

Half year financial report January-June 2016

# Revenue at record levels

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President and CEO

August 10, 2016

**Engineering with  
a difference**



# Market Review

- The first half of 2016 was characterized by an uncertain market situation and unpredictable changes.
  - Demand got off to a slow start for the third consecutive year, but picked up slightly during the second quarter.
- In Finland, the outsourcing trend continued, compensating for the otherwise relatively weak demand.
- Market development was strong in Sweden and competition for employees continued to be intense.
- In Central Europe, demand was at a relatively good level in the first half of 2016.
- In Russian projects, demand was at a low level throughout the first half of 2016.
- Companies operating in the Chinese market increased their purchasing of external services.
- There were no significant changes in the demand for our services by customer industry during the first half of the year.

# Highlights 4-6/2016

- + Revenue exceeded EUR 50 million for a single quarter for the first time in the Group's history.
  - + Revenue grew 47 per cent compared with the same period in 2015.
  - + Organic growth was over 10 per cent.
- + Operations in the new service area Embedded systems and IoT started well.
  - + EBIT-% from business operations was 10.5.
- + The share of revenue from high value-added services exceeded our target of 50 per cent in the second quarter.
- + The Rights Issue to finance acquisitions was carried out successfully.
- EBIT-% from business operations declined due to substantial amount of exceptional items.
- Slow start for business operations in Technical documentation in Germany.

# Rights Issue was carried out successfully

- Etteplan Oyj's Board of Directors decided on May 9, 2016, to issue a maximum of 4,105,933 new shares pursuant to the authorization granted by the Annual General Meeting held on April 5, 2016, in a share issue based on the existing shareholders' pre-emptive subscription right.
- All of the shares offered in the rights offering were subscribed for.
- Etteplan raised gross proceeds of approximately EUR 14.4 million through the offering.
- As a result of the offering, the total number of shares in Etteplan increased to 24,771,492 shares.
- The new shares were registered with the Finnish Trade Register and in Etteplan's shareholder register on June 9, 2016.

# Etteplan's strategy utilizes the changes taking place in the business environment

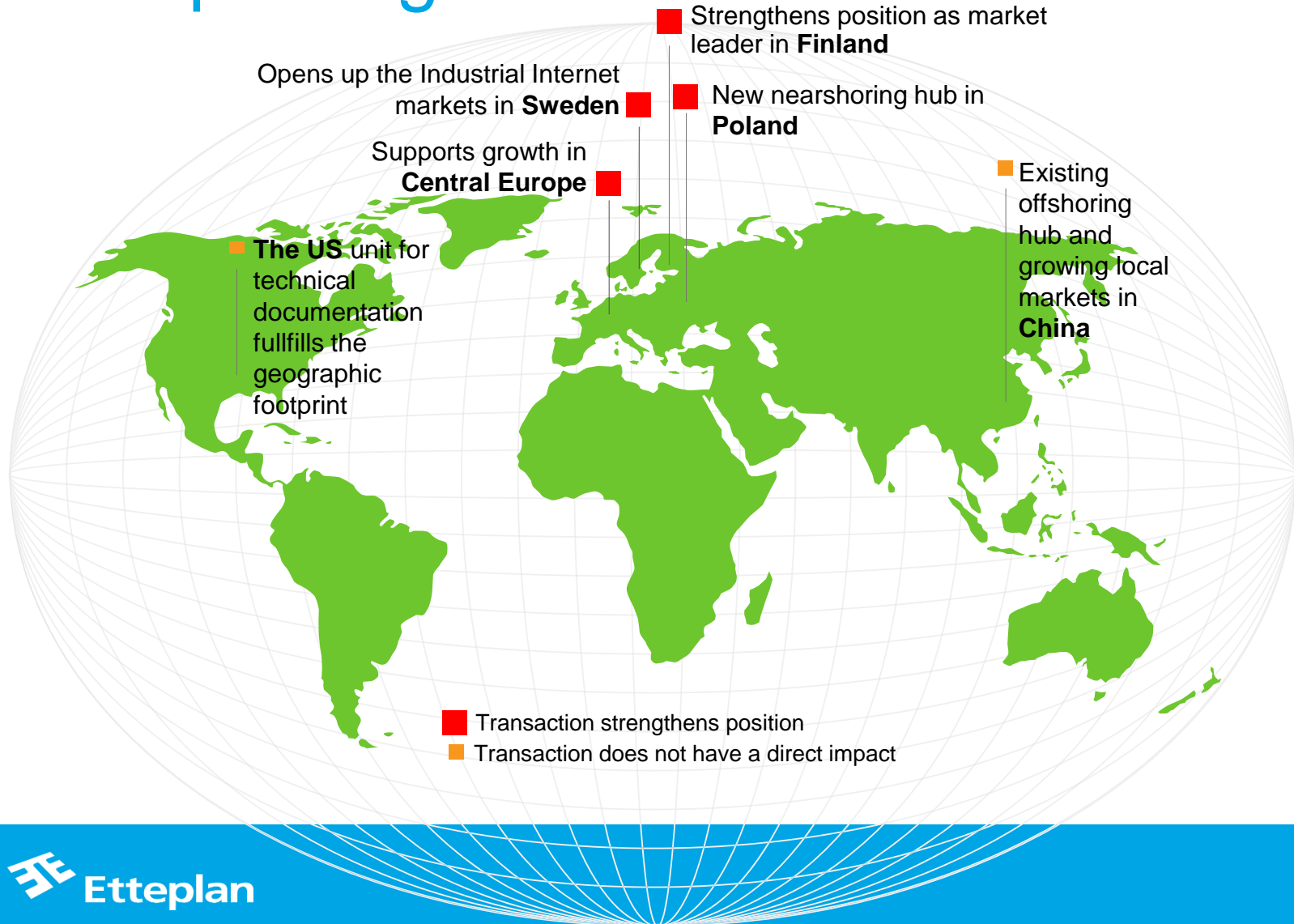
- The drivers of growth in the engineering industry include the Internet of Things, sustainable development and industry consolidation.
- Etteplan's focus in M&A is in increasing its competence capital and geographic footprint.
  - The acquisitions completed during the report period have given Etteplan new competence capital in the areas of embedded systems and IoT.
- Organic growth is based on unique service offering.
- The focus areas in Etteplan's business are:
  1. Growth in key accounts.
  2. Increasing revenue from high value-added services (Managed Services).
  3. Increasing the sales of technical documentation services.
  4. Growing the Company's business in China.
  5. Development and growth of IoT services.

# Acquisitions in the review period

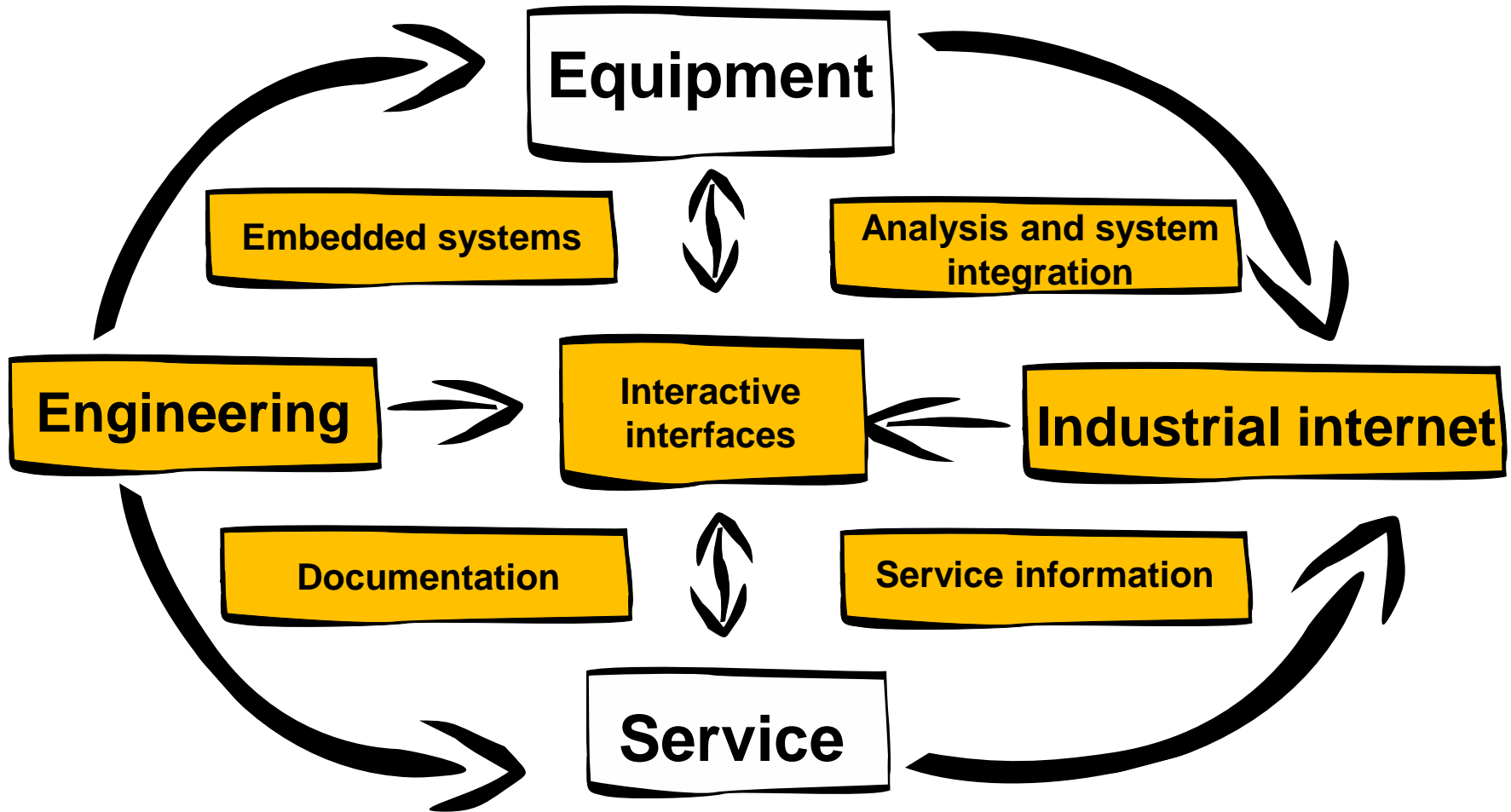
- Etteplan extended its service concept into industrial internet solutions and strengthened its position in embedded systems by acquiring Espotel Oy and Soikea Solutions Oy.
- Etteplan acquired the business operations of Suomen Unit Oy.



# The transactions strengthened Etteplan's growth



# Unique service offering in the engineering industry





# Key figures 4-6/2016

(EUR 1,000)	4-6/2016	4-6/2015	Change %
Revenue	50,211	34,240	46.6
EBIT from business operations	2,911	2,509	16.0
EBIT from business operations, %	5.8	7.3	
Operating profit (EBIT)	2,352	2,305	2.0
EBIT, %	4.7	6.7	
Basic earnings per share, EUR	0.08	0.08*	0.0
Equity ratio, %	38.1	38.4	
Operating cash flow	1,148	3,695	-68.9
ROCE, %	13.9	19.8	
Personnel at end of the period	2,487	1,900	30.9

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

# Key figures 1-6/2016

(EUR 1,000)	1-6/2016	1-6/2015	Change %
Revenue	88,814	68,890	28.9
EBIT from business operations	5,090	4,763	6.9
EBIT from business operations, %	5.7	6.9	
Operating profit (EBIT)	4,248	4,356	-2.5
EBIT, %	4.8	6.3	
Basic earnings per share, EUR	0.15	0.14*	7.2
Equity ratio, %	38.1	38.4	
Operating cash flow	-533	3,832	-1 13.9
ROCE, %	12.8	18.3	
Personnel at end of the period	2,487	1,900	30.9

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

# Outlook

## **UPDATED MARKET OUTLOOK AUGUST 10, 2016**

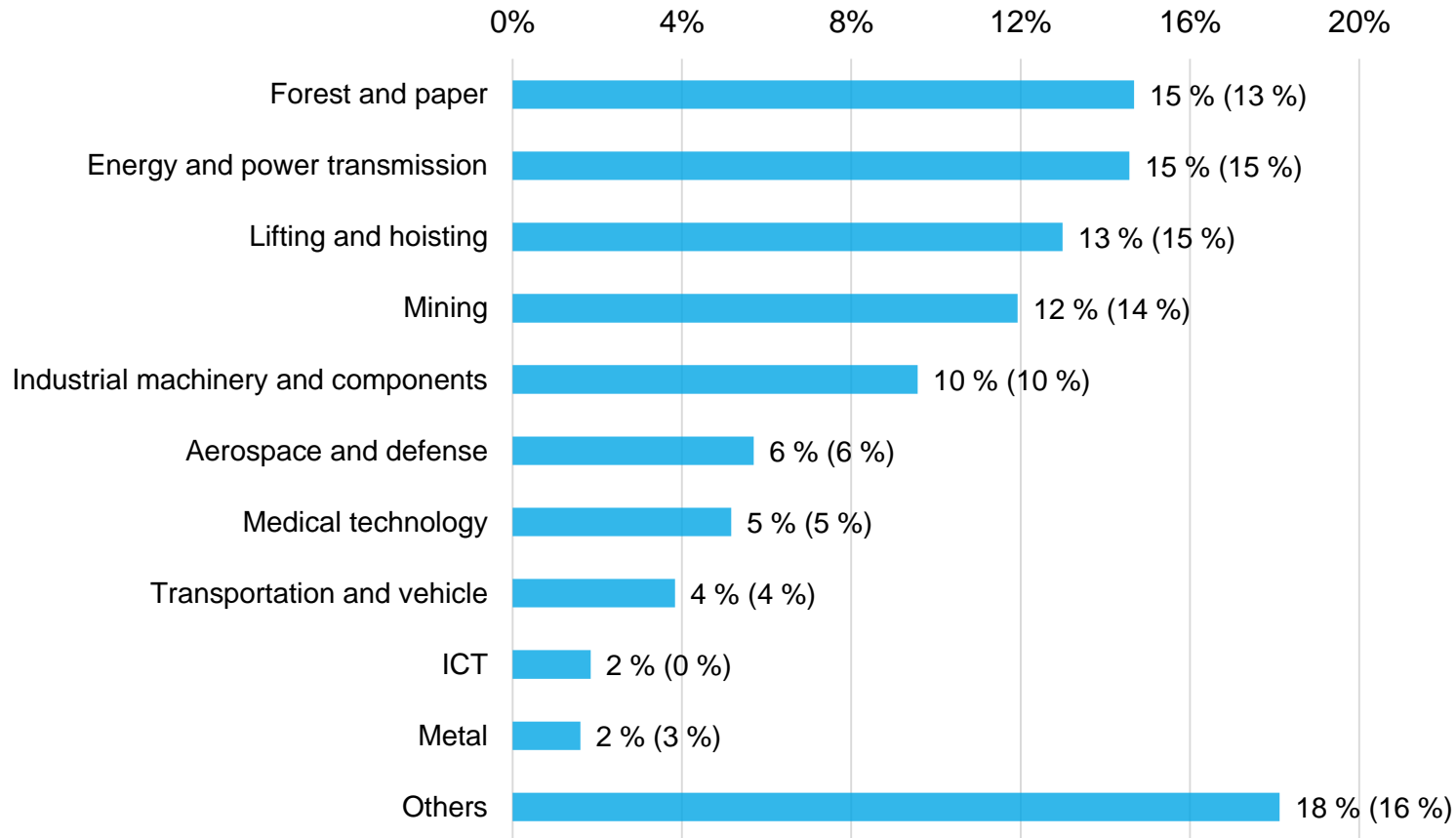
The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. The relatively good growth expectations for Europe in 2016 were weakened by the result of the Brexit vote in the United Kingdom. In the Finnish market, the market situation is expected to remain weaker than in the rest of Europe. In Asia, the service market development is expected to continue. We expect that the good market situation in North America will continue.

## **FINANCIAL GUIDANCE MARCH 15, 2016**

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

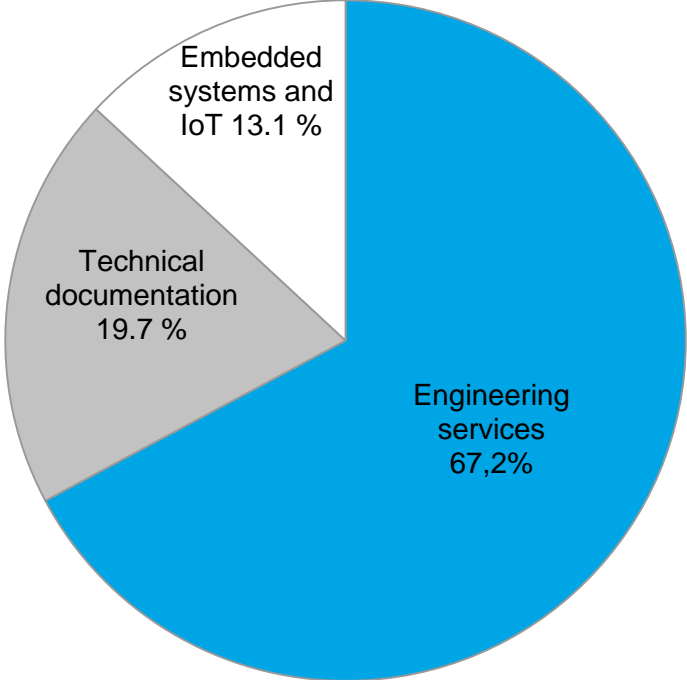
# Revenue 1-6/2016

## Revenue by customer segment

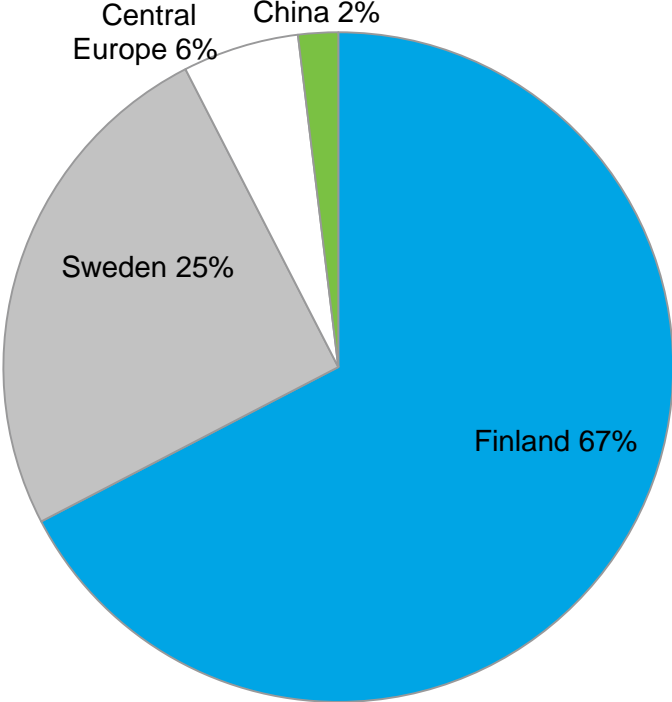


# Revenue by service area and by country 1-6/2016

Revenue by service area



Revenue by country



# Revenue

1-6/2016: EUR 88.8 million (1-6/2015: EUR 68.9 million)

4-6/2016: EUR 50.2 million (4-6/2015: EUR 34.2 million)

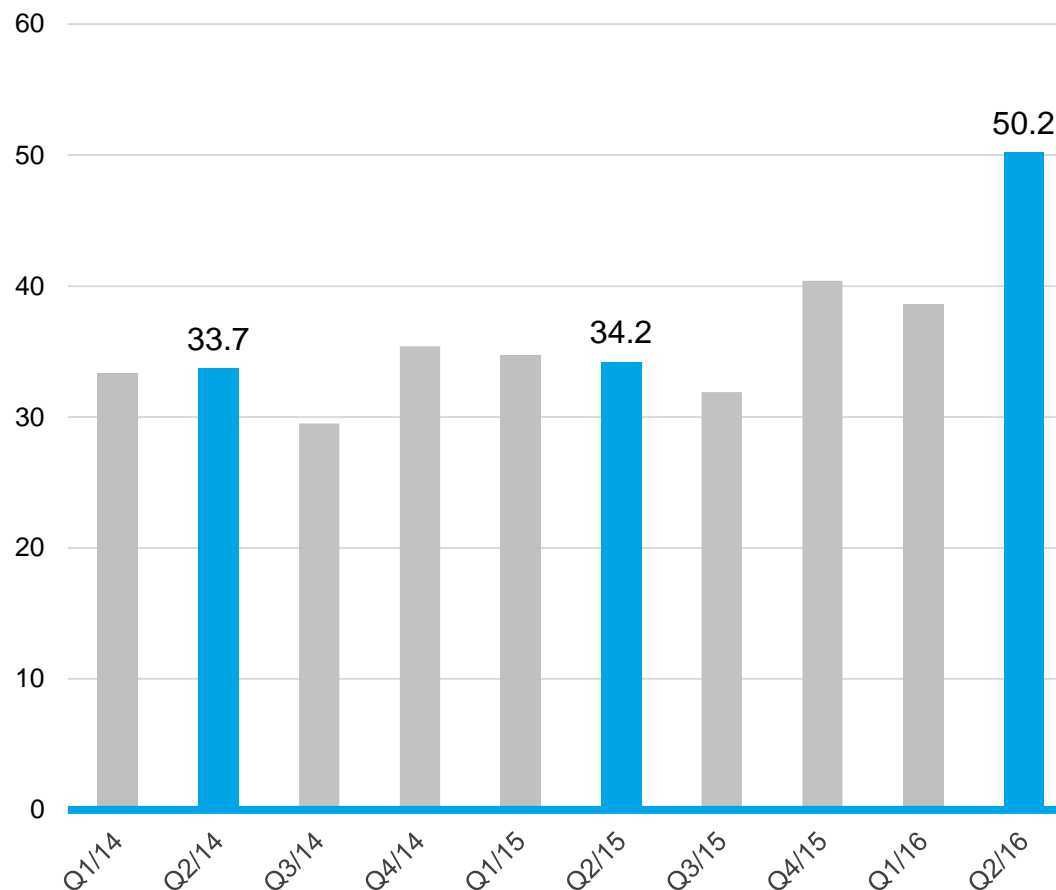
The Group's revenue increased in January-June by 28.9 %.

In April-June, the revenue increased by 46.6 %.

Organic growth for the report period was 5.2 % and in April-June 10.1 %.

Key accounts grew by 12.7 % in January-June and 21.9 % in April-June.

The increase in revenue was mainly attributable to acquisitions.



# EBIT from business operations

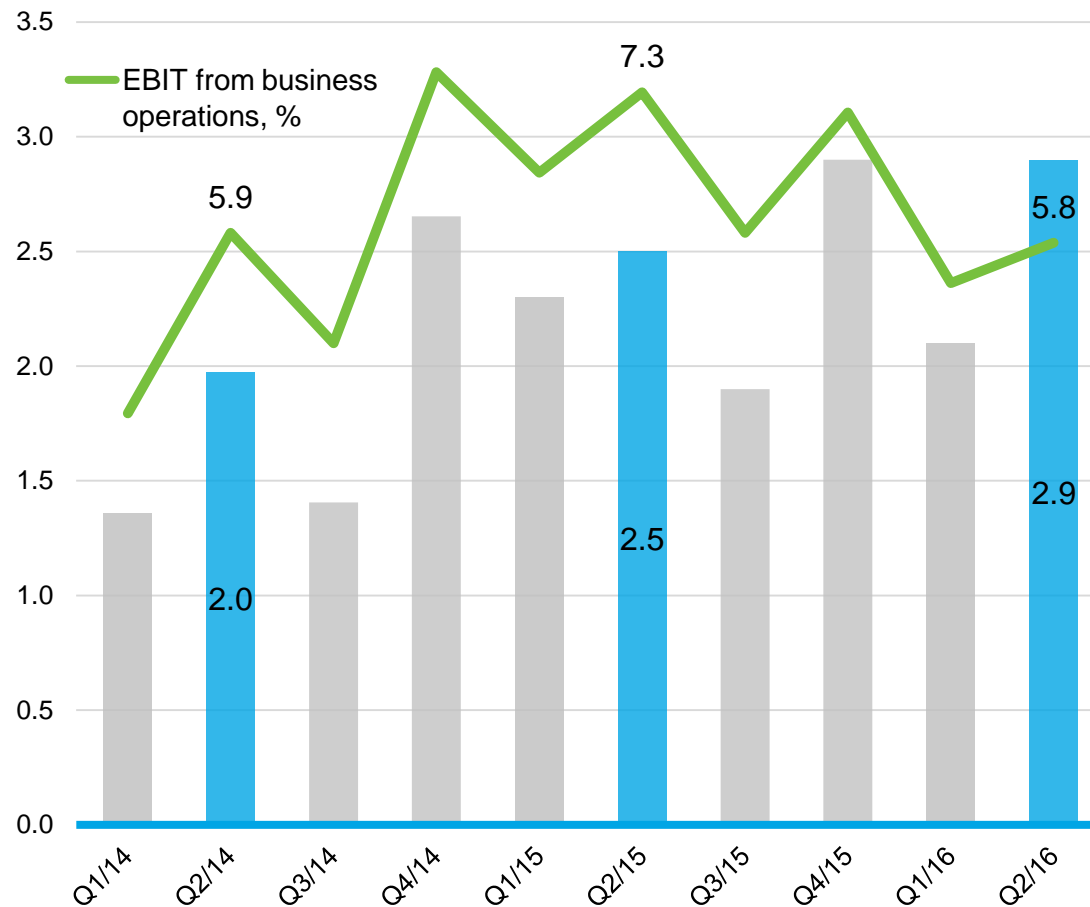
1-6/2016: EUR 5.1 million, 5.7% (1-6/2015: EUR 4.8 million, 6.9%)

4-6/2016: EUR 2.9 million, 5.8% (4-6/2015: EUR 2.5 million, 7.3%)

EBIT-% from business operations declined due to exceptional items.

Exceptional items had a combined negative effect of EUR 1.2 million on EBIT from business operations in January-June and EUR 1.0 million in April-June.

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.

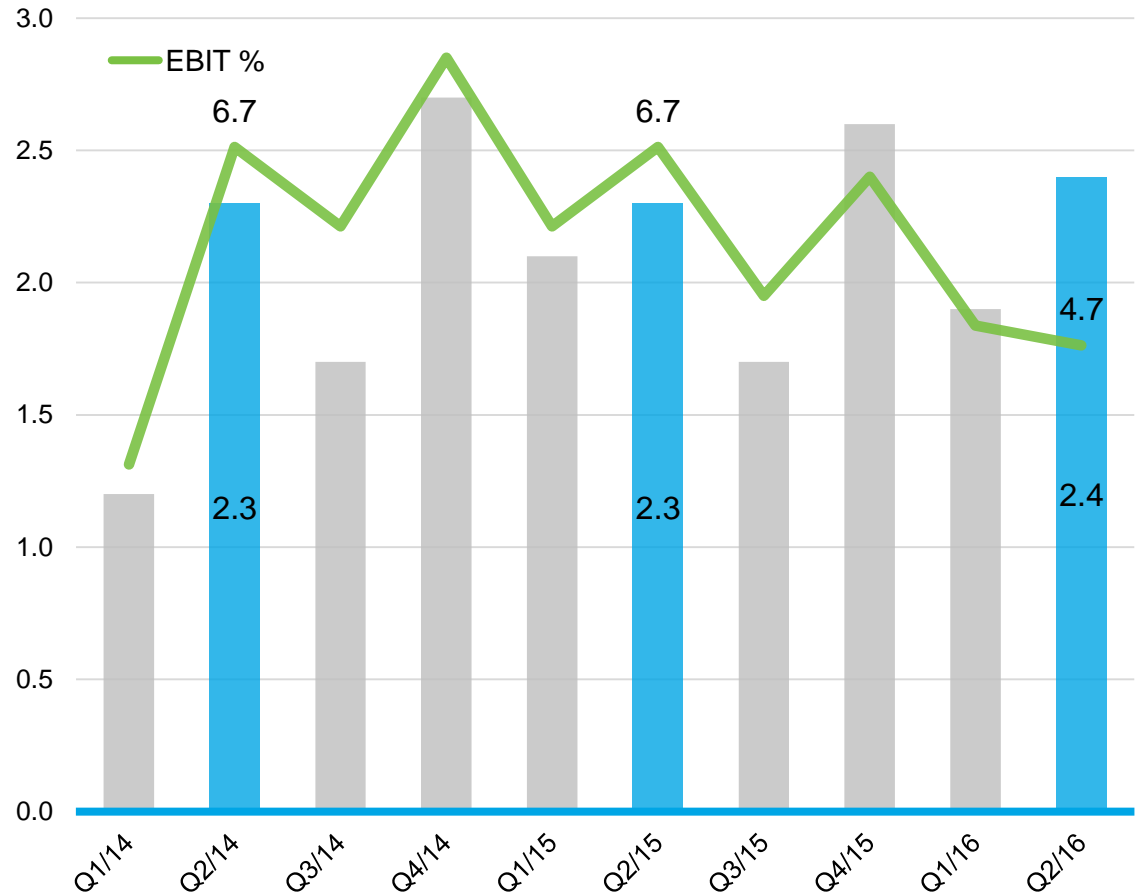


# Operating profit (EBIT) and EBIT %

1-6/2016: EUR 4.2 million, 4.8% (1-6/2015: EUR 4.4 million, 6.3%)

4-6/2016: EUR 2.4 million, 4.7% (4-6/2015: EUR 2.3 million, 6.7%)

Amortization related to acquisitions were EUR 0.6 million in 4-6/2016 and EUR 0.8 million in 1-6/2016.





# Engineering services

Revenue 1-6/2016: EUR 59.7 million (1-6/2015: EUR 54.8 million)

Revenue 4-6/2016: EUR 29.7 million (4-6/2015: EUR 27.1 million)

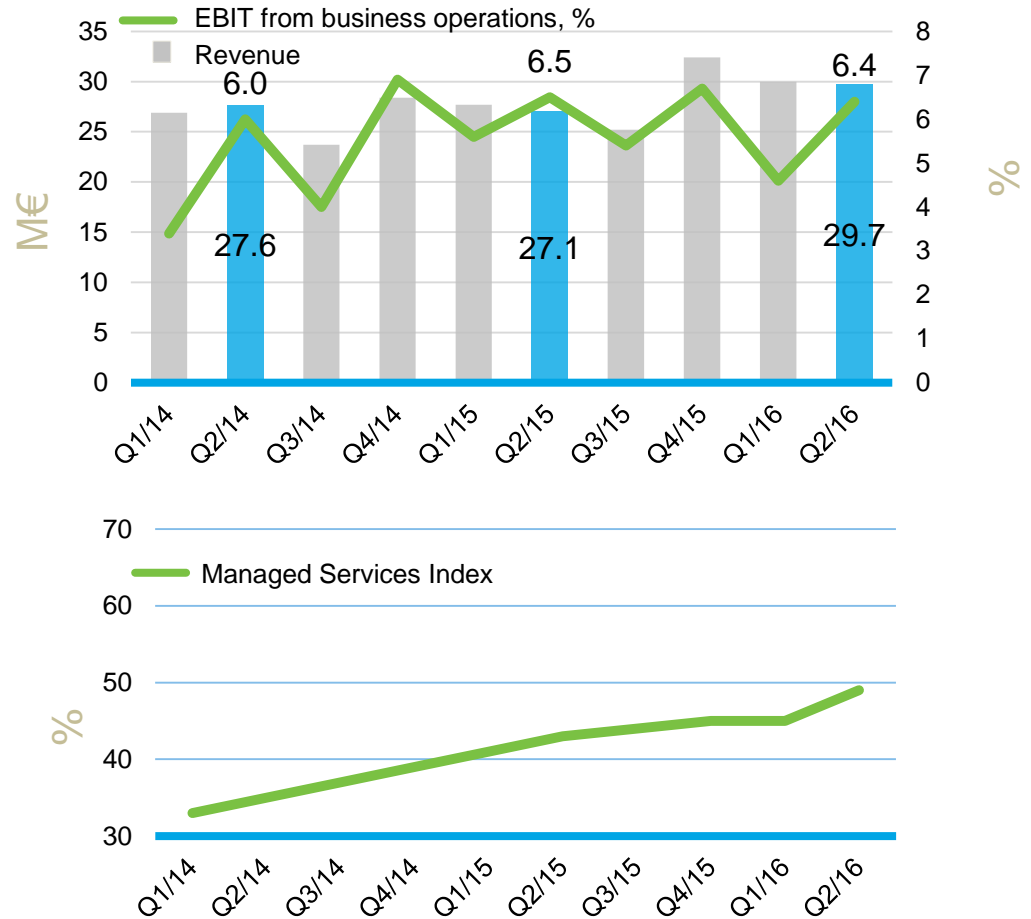
Engineering services accounted for 59.1 % (4-6/2015: 79.2%) of revenue in April-June.

Revenue grew by 9.4% in April-June.

Revenue grew in plant engineering services. Embedded systems are reported as part of Embedded systems and IoT – service area as of Q2/2016.

In April-June, EBIT from business operations was EUR 1.9 million (4-6/2015: EUR 1.8 million) or 6.4% (4-6/2015: 6.5%) of revenue.

The share of Managed Services was 49 % of revenue.



# Technical documentation

Revenue 1-6/2016: EUR 17.5 million (1-6/2015: EUR 14.1 million)

Revenue 4-6/2016: EUR 8.9 million (4-6/2015: EUR 7.2 million)

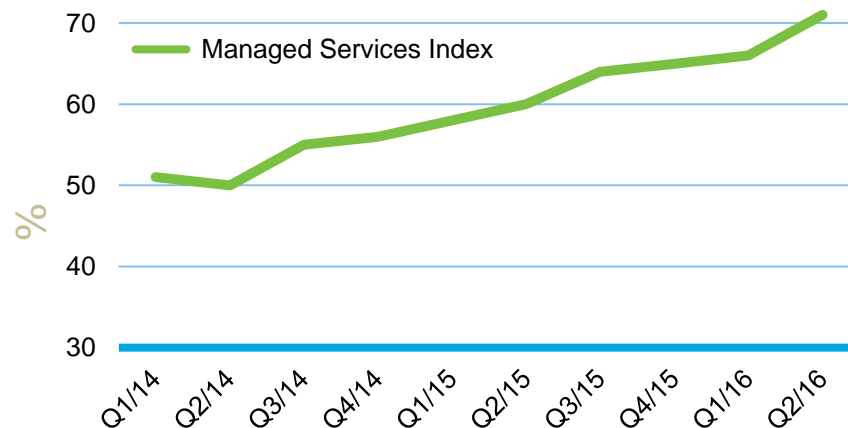
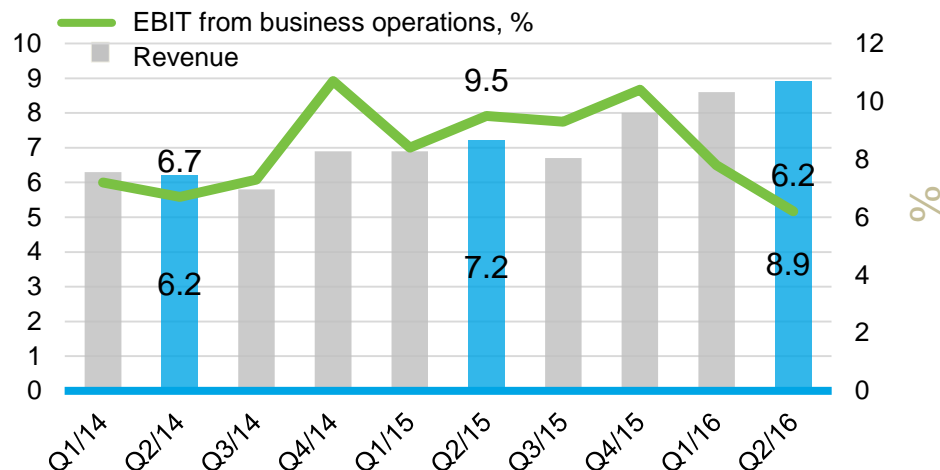
Technical documentation accounted for 17.7% (4-6/2015: 20.9%) of revenue in April-June.

Revenue grew by 23.7% from the comparison period.

EBIT from business operations was EUR 0.6 million (4-6/2015: EUR 0.7 million) or 6.2% (4-6/2015: 9.5%) 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 profitability of certain units.

In April-June the share of Managed Services was 71 % of revenue.



# Embedded systems and IoT

Revenue 1-6/2016: EUR 11.7 million

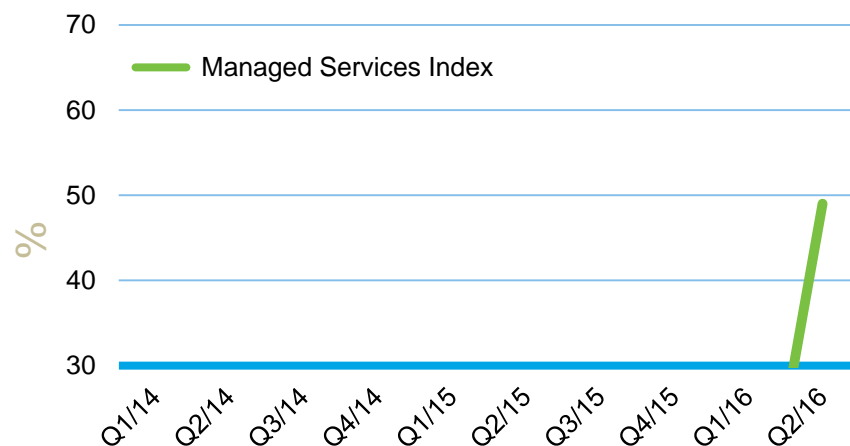
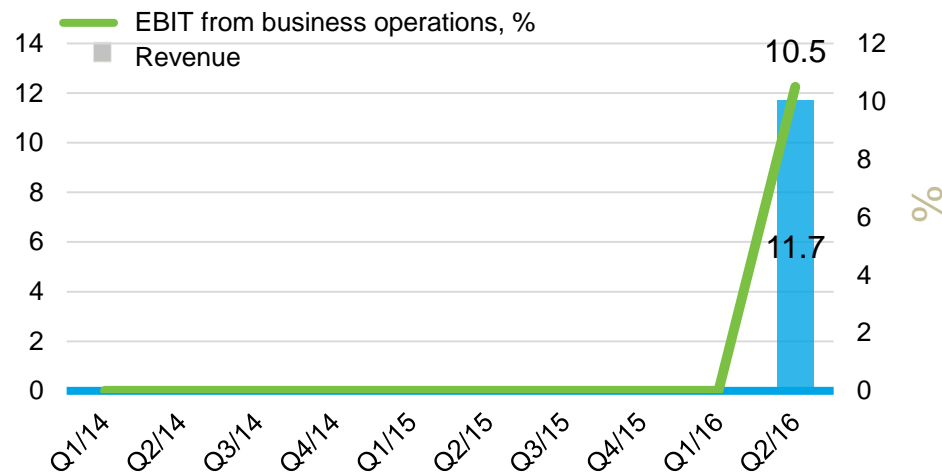
Revenue 4-6/2016: EUR 11.7 million

Embedded systems and IoT accounted for 23.2% of revenue in April-June.

EBIT from business operations was EUR 1.2 million or 10.5% of revenue.

In April-June the share of Managed Services was 49 % of revenue.

Embedded systems and IOT was included in Engineering services in 2015 and Q1 2016.

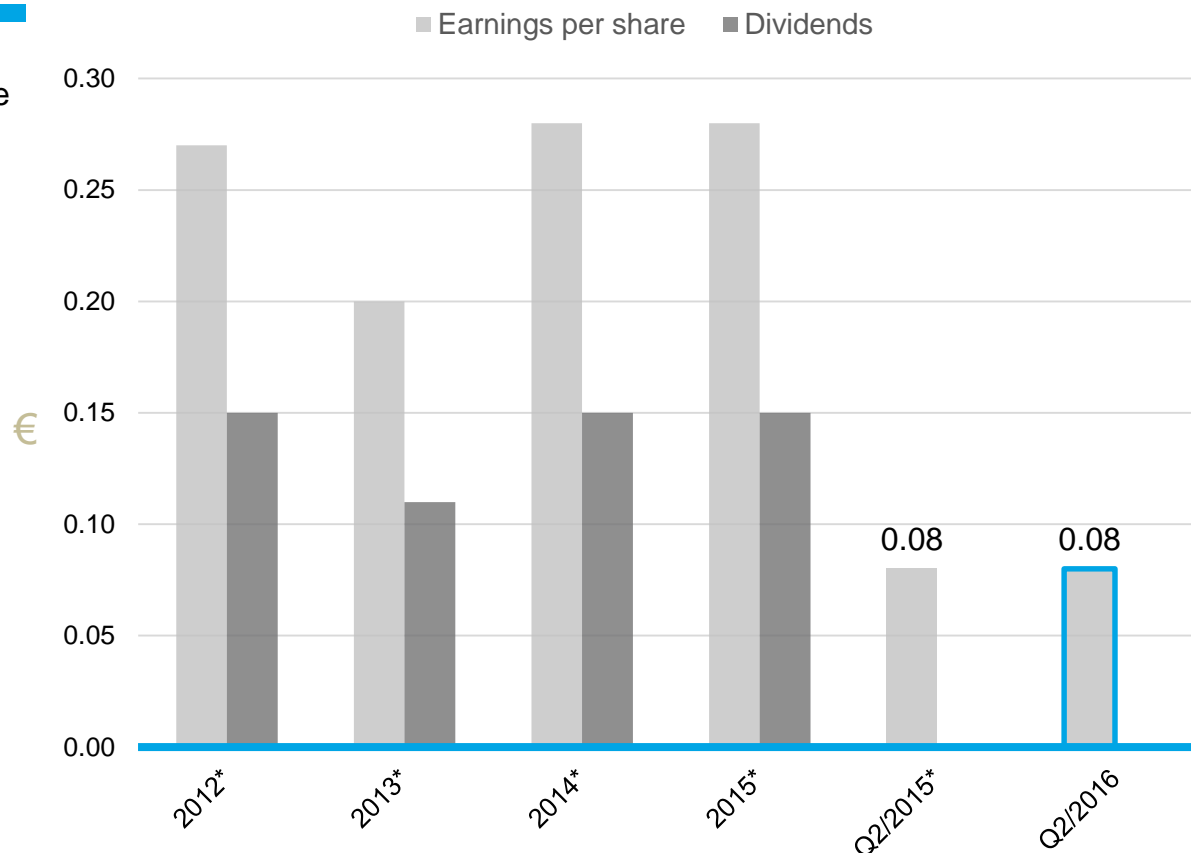


# Earnings per share and dividends

Earnings per share 1-6/2016: EUR 0.15 (1-6/2015: EUR 0.14\*)

Earnings per share 4-6/2016: EUR 0.08 (4-6/2015: EUR 0.08\*)

Earnings per share remained the same as in the comparison period.



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

# Cash flow

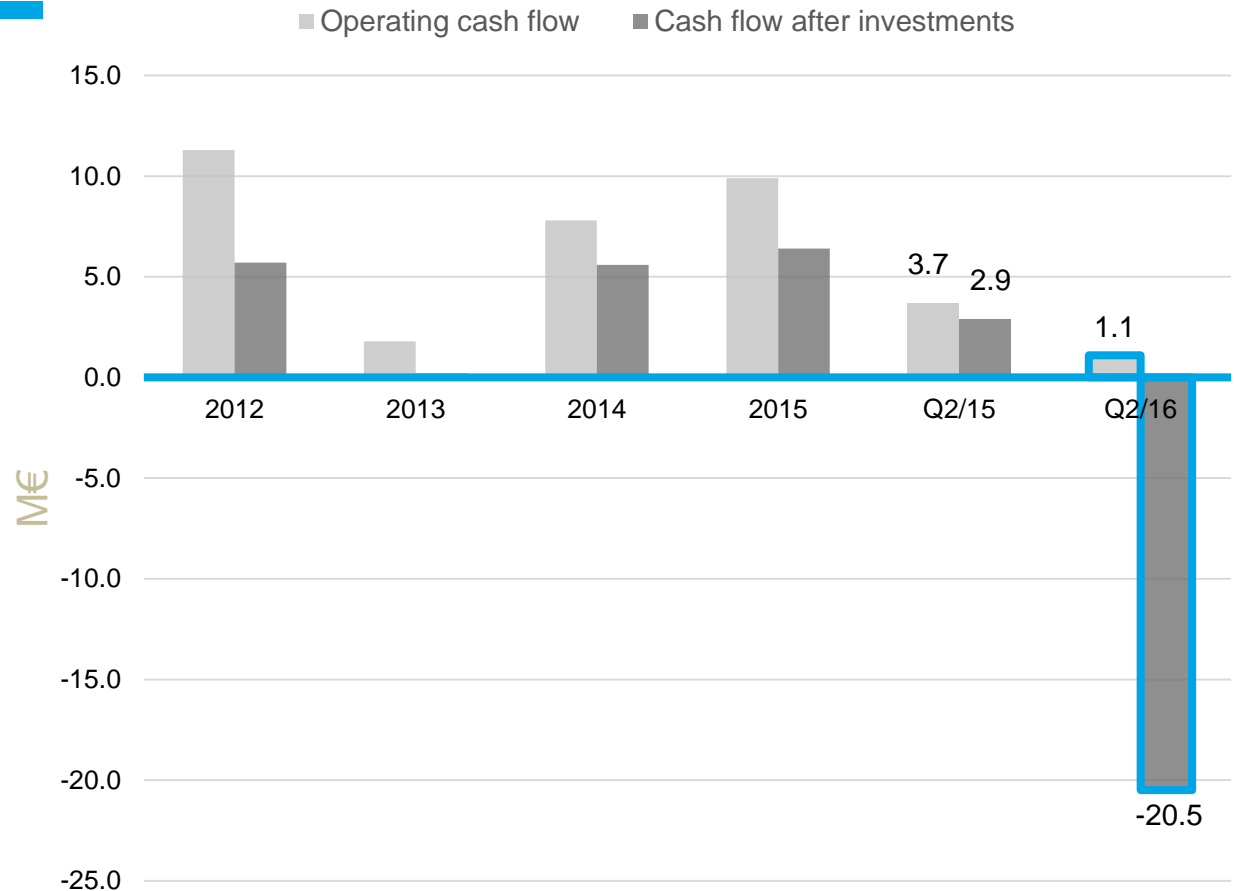
Operating cash flow 1-6/2016: EUR -0.5 million (1-6/2015: EUR 3.8 million)

Operating cash flow 4-6/2016: EUR 1.1 million (4-6/2015: EUR 3.7 million)

Operating cash flow weakened and was EUR 1.1 million (4-6/2015: EUR 3.7 million).

The decrease in cash flow was attributable to the Company's strong growth in the first half of the year and unfavorable mix of payment terms. The cash flow was also impacted by a retroactive tax payment from 2015.

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

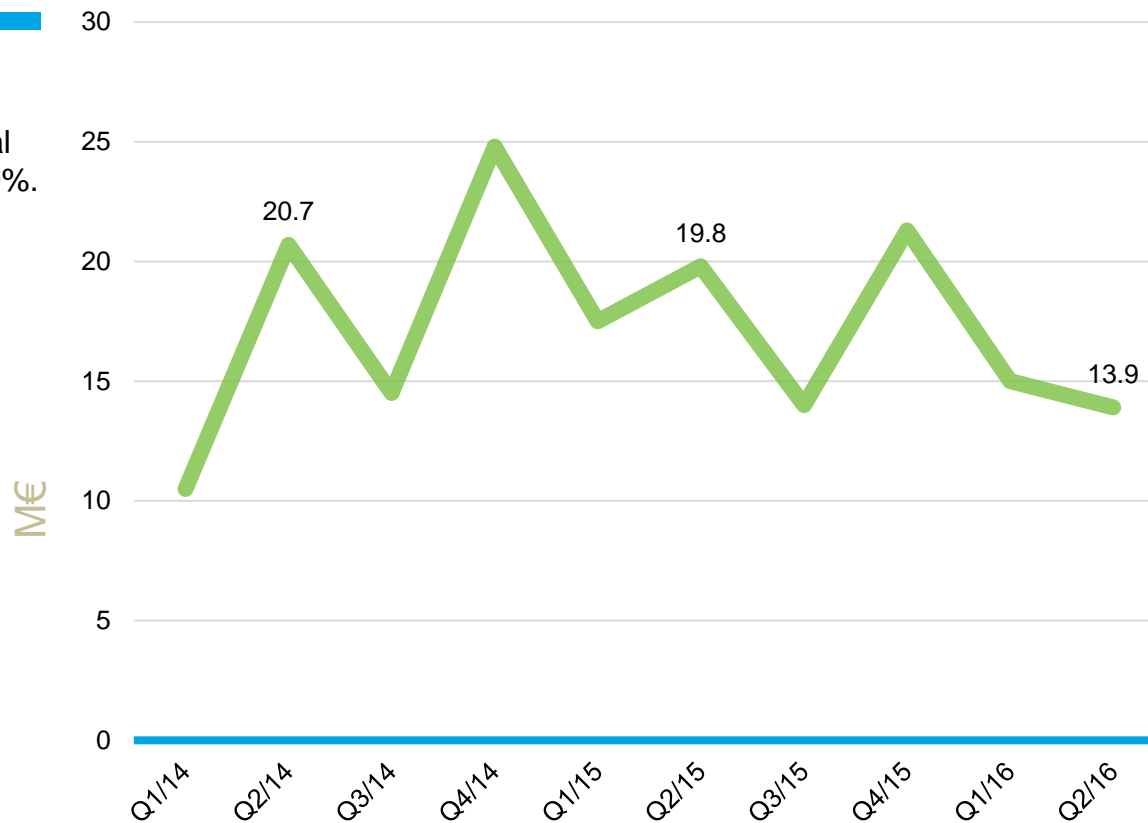


# Return on capital employed (ROCE), %

1-6/2016: 12.8% (1-6/2015: 18.3%)

4-6/2016: 13.9% (4-6/2015: 19.8%)

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

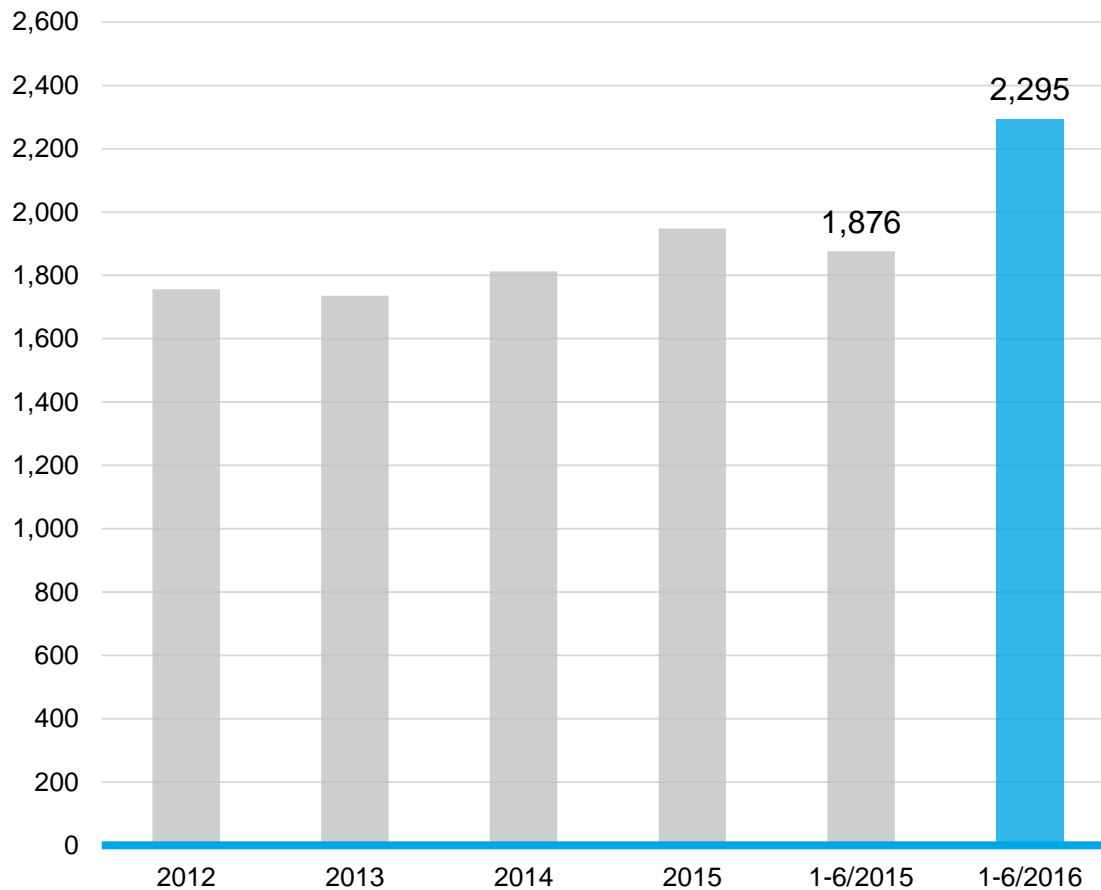


# Personnel, average

1-6/2016: 2,295 (1-6/2015: 1,876)

The average number of personnel increased by 30.9% in January-June.

At the end of the review period, The Group employed 2,487 (June 30, 2015: 1,900) people of which 822 people (June 30, 2015: 700) were employed by the Group outside of Finland.



# Income statement

(EUR 1,000)	1-6/2016	1-6/2015	Change %	1-12/2015
Revenue	88,814	68,890	28.9	141,143
Other operating income	302	172		309
Materials and services	-5,291	-4,092		-7,918
Staff costs	-64,590	-49,649		-101,452
Other operating expenses	-12,727	-9,541		-20,384
Depreciation and amortization	-2,260	-1,424		-3,104
<b>Operating profit (EBIT)</b>	<b>4,248</b>	<b>4,356</b>	<b>-2.5</b>	<b>8,594</b>
Financial income	430	145		589
Financial expenses	-801	-514		-1,251
Profit before taxes	3,877	3,986	-2.7	7,933
Income taxes	-642	-903		-1,744
<b>Profit for the financial year</b>	<b>3,235</b>	<b>3,083</b>		<b>6,189</b>



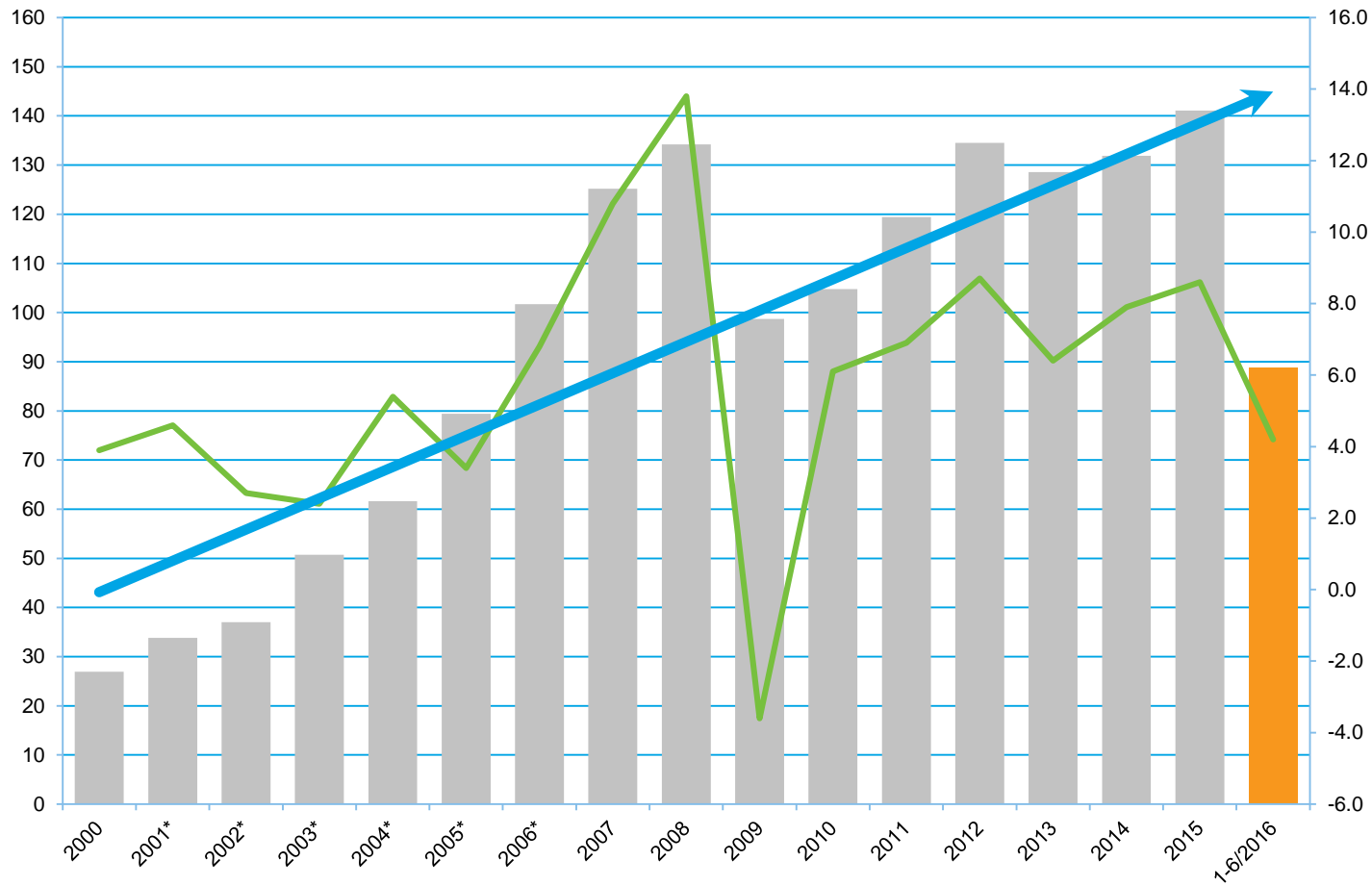
# Balance sheet

(EUR 1,000)	30.6.2016	30.6.2015	31.12.2015
Goodwill	57,854	39,256	42,734
Other non-current assets	23,219	8,861	12,498
<b>Non-current assets, total</b>	<b>81,073</b>	<b>48,117</b>	<b>55,232</b>
Inventory	394	0	0
Trade and other receivables	42,521	28,110	28,469
Cash and cash equivalents	5,948	3,663	8,807
<b>Current assets, total</b>	<b>48,863</b>	<b>31,773</b>	<b>37,281</b>
<b>TOTAL ASSETS</b>	<b>129,937</b>	<b>79,890</b>	<b>92,513</b>
Equity, total	49,171	29,462	34,618
Non-current liabilities, total	31,442	10,121	10,142
Current liabilities, total	49,323	40,307	47,753
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>129,937</b>	<b>79,890</b>	<b>92,513</b>

# Cash flow statement

(EUR 1,000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
<b>Operating cash flow (A)</b>	1,148	3,695	-533	3,832	9,932
Investing cash flow (B)	-21,633	-773	-21,920	-1,320	-3,526
<b>Cash flow after investments (A+B)</b>	<b>-20,485</b>	<b>2,922</b>	<b>-22,453</b>	<b>2,512</b>	<b>6,406</b>
Financing cash flow (C)	22,966	-1,063	19,595	-1,428	-160
<b>Variation in cash (A+B+C)</b>	<b>2,481</b>	<b>1,859</b>	<b>-2,858</b>	<b>1,084</b>	<b>6,246</b>
<b>Assets at the beginning of the period</b>	<b>3,412</b>	<b>1,815</b>	<b>8,807</b>	<b>2,575</b>	<b>2,575</b>
Exchange gains or losses on cash and cash equivalents	56	-11	-1	5	-14
<b>Assets at the end of the period</b>	<b>5,948</b>	<b>3,663</b>	<b>5,948</b>	<b>3,663</b>	<b>8,807</b>

# Revenue and EBIT 2000-2015



\*includes continued and discontinued operations

Revenue Operating profit

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