

Interim Report January-March 2016

Growth continued

President and CEO Juha Näkki

April 28, 2016

**Engineering with
a difference**



Market Review

- The year 2016 began in a market situation characterized by uncertainty.
- The development of industrial production showed a downward trend but the service and maintenance business in the engineering industry developed relatively favorably and investments in digitization continued to grow.
- The demand for outsourcing services developed favorably in Company's all market areas. However, uncertainty slowed down decision-making.
- The deterioration of economic situation in Finland continued which was particularly reflected in new investment projects being slow to get started.
- In Sweden, the demand remained good throughout the review period. There are substantial differences between industries.
- Economic development in Central Europe was stable and demand was at a slightly better level than in emerging market economies.
- The development of the Chinese economy remained uncertain. Service markets continue to open up.

Highlights 1-3/2016

- + Growth continued: revenue increased by 11.4%.
- + Etteplan carried out the largest acquisition in its history by acquiring the share capitals of Espotel Oy and Soikea Solutions Oy. Service concept extended to industrial internet solutions.
- + Technical documentation showed excellent growth, revenue grew by 24.3%.
- Profitability weakened due to overall market situation and prolonged price negotiations.
- Slow market development affected business in the beginning of 2016.

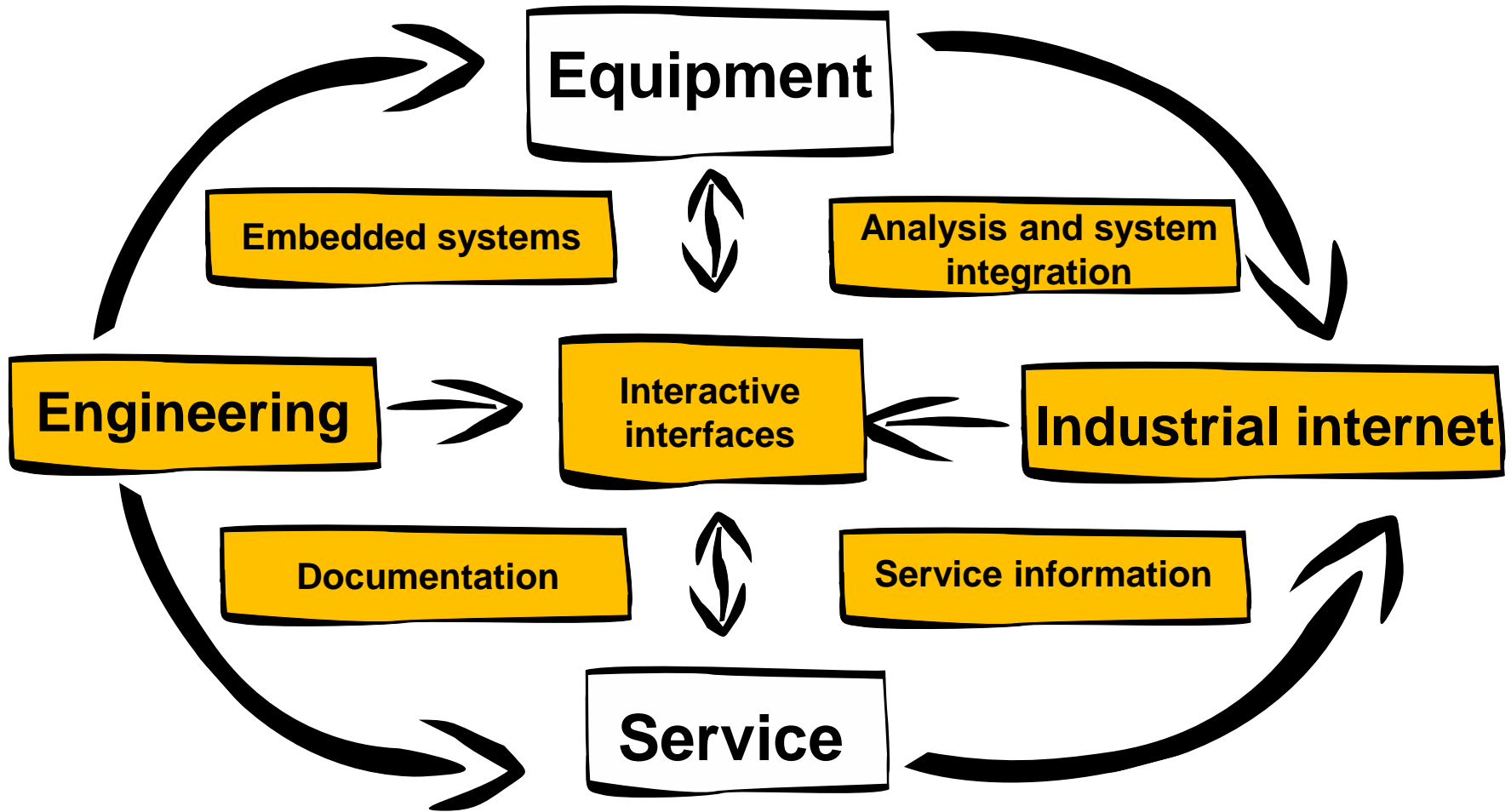
The Company is planning a rights issue of approx. EUR 14 million to finance acquisitions. It is estimated to take place in the second quarter of 2016. The lead manager has been selected.

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.
- The acquisitions were announced on March 15 and finalized after the review period on April 4.
- By combining intelligent devices, documentation and industrial internet applications, a unique service concept in the engineering services industry was created.
- The rapidly growing market for embedded systems and industrial internet solutions offers significant growth opportunities.
- Etteplan and Suomen Unit Oy agreed that the business operations of Suomen Unit Oy will be transferred to Etteplan on April 1, 2016.



Unique service offering in the engineering industry



Key figures 1-3/2016

(EUR 1,000)	1-3/2016	1-3/2015	Change %
Revenue	38,603	34,650	11.4
EBIT from business operations	2,178	2,254	-3.4
EBIT from business operations, %	5.6	6.5	
Operating profit (EBIT)	1,896	2,051	-7.6
EBIT, %	4.9	5.9	
Basic earnings per share, EUR	0.07	0.07	0.0
Equity ratio, %	40.0	36.3	
Operating cash flow	-1,682	137	-1,323.3
ROCE, %	15.0	17.5	
Personnel at end of the period	2,080	1,873	11.1

Outlook

MARKET OUTLOOK

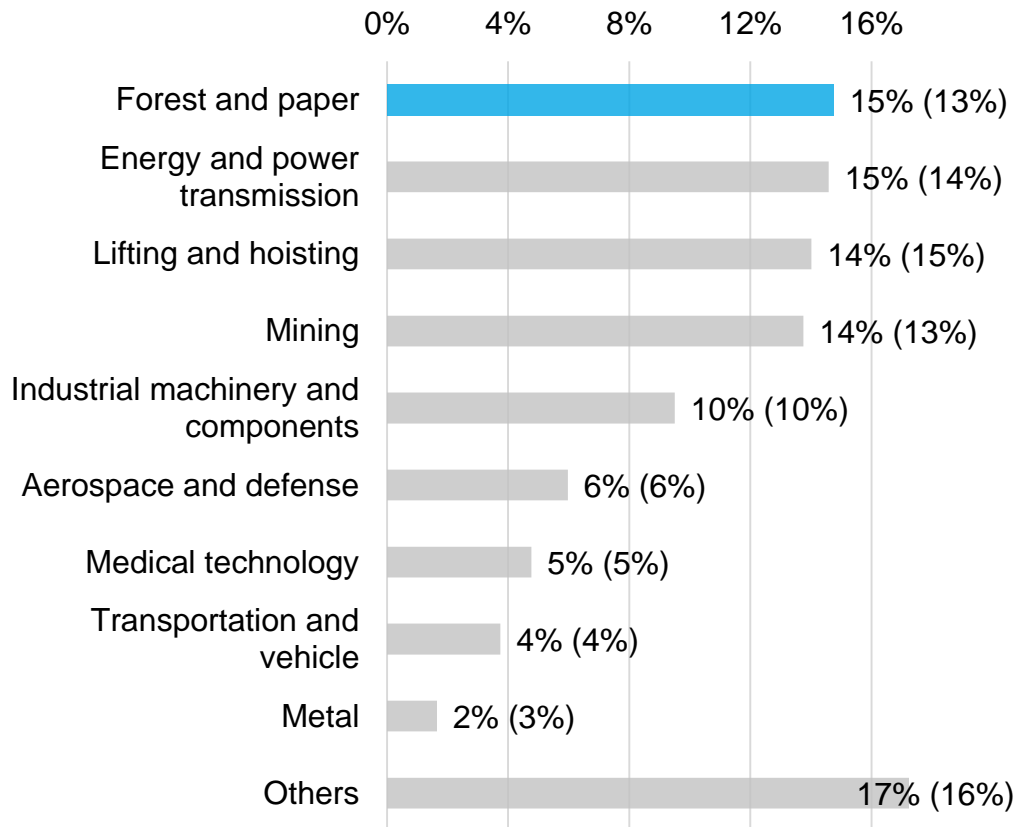
The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. In 2016, there are signs of improvement of European growth. Uncertainty has increased in the Finnish market, and the market situation is expected to remain weaker than in the rest of Europe. In spite of the slowing down of growth in Asian markets and increased uncertainty, the service market development is expected to continue. We expect that the good market situation in North America will continue. The demand for engineering services and technical documentation services got off to a slow start at the beginning of the year.

FINANCIAL GUIDANCE

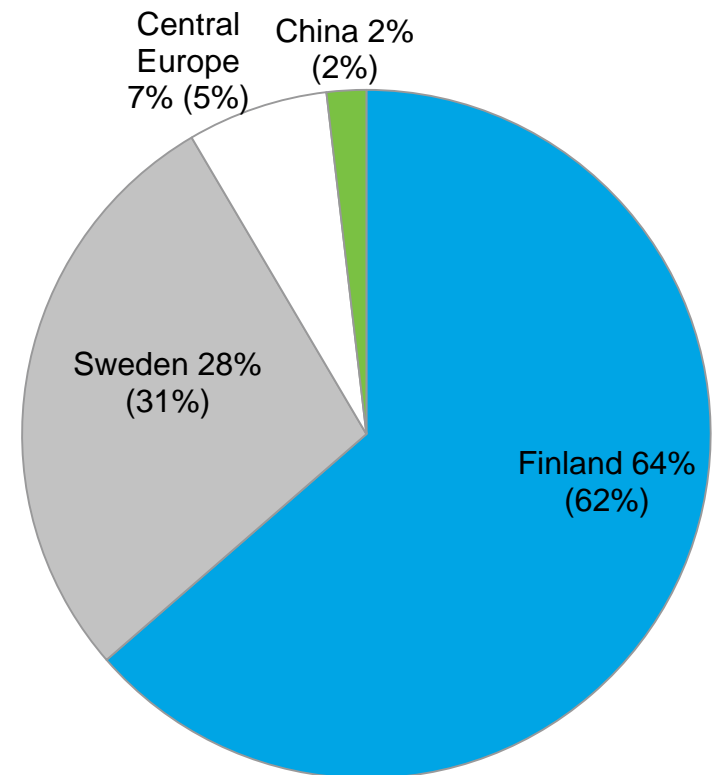
We expect the revenue and operating profit for the full year 2016 to grow significantly compared to 2015.

Revenue 1-13/2016

Revenue by customer segment



Revenue by country



Revenue

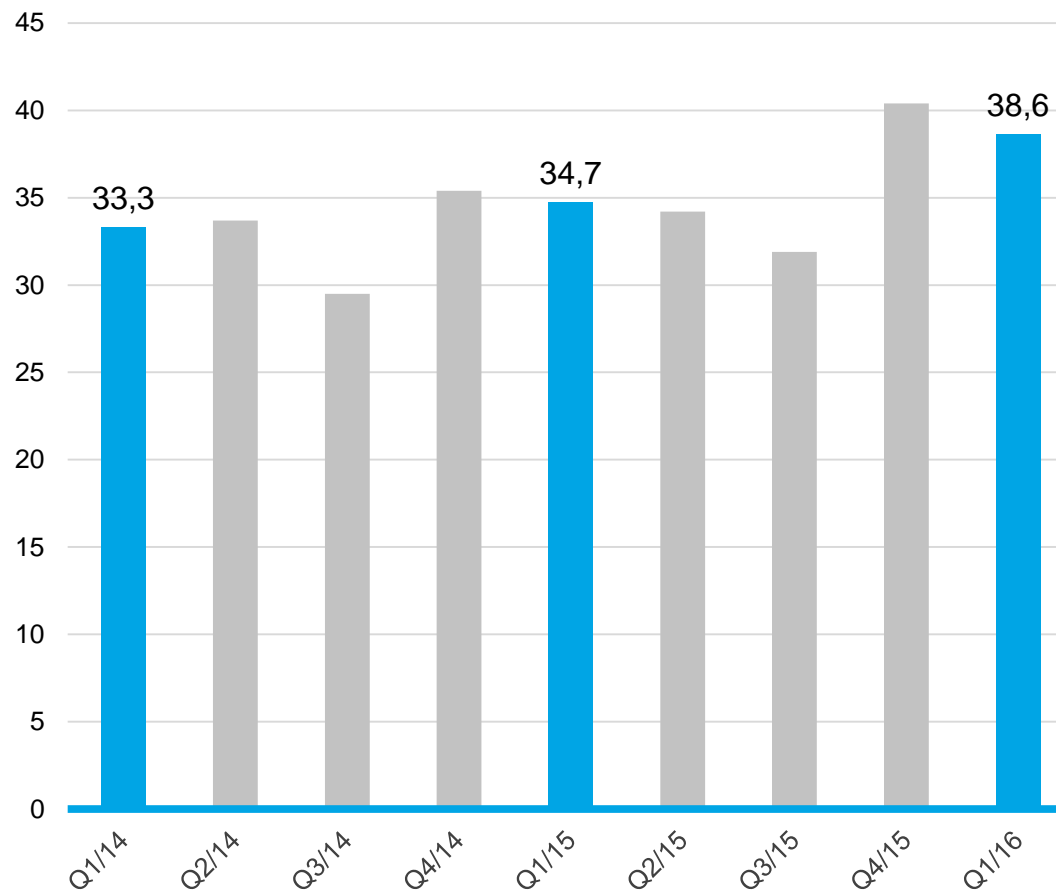
1-3/2016: EUR 38.6 million (1-3/2015: EUR 34.7 million)

The Group's revenue increased in January-March by 11.4% (at comparable exchange rates by 11.2%).

Organic growth was 0.5%. Organic growth was slow due to the market situation and large number of holidays in the review period.

Key accounts grew by 3.6%.

The increase in revenue was attributable to acquisitions made in 2015.



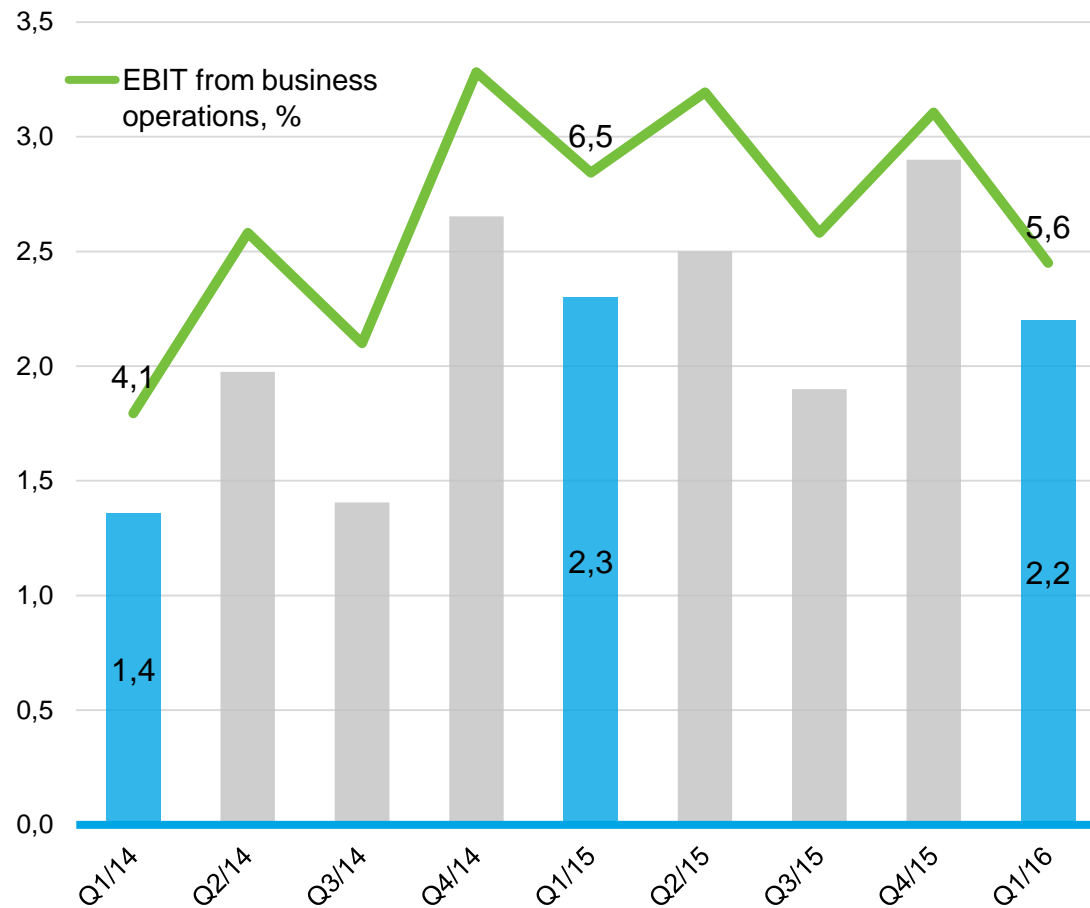
EBIT from business operations

1-3/2016: EUR 2.2 million, 5.6% (1-3/2015: EUR 2.3 million, 6.5%)

EBIT in January-March included exceptional items that had a combined effect of EUR -0.2 million.

Profitability weakened due to the overall market situation and prolonged price negotiations.

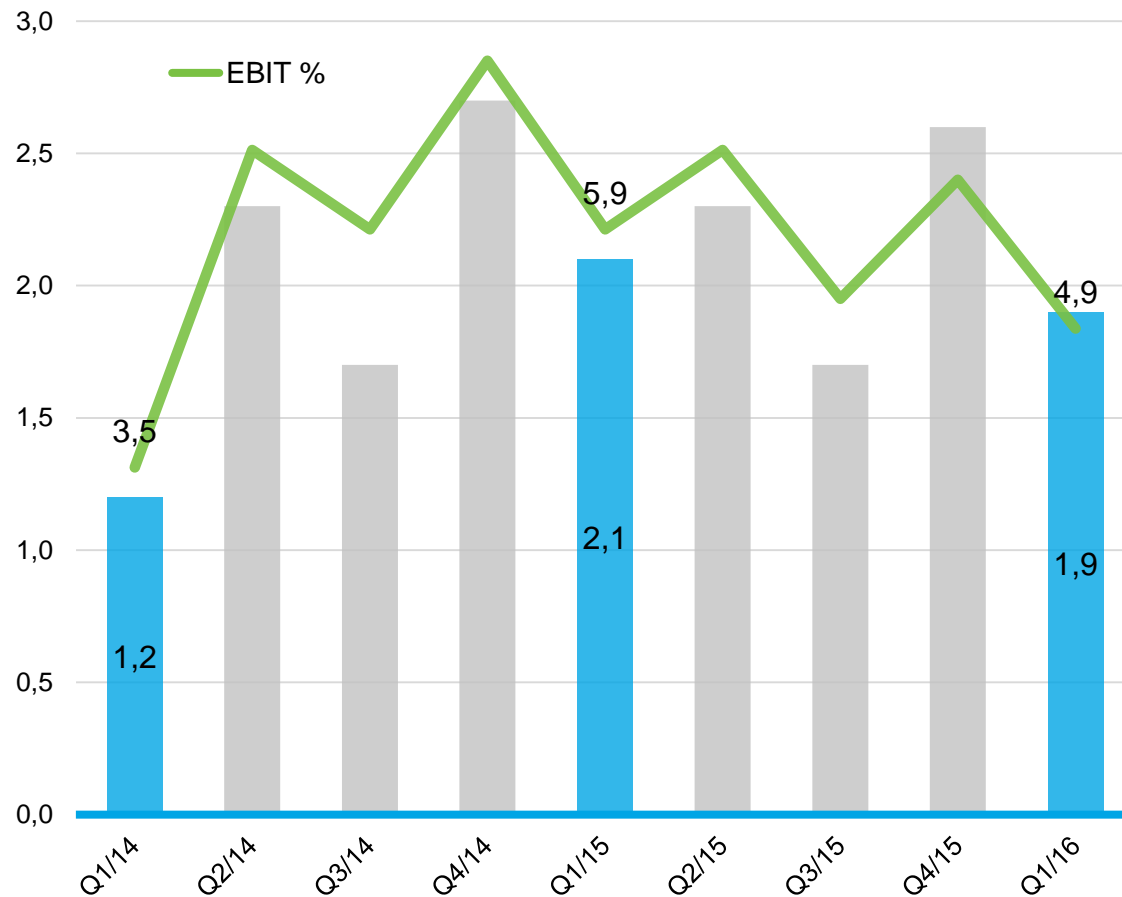
EBIT from business operations does not include acquisition-related items such as amortization on PPA allocations and earn out revaluations.



Operating profit (EBIT) and EBIT %

1-3/2016: EUR 1.9 million, 4.9% (1-3/2015: EUR 2.1 million, 5.9%)

Amortization related to acquisitions was EUR 0.3 million.



Engineering services

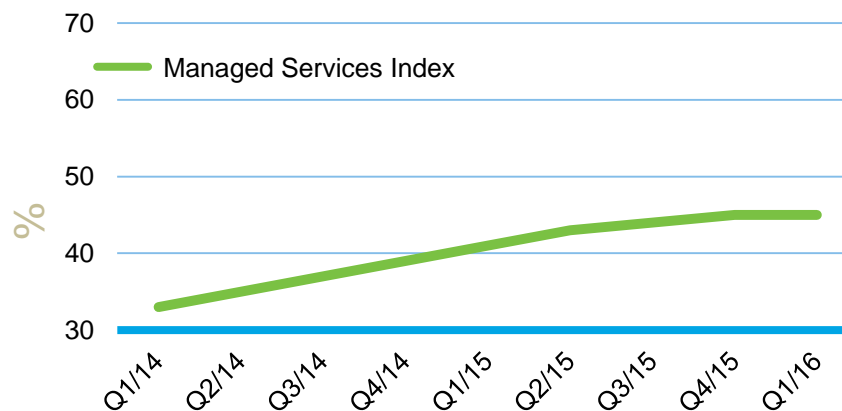
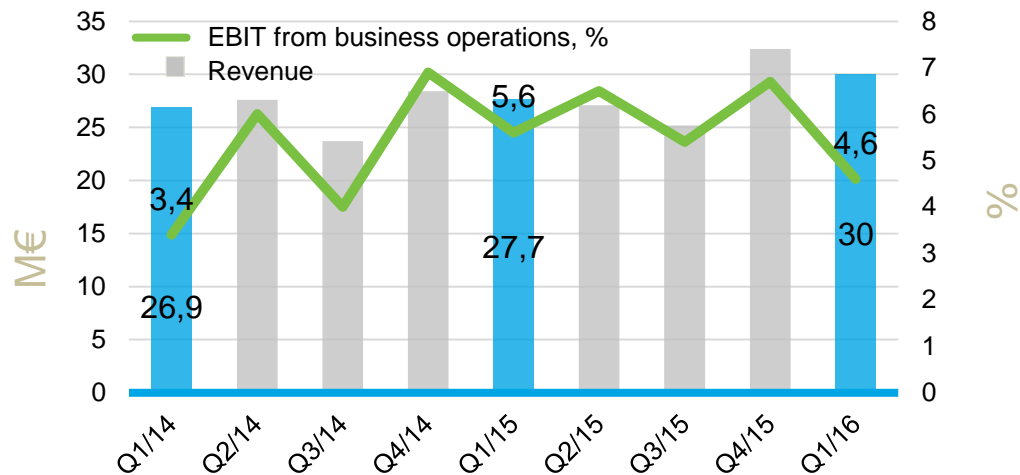
Revenue 1-3/2016: EUR 30.0 million (1-3/2015: EUR 27.7 million)

Engineering services accounted for 77.6% (1-3/2015: 79.8%) of revenue in January-March.

Revenue grew by 8.4%.

Demand remained weak, which was reflected in new investment projects being slow to get started.

EBIT from business operations was EUR 1.4 million (1-3/2015: EUR 1.6 million) or 4.6% (1-3/2015: 5.6%) of revenue.



Technical documentation

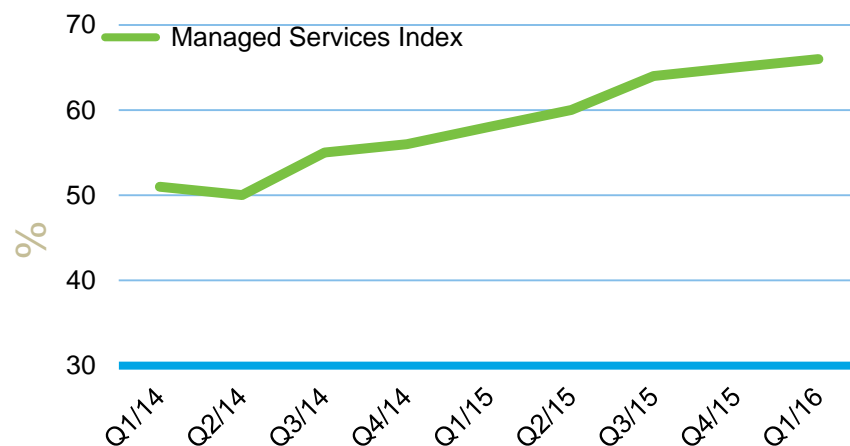
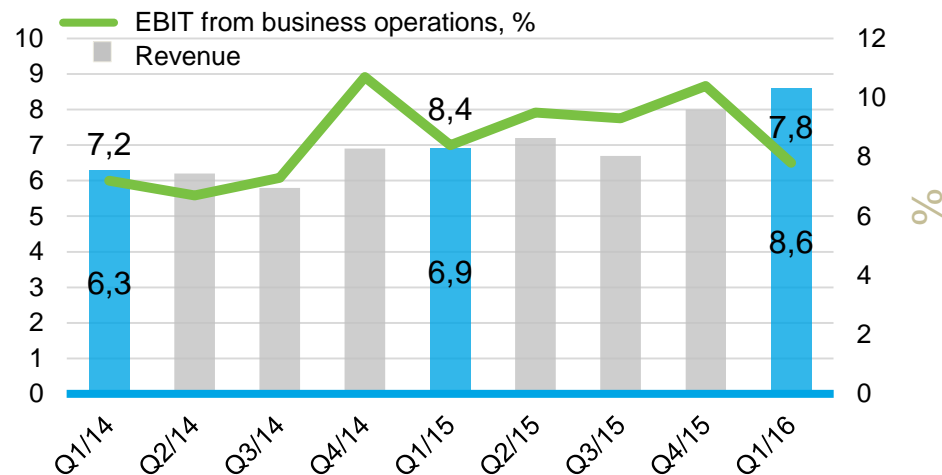
Revenue 1-3/2016: EUR 8.6 million (1-3/2015: EUR 6.9 million)

Technical documentation accounted for 22.3% (1-3/2015: 20.0%) of revenue in January-March.

Revenue grew by 24.3% from the comparison period.

EBIT from business operations improved by 15.1% from the comparison period and was EUR 0.7 million (1-3/2015: EUR 0.6 million) or 7.8% (1-3/2015: 8.4%) of revenue.

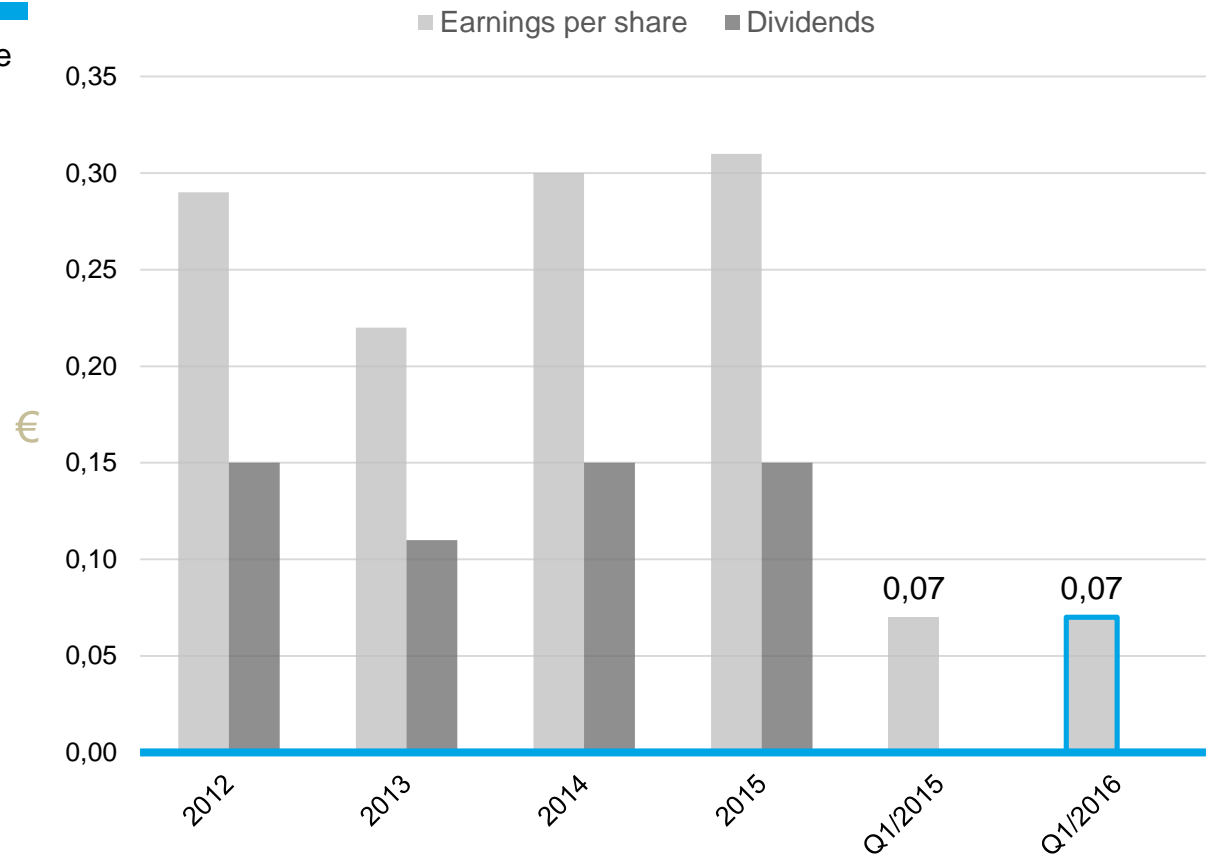
The factors contributing to the decline in profitability included the expected slow development of the businesses acquired in Germany, as well as the software business accounting for a lower share of revenue than it normally does.



Earnings per share and dividends

Earnings per share 1-3/2016: EUR 0.07 (1-3/2015: EUR 0.07)

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

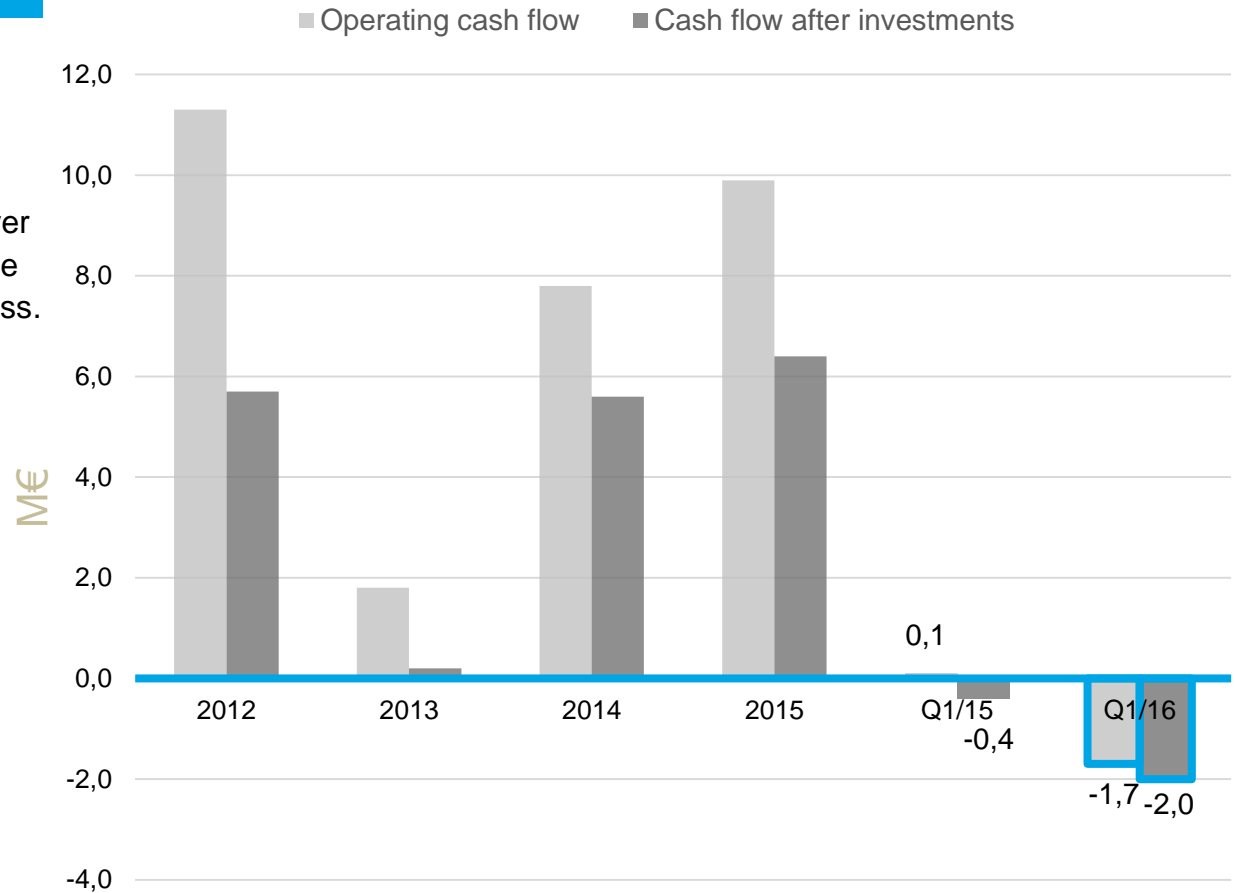


Cash flow

Operating cash flow 1-3/2016: EUR -1.7 million (1-3/2015: EUR 0.1 million)

Operating cash flow weakened and was EUR -1.7 million (1-3/2015: EUR 0.1 million).

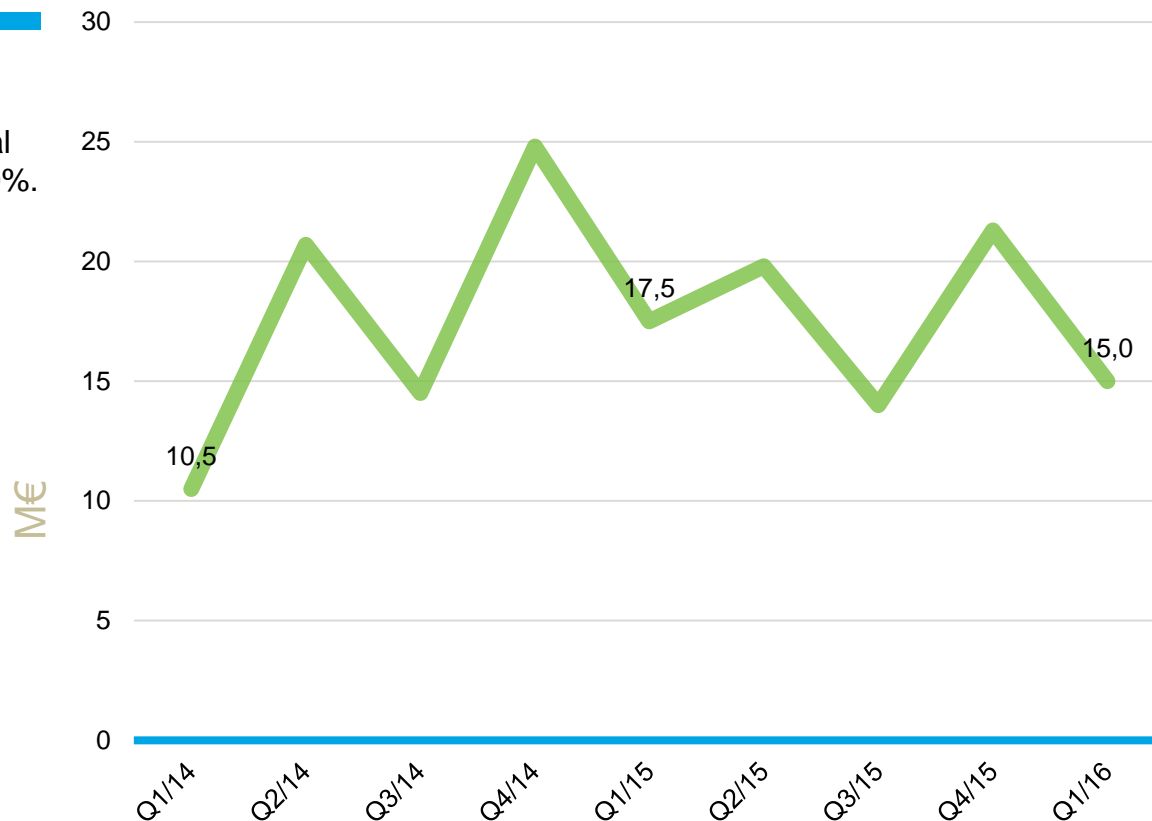
Cash flow accrues unevenly over the four quarters of the year due to periodic fluctuation in business.



Return on capital employed (ROCE), %

1-3/2016: 15.0% (1-3/2015: 17.5%)

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



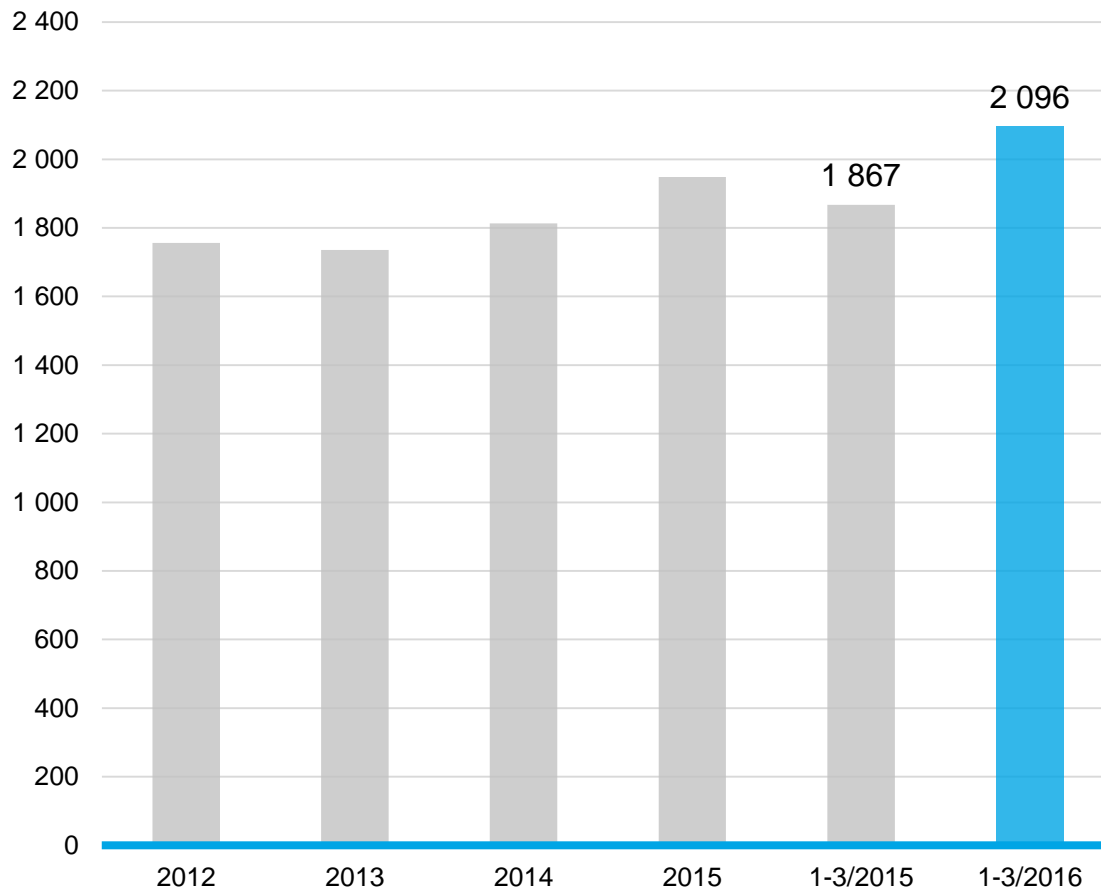
Personnel, average

1-3/2016: 2,096 (1-3/2015: 1,867)

The average number of personnel increased by 12.3% in January-March.

The growth in the number of personnel was attributable to acquisitions and organic growth.

At the end of the review period, The Group employed 2,080 (March 31, 2015: 1,873) people of which 745 people (March 31, 2015: 697) were employed by the Group abroad.



Income statement

(EUR 1,000)	1-3/2016	1-3/2015	Change %	1-12/2015
Revenue	38,603	34,650	11.4	141,143
Other operating income	256	16		309
Materials and services	-1,880	-1,997		-7,918
Staff costs	-28,872	-25,174		-101,452
Other operating expenses	-5,293	-4,760		-20,384
Depreciation and amortization	-918	-683		-3,104
Operating profit (EBIT)	1,896	2,051	-7.6	8,594
Financial income	245	15		589
Financial expenses	-318	-243		-1,251
Profit before taxes	1,822	1,822	0.0	7,933
Income taxes	-338	-411		-1,744
Profit for the financial year	1,484	1,411		6,189

Balance sheet

(EUR 1,000)	31.3.2016	31.3.2015	31.12.2015
Goodwill	42,927	39,150	42,734
Other non-current assets	12,999	8,363	12,498
Non-current assets, total	55,926	47,513	55,232
Trade and other receivables	31,134	29,627	28,469
Cash and cash equivalents	3,412	1,815	8,807
Current assets, total	34,546	31,441	37,281
TOTAL ASSETS	90,472	78,954	92,513
Equity, total	35,868	27,604	34,618
Non-current liabilities, total	11,165	6,672	10,142
Current liabilities, total	43,439	44,678	47,753
TOTAL EQUITY AND LIABILITIES	90,472	78,954	92,513

Cash flow statement

(EUR 1,000)	1-3/2016	1-3/2015	1-12/2015
Operating cash flow (A)	-1,682	137	9,932
Investing cash flow (B)	-286	-548	-3,526
Cash flow after investments (A+B)	-1,968	-410	6,406
Financing cash flow (C)	-3,371	-366	-160
Variation in cash (A+B+C)	-5,338	-776	6,246
Assets at the beginning of the period	8,807	2,575	2,575
Exchange gains or losses on cash and cash equivalents	-57	16	-14
Assets at the end of the period	3,412	1,815	8,807

15% annual revenue growth target

FINANCIAL TARGETS

15%

On average annual revenue growth

1-3/2016: 11.4%

10%

EBIT from business operations

1-3/2016: 5.6%

50%

Share of Managed Services of revenue by 2016

1-3/2016: 49%

Improvement of operating cash flow to strengthen the balance sheet

1-3/2016: -1.7 m€

ACTIONS

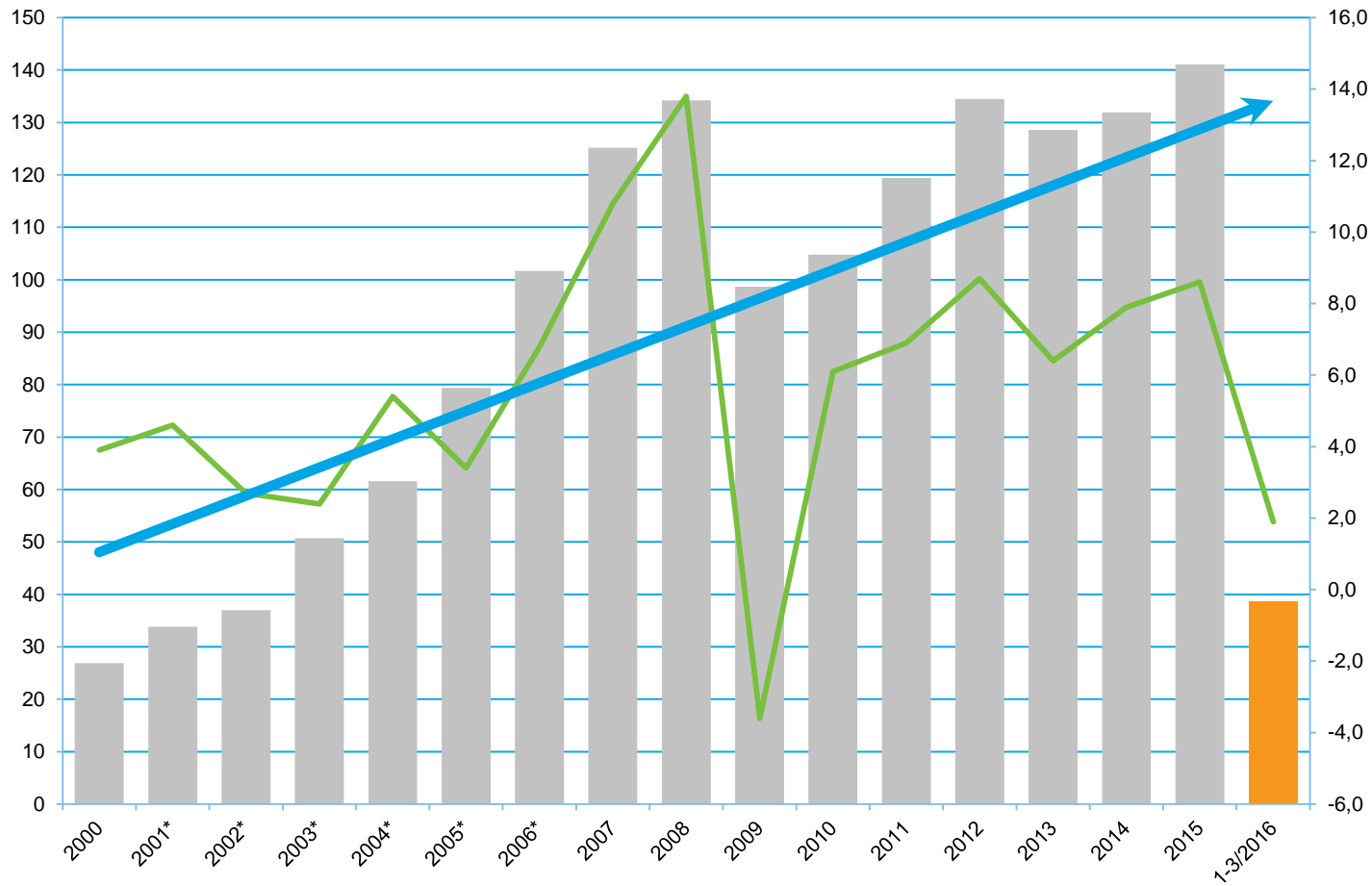
- Growth in key accounts
- Strong market position enables faster growth than the market
- Acquisitions supporting growth

- 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

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