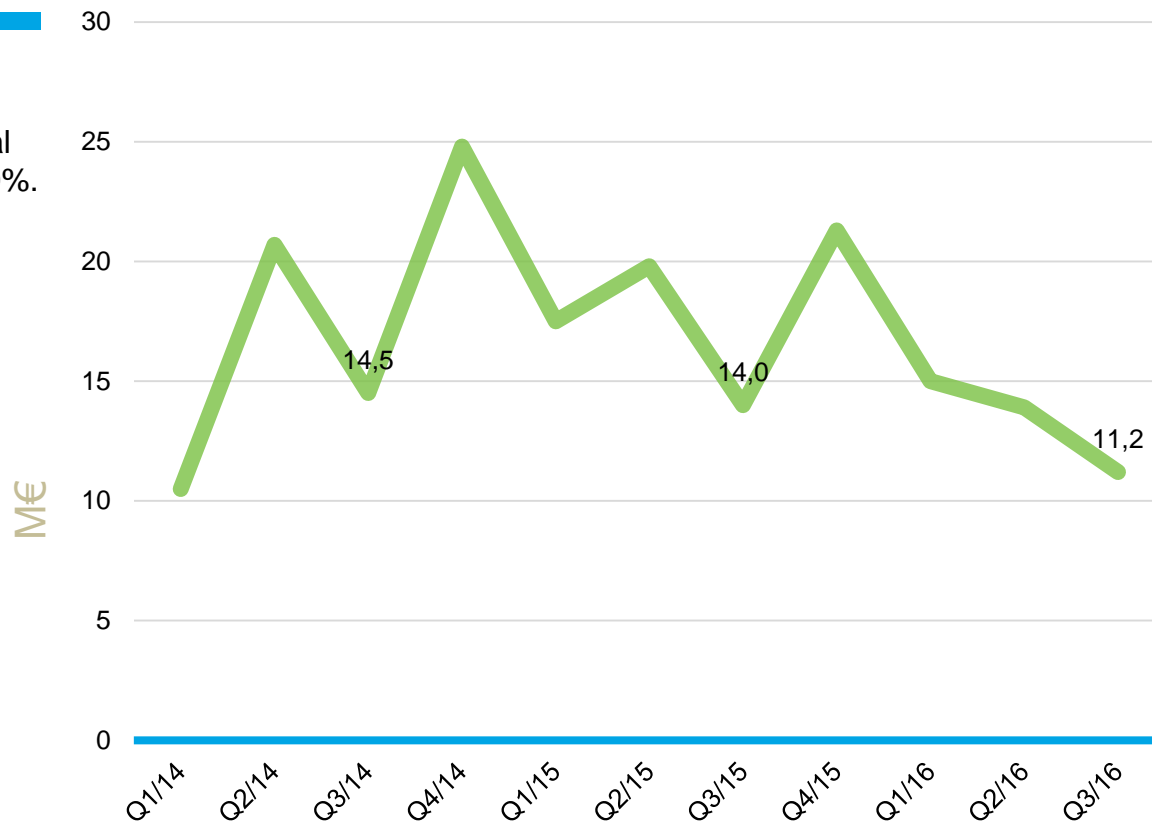


Return on capital employed (ROCE), %

1-9/2016: 12.1% (1-9/2015: 15.9%)

7-9/2016: 11.2% (7-9/2015: 14.0%)

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

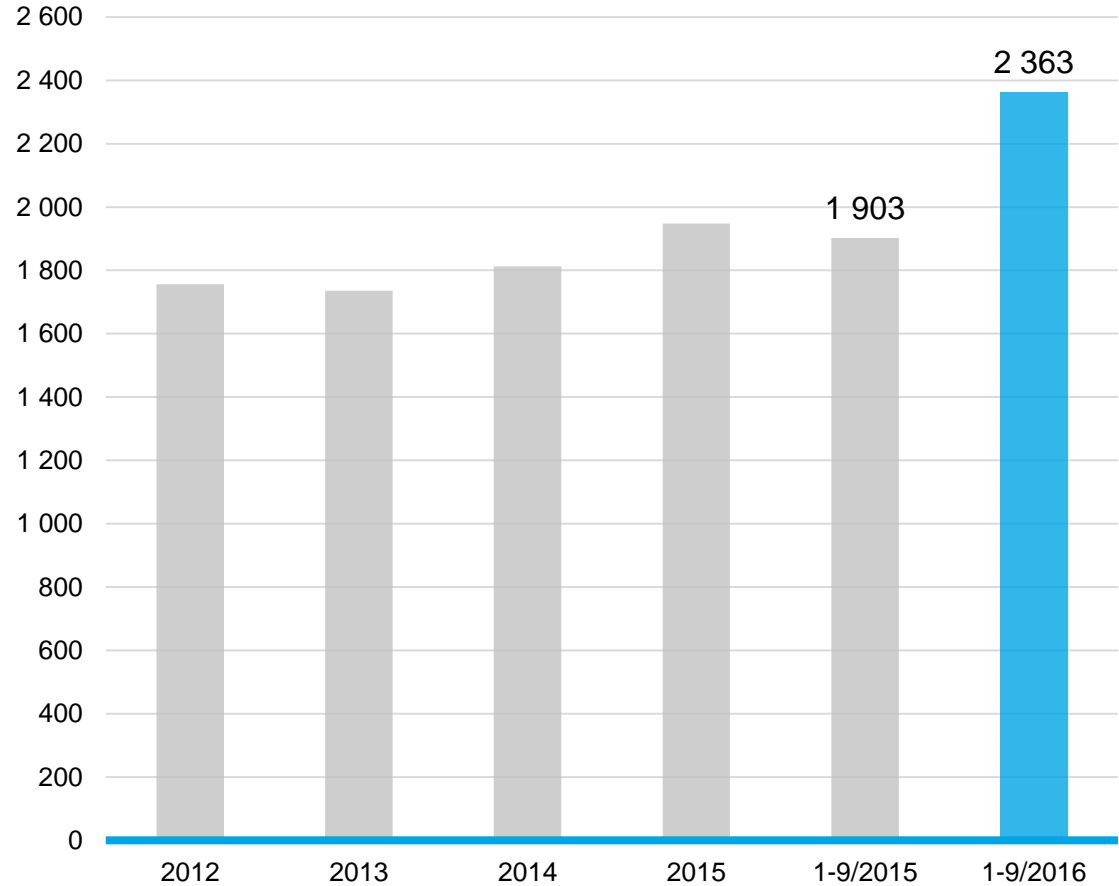


Personnel, average

1-9/2016: 2,363 (1-9/2015: 1,903)

The average number of personnel increased by 24,2% in January-September.

At the end of the review period, The Group employed 2,508 (September 30, 2015: 2,078) people of which 833 people (September 30, 2015: 704) were employed by the Group outside of Finland.



Income statement

(EUR 1,000)	1-9/2016	1-9/2015	Change %	1-12/2015
Revenue	130,800	100,770	29.8	141,143
Other operating income	367	221		309
Materials and services	-8,940	-5,928		-7,918
Staff costs	-93,441	-72,475		-101,452
Other operating expenses	-19,086	-14,365		-20,384
Depreciation and amortization	-3,586	-2,212		-3,104
Operating profit (EBIT)	6,115	6,011	1.7	8,594
Financial income	660	360		589
Financial expenses	-1,123	-772		-1,251
Profit before taxes	5,651	5,599	0.9	7,933
Income taxes	-960	-1,215		-1,744
Profit for the financial year	4,691	4,384		6,189

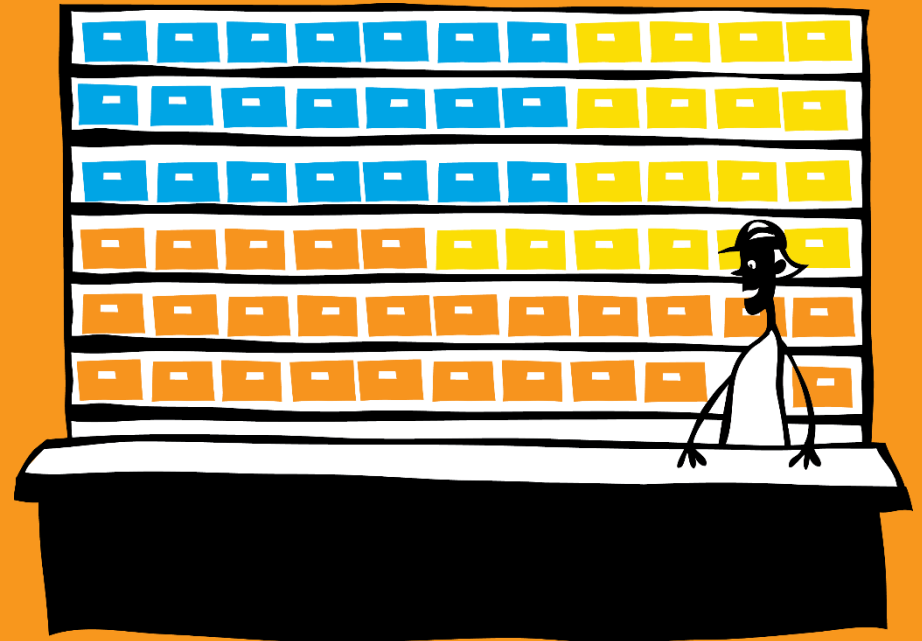
Balance sheet

(EUR 1,000)	30.9.2016	30.9.2015	31.12.2015
Goodwill	57,364	42,247	42,734
Other non-current assets	22,525	12,686	12,498
Non-current assets, total	79,889	54,933	55,232
Inventory	316	0	0
Trade and other receivables	43,038	30,286	28,469
Cash and cash equivalents	3,772	5,373	8,807
Current assets, total	47,126	35,659	37,281
TOTAL ASSETS	127,015	90,592	92,513
Equity, total	49,843	32,271	34,618
Non-current liabilities, total	30,186	14,280	10,142
Current liabilities, total	46,986	44,041	47,753
TOTAL EQUITY AND LIABILITIES	127,015	90,592	92,513

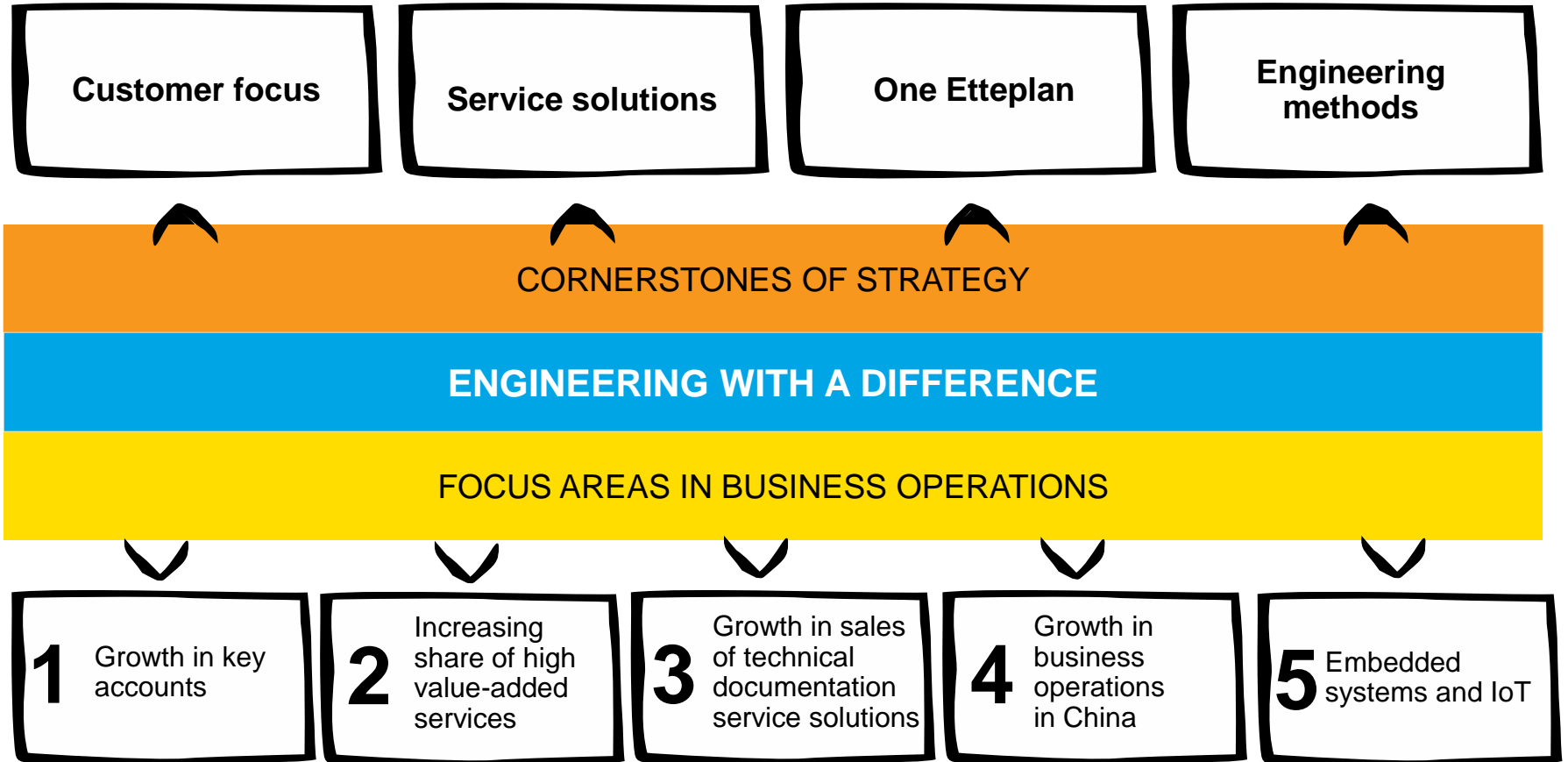
Cash flow statement

(EUR 1,000)	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Operating cash flow (A)	-3,640	-1,717	-4,174	2,115	9,932
Investing cash flow (B)	-1,372	-1,868	-23,291	-3,188	-3,526
Cash flow after investments (A+B)	-5,012	-3,584	-27,465	-1,073	6,406
Financing cash flow (C)	2,780	5,245	22,375	3,816	-160
Variation in cash (A+B+C)	-2,232	1,660	-5,090	2,744	6,246
Assets at the beginning of the period	5,948	3,663	8,807	2,575	2,575
Exchange gains or losses on cash and cash equivalents	56	50	55	55	-14
Assets at the end of the period	3,772	5,373	3,772	5,373	8,807

Etteplan's targets



From strategy to action



15% annual revenue growth target

FINANCIAL TARGETS

15%

On average annual revenue growth

1-9/2016: 29.8%

10%

EBIT from business operations

1-9/2016: 5.7%

50%

Share of Managed Services of revenue by 2016

1-9/2016: 52%

Improvement of operating cash flow to strengthen the balance sheet

1-9/2016: -4.2 m€

ACTIONS

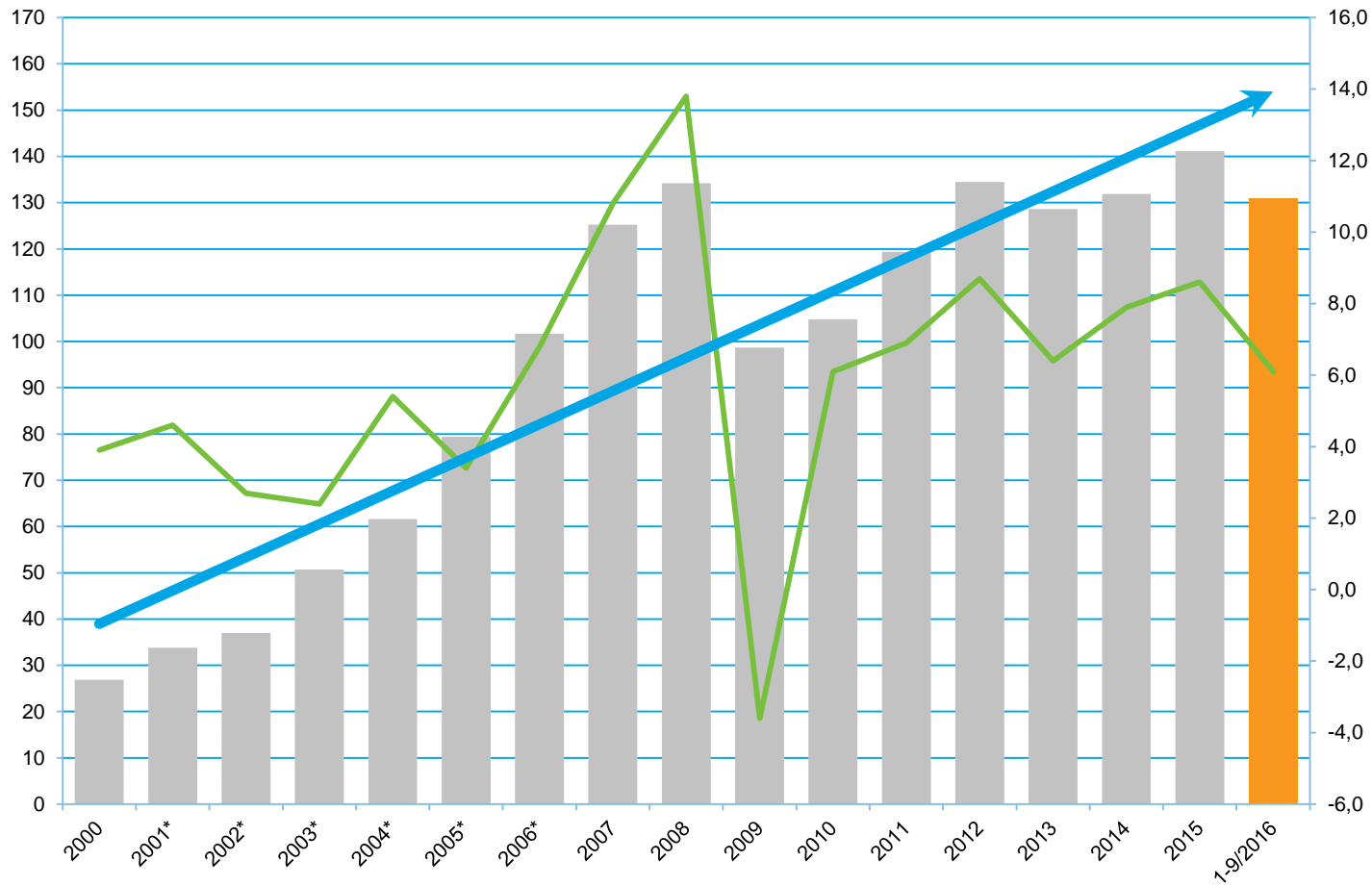
- Growth in key accounts
- Strong market position enables faster growth than the market
- Acquisitions supporting growth

- Unique service concept in the engineering services industry
- Service solutions

- Change of business model
- Market leadership

- Development of pricing models

Revenue and EBIT 2000-2016



*includes continued and discontinued operations

Revenue Operating profit

IR contacts



Juha Näkki
President and CEO
Tel. +358 10 307 2077

Outi Tornainen
Senior Vice President,
Communications and Marketing
Tel. + 358 40 5121 375



Per-Anders Gådin
Senior Vice President, Finance
Tel. +46 70 399 7929



Engineering with a difference



Etteplan