Etteplan

Half Year Financial Report January-June 2016

Revenue at record levels

Engineering with
a difference

ETTEPLAN OYJ HALF YEAR FINANCIAL REPORT
AUGUST 10, 2016 AT 2:00 PM

ETTEPLAN 1-6/2016: REVENUE AT RECORD LEVELS

Review period April-June 2016

- The Group's revenue increased by 46.6 per cent and was EUR 50.2 million (4-6/2015: EUR 34.2 million). Organic growth accounted for 10.1 per cent.
- EBIT from business operations* was EUR 2.9 million (EUR 2.5 million), or 5.8 per cent (7.3 per cent) of revenue. EBIT from business operations included exceptional items with a combined negative effect of EUR 1.0 million (EUR 0.2 million).
- Operating profit (EBIT) was EUR 2.4 million (EUR 2.3 million), or 4.7 per cent (6.7 per cent) of revenue.
- The profit for the review period was EUR 1.8 million (EUR 1.7 million).
- Operating cash flow decreased and was EUR 1.1 million (EUR 3.7) million.
- Earnings per share, adjusted for the share issue, were EUR 0.08 (EUR 0.08).
- The number of personnel increased and the Group had 2,487 employees at the end of the review period (1,900).
- Etteplan acquired Espotel and Soikea Solutions and expanded its business operations in Embedded Systems and into the Internet of Things (IoT) as of April 4, 2016. In addition to Engineering services and Technical Documentation services, Embedded Systems and IoT represents Etteplan's third service area. The acquired companies are included in reporting starting from April 1, 2016, and the reporting of the third service area begins with this interim report.
- Etteplan carried out a rights offering in May 2016. The company 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.
- Etteplan is updating its estimate of market outlook and keeping its financial guidance unchanged.

Review period January-June 2016

- The Group's revenue increased by 28.9 per cent and was EUR 88.8 million (1-6/2015: EUR 68.9 million). Organic growth accounted for 5.2 per cent.
- EBIT from business operations* was EUR 5.1 million (EUR 4.8 million), or 5.7 per cent (6.9 per cent) of revenue. EBIT from business operations included exceptional items with a combined negative effect of EUR 1.2 million (EUR 0.3 million).
- Operating profit (EBIT) was EUR 4.2 million (EUR 4.4 million), or 4.8 per cent (6.3 per cent) of revenue.
- The profit for the review period was EUR 3.2 million (EUR 3.1 million).
- Operating cash flow was EUR -0.5 million (EUR 3.8 million). The decrease in cash flow was caused by the company's strong growth.
- Earnings per share, adjusted for the share issue, were EUR 0.15 (EUR 0.14).

*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.

Market outlook

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.

Previous estimate of 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 March 15, 2016

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

Key figures

(EUR 1,000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Revenue	50,211	34,240	88,814	68,890	141,143
EBIT from business operations	2,911 (5.8%)	2,509 (7.3%)	5,090 (5.7%)	4,763 (6.9%)	9,540 (6.8%)
Operating profit (EBIT)	2,352 (4.7%)	2,305 (6.7%)	4,248 (4.8%)	4,356 (6.3%)	8,594 (6.1%)
Basic earnings per share, EUR	0.08	0.08 *	0.15	0.14 *	0.28 *
Equity ratio, %	38.1	38.4	38.1	38.4	37.8
Operating cash flow	1,148	3,695	-533	3,832	9,932
ROCE, %	13.9	19.8	12.8	18.3	17.4
Personnel at end of the period	2,487	1,900	2,487	1,900	2,074

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

President and CEO Juha Näkki:

“The second quarter changed Etteplan as a company. We entered a new size category and our service offering was significantly strengthened by acquisitions in the areas of embedded systems and digitization. Going forward, we can provide industrial customers with a full range of engineering and digitization services for product and service businesses. This will further strengthen our market position and support our profitable growth. Having completed the acquisitions, we established Embedded Systems and IoT as our third service area. The key figures for the new service area will be published starting from this report.

There were no significant changes in the demand situation during the review period. Our revenue grew by a record-high 47 per cent in the second quarter, exceeding EUR 50 million for a single quarter for the first time in the Group’s history. While much of this growth was attributable to acquisitions, we also achieved strong organic growth in excess of 10 per cent. This proves that our service portfolio is effective even in the prevailing challenging market situation. Our operating profit remained at the same level as in the comparison period, mainly due to substantial exceptional items related to acquisitions. Taking exceptional items into consideration, our profitability nevertheless developed in the right direction. The implementation of strategy progressed and the share of revenue represented by high value-added services exceeded our target of 50 per cent in the second quarter.

Business development varied by service area. In the area of Engineering Services, growth continued and profitability improved from the preceding quarter. There were small signs of recovery in demand in engineering services, particularly in plant engineering. However, new projects were still slow to start. Business in China developed favorably as the engineering service market continues to open up. The number of working hours sold in the Chinese market grew by nearly 30 per cent in the second quarter.

In Technical Documentation, strong business growth continued and we won several small outsourcing contracts. Profitability continued to be burdened by the Company's business operations in Germany, the small share represented by the software business and the weak market situation in certain units. Nevertheless, the demand for Etteplan's service solutions, particularly outsourcing solutions, is at a good level and the acquired digitization expertise creates entirely new growth opportunities also in the area of documentation.

The development of our Embedded Systems and IoT business was excellent. Revenue grew and profitability was at a very good level. The service area's demand was at a good level. In particular, the demand for industrial internet applications and other digitization services was strong. The integration of Espotel Oy and Soikea Solutions Oy into the Etteplan Group has started according to plan. Our customers are very interested in our new services, which presents good growth opportunities going forward.

During the review period, we carried out a successful rights offering to finance acquisitions, and I would like to take this opportunity to thank our shareholders for the trust they have shown in the Company. Etteplan is on the path of profitable growth and we will continue to move forward with three excellent service areas."

Accounting principles

This interim report has been prepared in accordance with the IAS 34 (Interim Financial Reporting) standard. The accounting policies presented in the 2015 annual financial statements have been followed in the preparation of the interim report with the exception of changes in standards and interpretations in effect in 2016, which concern the Group.

These changes did not have a material effect on the interim report.

This interim report includes forward-looking estimates and assumptions. Accordingly, outcomes may deviate from these estimates, which are based on the management's best knowledge at the time of the interim report.

Market review

The first half of 2016 was characterized by an uncertain market situation and unpredictable changes in Etteplan's various main markets. Demand got off to a slow start for the third consecutive year, but picked up slightly during the second quarter. The development of industrial production showed a downward trend globally, but investments in the service and maintenance as well as in digitlization business maintained the demand for our services at a satisfactory level on average. There were significant differences between customer industries throughout the first half of the year. Measured in euros, orders received by Finnish companies in the machinery and metal industry in the first half of 2016 were substantially lower than in the corresponding period in 2015. Order books in the machinery and metal industry declined in January-June 2016 compared to the corresponding period in the previous year.

There were significant differences in market development between Etteplan's main markets. In Finland, the demand for engineering services was at a weaker level than in Sweden and Central Europe but, at the same time, the outsourcing trend continued, compensating for the otherwise relatively weak demand. Some investment projects were started in the second quarter after a slow first quarter 2016. This improved the demand for plant engineering in the second quarter.

Market development was strong in Sweden. Exports to Europe by Swedish machinery and metal industry companies grew in the first half of the year, and slightly improving growth expectations for 2017 boosted the good development of the engineering industry. Competition for employees, which burdens the entire engineering industry, continued to be intense. Reviews published by industry organizations do not foresee a resolution to the growing shortage of resources (Investeringssignalen Juli 2016, ALMEGA).

In Central Europe, demand was at a relatively good level in the first half of 2016. In Germany, service demand remained stable, while demand in the Netherlands was in line with developments in Finland during the comparison period in 2015 but improved markedly compared to the Finnish demand situation in the first half of 2016. In Poland, the demand for engineering services was at a good level.

In Russian projects, demand was at a low level throughout the first half of 2016.

In spite of the uncertain development of the Chinese market in the first half of 2016, companies operating in the market increased their purchasing of external services. Chinese government decisions on new investments in infrastructure development had a favorable effect on the market climate in the second quarter of 2016. The continued opening up of the service market presented good growth opportunities throughout the first half of 2016.

The continued trend of service outsourcing had a positive effect on demand in the first half of 2016. The trend of centralizing service purchasing also continued, presenting growth opportunities for global engineering companies.

There were no significant changes in the demand for our services by customer industry during the first half of the year. The order books of key customers did not show improvement in the first half of 2016. The demand for engineering services and technical documentation among mining industry equipment manufacturers was at a weak level on average during the first half of the year due to the low price level of raw materials. The demand for engineering services among lifting and hoisting equipment manufacturers remained at a good level on average throughout the first half of the year. The demand for engineering services in the energy and power transmission industry remained at a relatively good level. The demand for engineering services among forest industry equipment manufacturers remained at a good level. In Sweden, the demand for engineering services in the aerospace and defense industry was at a good level. In Finland, the demand for engineering services in the aerospace and defense industry improved compared to the first half of 2015. In the transportation and vehicle industry, good demand for testing and analysis services requiring special expertise continued. Demand in the ICT-industry was at a good level.

Revenue

Etteplan's revenue increased in January-June by 28.9 per cent and was EUR 88.8 million (1-6/2015: EUR 68.9 million). Exchange rate fluctuations did not have material impact on the value of revenue. Organic growth was 5.2 per cent.

In April-June, revenue increased by 46.6 per cent and was EUR 50.2 million (4-6/2015: EUR 34.2 million). Exchange rate fluctuations did not have an impact on the value of revenue. Organic growth was 10.1 per cent.

A large proportion of the growth of revenue came from acquisitions. The good rate of organic growth in a challenging market situation was attributable to Etteplan's strong market position, service portfolio and outsourcing agreements.

Etteplan's business is subject to periodic fluctuation. The periodic fluctuation is affected by holiday seasons and the timing of product development and investment projects in customer companies, mainly at the beginning of the year as well as in the fall. The revenue in the third quarter is typically lower than that of other quarters.

Result

EBIT from business operations improved in January-June by 6.9 per cent and was EUR 5.1 million (1-6/2015: EUR 4.8 million). Exceptional items had a combined negative effect of EUR 1.2 million (1-6/2015: EUR 0.3 million) on EBIT from business operations. The operative EBIT margin was 5.7 per cent (6.9 per cent).

EBIT from business operations in April-June amounted to EUR 2.9 million (4-6/2015: EUR 2.5 million), including exceptional items with a combined negative effect of EUR 1.0 million (EUR 0.2 million). The exceptional items were primarily comprised of acquisition related items such as taxes, expenses associated with advisory services and the more accurately specified estimate of the actual outcome of the Company's share-based incentive plan.

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.

In January-June, operating profit (EBIT) decreased by 2.5 per cent and amounted to EUR 4.2 million (1-6/2015: EUR 4.4 million). Operational costs increased by 30.5 per cent. The operating profit margin decreased to 4.8 per cent (6.3 per cent). The decline in operating profit was caused by exceptional items. Exceptional items had a significant negative effect on operating profit in the review period.

In April-June, operating profit (EBIT) was EUR 2.4 million (4-6/2015: EUR 2.3 million), or 4.7 per cent (6.7 per cent) of revenue. Exceptional items had a significant negative effect on operating profit in the review period.

In January-June, financial expenses amounted to EUR 0.8 million (1-6/2015: EUR 0.5 million).

Profit before taxes for January-June was EUR 3.9 million (1-6/2015: EUR 4.0 million). Taxes in the income statement amounted to 16.6 per cent (22.7 per cent) of the result before taxes. The amount of taxes was EUR 0.6 million (EUR 0.9 million).

The profit for January-June was EUR 3.2 million (1-6/2015: EUR 3.1 million).

Earnings per share for January-June, adjusted for the share issue, were EUR 0.15 (1-6/2015: EUR 0.14). Equity per share was EUR 1.99 (EUR 1.49). Return on capital employed (ROCE) before taxes was 12.8 per cent (18.3 per cent).

Financial position and cash flow

The Group's cash and cash equivalents stood at EUR 5.9 million at the end of June (June 30, 2015: EUR 3.7 million). The Group's financial liabilities amounted to EUR 38.6 million (June 30, 2015: EUR 21.4 million). The total of unused short-term credit facilities stood at EUR 6.1 million (June 30, 2015: EUR 7.4 million).

Operating cash flow in January-June was EUR -0.5 million (1-6/2015: EUR 3.8 million). Cash flow after investments was EUR -22.5 million (1-6/2015: EUR 2.5 million). The decrease in cash flow was attributable to the Company's strong growth in the first half of the year and unfaforable mix of payment terms. The cash flow was also impacted by a retroactive tax payment from 2015.

Total assets on June 30, 2016 were EUR 129.9 million (June 30, 2015: EUR 79.9 million). Goodwill on the balance sheet was EUR 57.9 million (June 30, 2015: EUR 39.3 million). The increase in goodwill was attributable to acquisitions made during the review period.

The equity ratio was 38.1 per cent at the end of June (June 30, 2015: 38.4 per cent).

Capital expenditures

The Group's gross investments in January-June were EUR 28.0 million (1-6/2015: EUR 1.7 million). The review period's investments consisted mainly of acquisitions. The investments in the comparison period in 2015 were mainly comprised of license fees for engineering software. The license fees for engineering software increased significantly in the review period in 2016 due to the higher price level of licenses and the Company's growth.

Personnel

The average number of personnel increased in January-June by 22.3 per cent from the comparison period. The Group employed 2,295 (1-6/2015: 1,867) people on average and 2,487 (June 30, 2015: 1,900) people at the end of June. At the end of June, 822 people (June 30, 2015: 700) were employed by the Group outside of Finland.

Business review

Slow market development affected Etteplan's business in the first quarter of 2016. Business picked up in the second quarter compared to the preceding quarter. Etteplan made significant acquisitions in the second quarter and signed new outsourcing agreements, strengthening its market position. The revenue growth rate of 46.6 per cent (4-6/2016) was a new record for the Company. The share of growth represented by organic growth was at a good level at 10.1 per cent. The rate of revenue growth in January-June was 28.9 per cent.

Key accounts by 12.7 per cent in January-June compared to the previous year. In April-June, key accounts grew by 21.9 per cent.

The Company's service offering was significantly strengthened in the review period by acquisitions in the areas of embedded systems and digitization. Etteplan acquired Espotel and Soikea Solutions and expanded its business operations in Embedded Systems and into the Internet of Things (IoT) as of April 4, 2016. In addition to Engineering services and Technical Documentation services, Embedded Systems and IoT represents Etteplan's third service area. Etteplan's revenue from embedded systems was approximately EUR 11 million in 2015 and it was reported as Engineering services revenue before the third service area was established.

The acquired companies are included in reporting starting from April 1, 2016, and the reporting of the third service area begins with this interim report.

The Company's target has been to achieve a share of 50 per cent for high value-added services by the end of 2016. This target was achieved with high value-added services accounting for 50 per cent of revenue in January-June (1-6/2015: 45 per cent). In April-June, high value-added services accounted for 51 per cent of revenue (4-6/2015: 44 per cent).

Etteplan signed several new outsourcing agreements in Finland in January-June. The number of temporarily laid off personnel increased to approximately 70 employees during the first half of the year due to the market situation. Business in Sweden was favorably affected by the good market situation. In Sweden, attrition and the competition for experts burdened business. Business in the Netherlands remained stable. Etteplan's business in Germany was burdened by customers' decision-making being slower than expected. The demand situation in Poland was good and the business developed favorably.

The number of working hours sold in the Chinese market resumed growth in the second quarter of 2016, with growth of 29.4 per cent in April-June and of 11.1 per cent in January-June year-on-year. Chinese offshoring as part of Etteplan's service solutions was at a good level in January-June.

Engineering services

Engineering services refer to the innovation, engineering, and technical calculations of machinery or equipment for the purpose of product development and manufacturing. Assignments are typically product development or delivery engineering for a new product, involving the customization of the product in accordance with end customer requirements and the legislation of the market area in question.

(EUR 1,000)	4-6/2016	4-6/2015*	Change to prev. year	1-6/2016	1-6/2015*	Change to prev. year	1-12/2015*
Revenue	29 687	27 124	9,4 %	59 658	54 774	8,9 %	112 341
EBIT from business operations	1 910	1 767	8,1 %	3 294	3 320	-0,8 %	6 805
EBIT from business operations, %	6,4	6,5		5,5	6,1		6,1
Managed Services index	49	43		49	42		44

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

Engineering services accounted for 67.2 per cent of Etteplan's revenue in January-June (1-6/2015: 79.5 per cent). The service area's revenue in January-June grew by 8.9 per cent, amounting to EUR 59.7 million (1-6/2015: EUR 54.8 million). In April-June, revenue increased by 9.4 per cent compared to the previous year, amounting to EUR 29.7 million (4-6/2015: EUR 27.1 million). Acquisitions affected revenue. In plant engineering services, revenue grew compared to both review periods in 2015. Embedded systems competence area was transferred to the newly established Embedded Systems and IoT service area in the second quarter of 2016, which decreased the revenue for the service area.

In Finland, plant engineering services developed favorably as a result of cautious improvement in investment activity. The project business in Russia remained at a low level.

In engineering services, EBIT from business operations in January-June amounted to EUR 3.3 million (1-6/2015: EUR 3.3 million) and was 5.5 per cent (6.1 per cent) of revenue. The decrease in profitability was attributable to a change between the service areas that saw a competence area with a higher price level transferred to a different service area. The share of revenue represented by Managed Services increased to 49 per cent. In April-June, EBIT from business operations was at the previous year's level and amounted to EUR 1.9 million (4-6/2015: EUR 1.8 million), or 6.4 per cent (6.5 per cent) of revenue. The utilization rate of engineering services was at a relatively good level in January-June.

The Company obtained new customers in China during the review period, such as Comau (Shanghai) Engineering Co., Ltd.

Technical documentation

Technical documentation refers to product-related documentation, such as manuals and service instructions for the users of a product, as well as related content creation and distribution. Technical documentation services include the software business and SaaS services. For an industrial customer, technical documentation is typically a non-core operation that has a significant impact on the end customer's user experience and the efficiency of Etteplan's customer's maintenance service operations.

(EUR 1,000)	4-6/2016	4-6/2015	Change to prev. year	1-6/2016	1-6/2015	Change to prev. year	1-12/2015
Revenue	8 867	7 169	23,7 %	17 493	14 111	24,0 %	28 837
EBIT from business operations	550	683	-19,4 %	1 224	1 268	-3,5 %	2 714
EBIT from business operations, %	6,2	9,5		7,0	9,0		9,4
Managed Services index	71	60		69	59		64

The share of Etteplan's revenue represented by technical documentation in January-June was 19.7 per cent (1-6/2015: 20.5 per cent) and the service area's revenue grew by 24.0 per cent in January-June, amounting to EUR 17.5 million (1-6/2015: EUR 14.1 million). In April-June, revenue grew by 23.7 per cent and amounted to EUR 8.9 million (4-6/2015: EUR 7.2 million). The increase in revenue from technical documentation was attributable to the continued trend of outsourcing, the arvato AG acquisition and Etteplan's market position, which was strengthened due to the company's unique service offering. New agreements on the outsourcing of technical documentation were signed at a steady rate in January-June.

In technical documentation, EBIT from business operations declined in January-June and amounted to EUR 1.2 million (1-6/2015: EUR 1.3 million), or 7.0 per cent (9.0 per cent) of revenue. In April-June, EBIT from business operations declined and amounted to EUR 0.6 million (EUR 0.7 million), or 6.2 per cent (9.5 per cent) 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.

The share of revenue represented by high value-added services grew to 69 per cent (59 per cent) of revenue in January-June. The utilization rate of technical documentation services in the second quarter of 2016 was at a weaker level than in the comparison period in 2015.

Embedded systems and IoT

Embedded systems and IoT refer to all product creation and technology solutions that enable the implementation of control systems for products or machines and digital connectivity as part of the Internet of Things (IoT). Etteplan's services cover product and software engineering, testing services and production testing systems, as well as the development of business systems, mobile applications and integrations for comprehensive IoT solutions.

(EUR 1,000)	4-6/2016	4-6/2015*	Change to prev. year	1-6/2016	1-6/2015*	Change to prev. year	1-12/2015*
Revenue	11 653			11 653			
EBIT from business operations	1 224			1 224			
EBIT from business operations, %	10,5			10,5			
Managed Services index	49			49			

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

The share of Etteplan's revenue represented by Embedded systems and IoT in January-June was 13.1 per cent, and the service area's revenue amounted to EUR 11.7 million in January-June. Following acquisitions, the service area was added to Etteplan's reporting from April 1, 2016 onwards. The service area's development remained stable in the second quarter of 2016. Several significant new deals for embedded systems were made in both Finland and Poland. The sale of IoT applications progressed as expected.

In embedded systems and IoT, EBIT from business operations in January-June amounted to EUR 1.2 million, which was 10.5 per cent of revenue. High value-added services accounted for 49 per cent of revenue in January-June.

The new service area's service offering received good feedback from Etteplan's customers during the review period. Etteplan's customers are investing in the new business opportunities presented by digitization, even in the prevailing market conditions.

The integration of Espotel Oy's and Soikea Solutions Oy's business operations into the Etteplan Group progressed according to plan in the review period. The aim is to complete the integration during the first half of 2017.

Governance

Annual General Meeting

The Annual General Meeting of Shareholders of Etteplan Oyj (the "Company") was held on April 5, 2016, at the premises of the Company in Vantaa. In accordance with the proposal of the Nomination and Remuneration Committee of the Board of Directors, the Annual General Meeting re-elected Robert Ingman, Patrick von Essen, Matti Huttunen, Pertti Nupponen, Teuvo Rintamäki and Leena Saarinen as members of the Board of Directors.

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 2015.

PricewaterhouseCoopers Oy, Authorized Public Accountants, with Authorized Public Accountant Lauri Kallaskari as the main responsible auditor and Certified Auditor Olli Wesamaa were elected as the Company's auditors. The auditors' fees were resolved to be paid according to invoice approved by the Company.

The Annual General Meeting authorized 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 as well be used for carrying out 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 5, 2016 and ending on October 4, 2017. The authorization will replace the corresponding previous authorization.

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of a maximum of 6,000,000 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 a right to issue new shares or assign Company's own shares held by the Company.

The authorization includes a right to deviate from the existing shareholders' pre-emptive subscription right as set forth in Chapter 9, Section 3 of the Finnish Companies Act. Therefore, the Board of Directors has a right to direct the share issue, or issuance of the option rights or other special rights entitling to shares. The authorization includes also a right to determine on all the terms of share issue, option rights or other special rights entitling to shares. The authorization includes therefore a right to determine on 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 a right to determine whether the subscription price will be entered into the share capital or into the reserve of invested non-restricted equity.

The authorization is valid for two (2) years from the date of the resolution of the Annual General Meeting starting on April 5, 2016 and ending on April 4, 2018.

Dividend

The Annual General Meeting on April 5, 2016 resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.15 per share for the financial year 2015. The remaining funds shall be left to the unrestricted equity. The dividend was paid to the shareholders registered on the record date in the shareholders' register maintained by Euroclear Finland Ltd. The record date of the payment of dividend was April 7, 2016. The dividend was paid on April 14, 2016.

Shares

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Small Cap market capitalization group in the Industrials sector under the ETT1V ticker.

The Company's share capital on June 30, 2016 was EUR 5,000,000.00, and the total number of shares was 24,771,492. The Company has one series of shares. All shares confer an equal right to a dividend and the Company's funds.

At its meeting on June 21, 2016, Etteplan Oyj's Board of Directors decided to initiate a share repurchase program of own shares in accordance with the authorization given to it at the Annual General Meeting on April 5, 2016. The number of repurchased shares will not exceed 100,000 shares and the corresponding number of voting rights. Shares will be repurchased in public trading on Nasdaq Helsinki Ltd for the market price quoted at the time of the repurchase, as provided by the regulations on public trading of shares. The repurchased shares are used for carrying out the Company's incentive plan for its key personnel. The repurchased shares may be retained by the Company, invalidated or transferred further.

The Company held 138,192 of its own shares on June 30, 2016, which corresponds to 0.56 per cent of all shares and voting rights (June 30, 2015: 308,886). In January-June, the Company acquired a total of 35,274 of its own shares. In April 2016, the Company transferred a total of 221,365 treasury shares to the key private owners of Espotel Oy and Soikea Solutions Oy as a part of the acquisition of the total share capital of the two companies.

The number of Etteplan Oyj shares traded during the review period was 624,377, for a total value of EUR 2.8 million. The share price low was EUR 3.81, the high EUR 4.94, the average EUR 4.45 and the closing price EUR 4.50. Market capitalization on June 30, 2016 was EUR 110.85 million.

On June 30, 2016, the members of the Company’s Board of Directors and the President and CEO owned or had authority of a total of 16,554,351 shares (June 30, 2015: 41,876 shares), or 66.83 per cent of the total share capital.

Rights issue

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. The subscription price of the offered shares was EUR 3.50 per share, and 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. The rights offering was the subject of stock exchange releases published on May 9, 2016, May 10, 2016, June 1, 2016, and June 8, 2016.

Flaggings

Etteplan Oyj received no flagging notices in January-June 2016.

Share-based incentive plans

The Board of Directors of Etteplan Oyj decided on February 12, 2014 on a new share-based incentive plan for the Company’s President and CEO. The new Restricted Stock Plan includes one three-year vesting period. The potential reward of the Plan is bound to the validity of the CEO’s service. The reward from the vesting period will be paid partly in the Company’s shares and partly in cash in February 2017. The reward to be paid on the basis of the Restricted Stock Plan 2014 will amount up to a maximum total of 25,000 Etteplan Oyj shares. In addition, the Company will pay taxes and tax-related costs arising from the reward to the CEO.

The Board of Directors of Etteplan Oyj decided on June 3, 2014 to establish a new share-based incentive plan for the Group key personnel. The Plan includes one earning period which includes the calendar years 2014, 2015 and 2016. The earnings criteria are Etteplan Group’s revenue increase and the development of Total Shareholder Return (TSR). Approximately 15 people belong to the target group of the Plan. The rewards to be paid on the basis of the Plan will correspond to the value of an approximate maximum total of 450,000 Etteplan Oyj shares (including also the proportion to be paid in cash).

On April 20, 2016, the Nomination and Remuneration Committee of Etteplan’s Board of Directors decided, upon the implementation of the share issue, to revise the share-based incentive systems directed at the President and CEO and Etteplan’s key personnel. The number of shares paid under the systems will be increased by a factor of 1.05, which corresponds to the trading-weighted average of the closing prices of the Etteplan share between April 6 and May 6, 2016, divided by the share price inclusive of the TERP (Theoretical Ex-Rights Price) discount.

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.

Operating risks and uncertainty factors

Etteplan's financial results are exposed to a number of strategic, operational and financial risks.

Etteplan’s risk management review was published in the 2015 Annual Report.

Operating risks and uncertainty factors in the review period

The uncertainty caused by the general economic development continued in January-June. There were clear country-specific differences in the demand for engineering services.

The Company’s operations are based on skilled staff. The availability of competent professionals is an important factor for ensuring profitable growth and operations. In January-June, increased difficulties in recruiting professional staff in Sweden continued to present a business risk.

Estimate of operating risks and uncertainty factors in the near future

The uncertainty caused by the general economic development continues to be a risk for Etteplan’s business. The uncertainty in the global economy poses a risk to 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 availability of personnel in Sweden continues to present a business risk.

Risks related to business operations are still at a significant level, but they are not estimated to grow.

Market outlook

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.

Financial information in 2016

Etteplan Oyj’s third quarter interim report will be published on Thursday October 27, 2016.

Vantaa, August 10, 2016

Etteplan Oyj

Board of Directors

Additional information:

Juha Näkki, President and CEO, tel. +358 400 606 372

APPENDIX:
Financial Statement Summary and Notes

- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Financial Position
- Consolidated Statement of Cash Flows
- Consolidated Statement of Changes in Equity
- Notes to the Financial Statement Summary

The information presented herein has not been audited.

Releases and other corporate information are available on Etteplan's website at www.etteplan.com.

Etteplan

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1 000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Revenue	**50 211**	**34 240**	**88 814**	**68 890**	**141 143**
Other operating income	47	156	302	172	309
Materials and services	-3 410	-2 095	-5 291	-4 092	-7 918
Staff costs	-35 718	-24 475	-64 590	-49 649	-101 452
Other operating expenses	-7 434	-4 780	-12 727	-9 541	-20 384
Depreciation and amortization	-1 343	-741	-2 260	-1 424	-3 104
Operating profit (EBIT)	**2 352**	**2 305**	**4 248**	**4 356**	**8 594**
Financial income	185	130	430	145	589
Financial expenses	-483	-271	-801	-514	-1 251
Profit before taxes	2 055	2 164	3 877	3 986	7 933
Income taxes	-304	-491	-642	-903	-1 744
Profit for the financial year	**1 750**	**1 673**	**3 235**	**3 083**	**6 189**
Other comprehensive income, that may be subsequently reclassified to profit or loss					
Foreign subsidiary net investment hedge	33	-67	42	-42	-41
Currency translation differences	-653	250	-782	576	650
Change in fair value of investments available-for-sale	-5	13	-7	27	43
Tax from items, that may be subsequently reclassified to profit or loss	-6	11	-7	3	0
Other comprehensive income, net of tax	-630	207	-754	564	652
Total comprehensive income for the year	**1 120**	**1 879**	**2 480**	**3 648**	**6 841**
Income attributable to					
Equity holders of the parent company	1 696	1 691	3 167	3 116	6 122
Non-controlling interest	54	-19	68	-33	67
	1 750	1 673	3 235	3 083	6 189
Total comprehensive income attributable to					
Equity holders of the parent company	1 067	1 895	2 413	3 686	6 779
Non-controlling interest	53	-15	67	-39	62
	1 120	1 879	2 480	3 648	6 841
Earnings per share calculated from the result attributable to equity holders of the parent company					
Basic earnings per share, EUR	0,08	0,08 *	0,15	0,14 *	0,28 *
Diluted earnings per share, EUR	0,08	0,08 *	0,15	0,14 *	0,28 *

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

Etteplan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1 000)	30.6.2016	30.6.2015	31.12.2015
ASSETS			
Non-current assets			
Tangible assets	2 671	2 137	2 179
Goodwill	57 854	39 256	42 734
Other intangible assets	19 537	5 907	9 418
Investments available-for-sale	680	668	687
Other non-current receivables	71	0	54
Deferred tax assets	260	148	161
Non-current assets, total	**81 073**	**48 117**	**55 232**
Current assets			
Inventory	394	0	0
Trade and other receivables	42 339	28 110	28 296
Current tax assets	182	0	177
Cash and cash equivalents	5 948	3 663	8 807
Current assets, total	**48 863**	**31 773**	**37 281**
TOTAL ASSETS	**129 937**	**79 890**	**92 513**
EQUITY AND LIABILITIES			
Capital attributable to equity holders of the parent company			
Share capital	5 000	5 000	5 000
Share premium account	6 701	6 701	6 701
Unrestricted equity fund	18 541	2 364	4 406
Own shares	35	-871	-949
Cumulative translation adjustment	-1 640	-937	-863
Other reserves	219	212	225
Retained earnings	17 085	13 980	13 980
Profit for the financial year	3 167	3 116	6 122
Capital attributable to equity holders of the parent	49 107	29 566	34 621
Non-controlling interest	64	-104	-3
Equity, total	**49 171**	**29 462**	**34 618**
Non-current liabilities			
Deferred tax liabilities	3 443	999	1 754
Financial liabilities	26 359	9 059	8 296
Other non-current liabilities	1 641	62	92
Non-current liabilities, total	**31 442**	**10 121**	**10 142**
Current liabilities			
Financial liabilities	12 275	12 359	14 925
Trade and other payables	36 184	27 419	31 901
Current income tax liabilities	864	529	927
Current liabilities, total	**49 323**	**40 307**	**47 753**
Liabilities, total	**80 765**	**50 428**	**57 895**
TOTAL EQUITY AND LIABILITIES	**129 937**	**79 890**	**92 513**

Etteplan

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1 000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Operating cash flow					
Cash receipts from customers	47 885	34 935	85 330	67 965	138 557
Operating expenses paid	-45 469	-31 089	-84 032	-63 552	-126 897
Operating cash flow before financial items and taxes	2 417	3 846	1 298	4 413	11 659
Interest and payment paid for financial expenses	-373	-127	-482	-326	-636
Interest received	-2	21	12	24	40
Income taxes paid	-893	-45	-1 362	-279	-1 131
Operating cash flow (A)	**1 148**	**3 695**	**-533**	**3 832**	**9 932**
Investing cash flow					
Purchase of tangible and intangible assets	-808	-773	-896	-881	-1 621
Acquisition of subsidiaries	-20 843	0	-21 262	-440	-1 907
Proceeds from contingent asset	0	0	215	0	0
Proceeds from sale of tangible and intangible assets	12	0	18	0	1
Proceeds from sale of investments	0	1	0	1	1
Loan receivables, decrease	5	0	5	0	1
Investing cash flow (B)	**-21 633**	**-773**	**-21 920**	**-1 320**	**-3 526**
Cash flow after investments (A+B)	**-20 485**	**2 922**	**-22 453**	**2 512**	**6 406**
Financing cash flow					
Share issue net of cost	13 954	0	13 954	0	0
Purchase of own shares	-16	0	-163	0	-75
Short-term loans, increase	10 185	-2 220	10 520	3 679	2 567
Short-term loans, decrease	-13 259	-626	-17 137	-6 671	-8 687
Long-term loans, increase	19 991	5 007	20 601	5 007	10 000
Long-term loans, decrease	-4 549	0	-4 549	0	0
Payment of finance lease liabilities	-295	-243	-584	-463	-985
Dividend paid and other profit distribution	-3 046	-2 981	-3 046	-2 981	-2 981
Financing cash flow (C)	**22 966**	**-1 063**	**19 595**	**-1 428**	**-160**
Variation in cash (A+B+C) increase (+) / decrease (-)	**2 481**	**1 859**	**-2 858**	**1 084**	**6 246**
Assets at the beginning of the period	3 412	1 815	8 807	2 575	2 575
Exchange gains or losses on cash and cash equivalents	56	-11	-1	5	-14
Assets at the end of the period	5 948	3 663	5 948	3 663	8 807

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Legends for table columns

A) Share Capital
B) Share Premium Account
C) Unrestricted Equity Fund
D) Other Reserves
E) Own Shares
F) Cumulative Translation Adjustment
G) Retained Earnings
H) Total
I) Non-controlling Interest
J) Equity total

(EUR 1 000)	A	B	C	D	E	F	G	H	I	J
Equity Jan 1, 2015	**5 000**	**6 701**	**2 364**	**177**	**-912**	**-1 472**	**16 960**	**28 818**	**-65**	**28 753**
Comprehensive income										
Profit for the financial year	0	0	0	0	0	0	6 122	6 122	67	6 189
Fair value reserve available-for-sale assets	0	0	0	35	0	0	0	35	0	35
Foreign subsidiary net investment hedge	0	0	0	0	0	-33	0	-33	0	-33
Cumulative translation adjustment	0	0	0	0	0	655	0	655	-5	650
Total comprehensive income for the year	**0**	**0**	**0**	**35**	**0**	**622**	**6 122**	**6 779**	**62**	**6 841**
Transactions with owners										
Dividends	0	0	0	0	0	0	-2 981	-2 981	0	-2 981
Directed share issue	0	0	2 042	0	0	0	0	2 042	0	2 042
Purchase of own shares	0	0	0	0	-75	0	0	-75	0	-75
Reclassifications	0	0	0	14	0	-14	0	0	0	0
Share-based incentive plan	0	0	0	0	38	0	0	38	0	38
Transactions with owners,	**0**	**0**	**2 042**	**14**	**-37**	**-14**	**-2 981**	**-976**	**0**	**-976**
Equity Dec 31, 2015	**5 000**	**6 701**	**4 406**	**225**	**-949**	**-863**	**20 101**	**34 621**	**-3**	**34 618**

(EUR 1 000)	A	B	C	D	E	F	G	H	I	J
Equity Jan 1, 2016	**5 000**	**6 701**	**4 406**	**225**	**-949**	**-863**	**20 101**	**34 621**	**-3**	**34 618**
Comprehensive income										
Profit for the financial year	0	0	0	0	0	0	3 167	3 167	68	3 234
Fair value reserve available-for-sale assets	0	0	0	-6	0	0	0	-6	0	-6
Foreign subsidiary net investment hedge	0	0	0	0	0	34	0	34	0	34
Cumulative translation adjustment	0	0	0	0	0	-810	30	-781	-1	-782
Total comprehensive income for the year	**0**	**0**	**0**	**-6**	**0**	**-777**	**3 196**	**2 413**	**67**	**2 480**
Transactions with owners										
Dividends	0	0	0	0	0	0	-3 046	-3 046	0	-3 046
Share issue net of cost	0	0	13 954	0	0	0	0	13 954	0	13 954
Directed share issue	0	0	181	0	928	0	0	1 109	0	1 109
Purchase of own shares	0	0	0	0	-163	0	0	-163	0	-163
Share-based incentive plan	0	0	0	0	219	0	0	219	0	219
Transactions with owners, total	**0**	**0**	**14 135**	**0**	**984**	**0**	**-3 046**	**12 073**	**0**	**12 073**
Equity Jun 30, 2016	**5 000**	**6 701**	**18 541**	**220**	**35**	**-1 640**	**20 251**	**49 107**	**64**	**49 171**

Etteplan

(EUR 1 000)	A	B	C	D	E	F	G	H	I	J
Equity Jan 1, 2015	**5 000**	**6 701**	**2 364**	**177**	**-912**	**-1 472**	**16 960**	**28 818**	**-65**	**28 753**
Comprehensive income										
Profit for the financial year	0	0	0	0	0	0	3 116	3 116	-33	3 083
Fair value reserve available-for-sale assets	0	0	0	22	0	0	0	22	0	22
Foreign subsidiary net investment hedge	0	0	0	0	0	-33	0	-33	0	-33
Cumulative translation adjustment	0	0	0	0	0	582	0	582	-6	576
Total comprehensive income for the year	**0**	**0**	**0**	**22**	**0**	**548**	**3 116**	**3 686**	**-39**	**3 648**
Transactions with owners										
Dividends	0	0	0	0	0	0	-2 981	-2 981	0	-2 981
Reclassifications	0	0	0	14	0	-14	0	0	0	0
Share-based incentive plan	0	0	0	0	42	0	0	42	0	42
Transactions with owners, total	**0**	**0**	**0**	**14**	**42**	**-14**	**-2 981**	**-2 939**	**0**	**-2 939**
Equity Jun 30, 2015	**5 000**	**6 701**	**2 364**	**212**	**-871**	**-937**	**17 096**	**29 566**	**-104**	**29 462**

NOTES TO THE FINANCIAL STATEMENT SUMMARY

General

The parent company of Etteplan Group is Etteplan Oyj (the Company), a Finnish public limited company established under Finnish law. The Company is domiciled in Vantaa.

Etteplan's services cover engineering, technical documentation, embedded systems and IoT solutions. Our customers are the world's leading companies in the manufacturing industry. Our services are geared to improve the competitiveness of our customers' products 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.

In 2015, Etteplan had turnover of EUR 141.1 million. The company has about 2,500 professionals in Finland, Sweden, the Netherlands, Germany, Poland and China. Etteplan's shares are listed on Nasdaq Helsinki Ltd under the ETT1V ticker.

The Etteplan Oyj Board of Directors has approved this interim report for publication at its meeting of August 10, 2016.

Basis for preparation

The interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting) standard. The accounting policies presented in the 2015 annual financial statements have been followed in the preparation of the interim report with the exception of changes in standards and interpretations in effect in 2016, which concern the Group. These changes did not have material effect on the interim report.

The annual financial statements 2015 are available at http://www.etteplan.com/investors/annual-and-interim-reports/2016.aspx with the accounting policies detailed on pages 58-66. Formulas for the key figures are detailed at the end of this interim report.

Monetary figures in the interim report are presented in thousands of euros. All figures in the tables have been rounded up or down, due to which the sums of figures may deviate from the sum totals presented.

Use of estimates

This interim report includes forward-looking estimates and assumptions. Accordingly, outcomes may deviate from these estimates, which are based on the management's best knowledge at the time of interim report.

Income taxes

The taxes listed in the consolidated income statement have been calculated with the tax rate appropriate for the projected full-year result. The estimated average effective tax rate for the year has been set separately for each relevant country. Taxes in the income statement amounted to 16.6 per cent (1-6/2015: 22.7 per cent) calculated of the result before taxes.

Risks

Etteplan's financial results are exposed to a number of strategic, operational and financial risks. A description of risks can be found in Etteplan's annual report 2015 on pages 20-25. A detailed financial risk analysis can be found in Etteplan's annual report 2015 on pages 66-70.

Etteplan

KEY FIGURES

(EUR 1 000)	1-6/2016	1-6/2015	1-12/2015	Change to prev. year
Revenue	88 814	68 890	141 143	28,9 %
EBIT from business operations	5 090	4 763	9 540	6,9 %
EBIT from business operations, %	5,7	6,9	6,8	
Operating profit (EBIT)	4 248	4 356	8 594	-2,5 %
EBIT, %	4,8	6,3	6,1	
Profit before taxes	3 877	3 986	7 933	-2,7 %
Profit before taxes, %	4,4	5,8	5,6	
Return on equity, %	15,4	21,2	19,5	
ROCE, %	12,8	18,3	17,4	
Equity ratio, %	38,1	38,4	37,8	
Gross interest-bearing debt	38 634	21 418	23 222	80,4 %
Net gearing, %	66,5	60,3	41,6	
Balance sheet, total	129 937	79 890	92 513	62,6 %
Gross investments	27 979	1 673	9 867	1572,4 %
Operating cash flow	-533	3 832	9 932	-113,9 %
Basic earnings per share, EUR	0,15	0,14 *	0,28 *	7,2 %
Diluted earnings per share, EUR	0,15	0,14 *	0,28 *	7,2 %
Equity per share, EUR	1,99	1,49	1,73	33,8 %
Personnel, average	2 295	1 876	1 948	22,3 %
Personnel at end of the period	2 487	1 900	2 074	30,9 %

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

REVENUE AND OPERATING PROFIT (EBIT) QUARTERLY

(EUR 1 000)	1-3/2016	1-3/2015	4-6/2016	4-6/2015
Revenue	38 603	34 650	50 211	34 240
Operating profit (EBIT)	1 896	2 051	2 352	2 305
EBIT, %	4,9	5,9	4,7	6,7

EXCEPTIONAL ITEMS

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional 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:

(EUR 1 000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Other operating income	0	0	215	0	0
Staff costs and other operating expenses	-997	-195	-1 388	-294	-1 007
Operating profit (EBIT)	**-997**	**-195**	**-1 173**	**-294**	**-1 007**
Financial expenses	0	0	0	-6	-6
Profit for the financial year	**-997**	**-195**	**-1 173**	**-300**	**-1 014**

Etteplan

RECONCILIATION OF EBIT FROM BUSINESS OPERATIONS

(EUR 1 000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
EBIT	2 352	2 305	4 248	4 356	8 594
Amortization on PPA allocations	559	204	842	407	946
earn-out revaluation items	0	0	0	0	0
EBIT from business operations	**2 911**	**2 509**	**5 090**	**4 763**	**9 540**

RELATED PARTY TRANSACTIONS

In addition to the associated companies the Group's related-party includes such persons that have control, joint control or significant influence over the Group. Also the Group's key personnel, that is, the members of the Board of Directors and Management Group including the CEO are included in the related-party. 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.

The following transactions were carried out with related parties:

(EUR 1 000)	30.6.2016	30.6.2015	31.12.2015
Sales and purchases of services and related receivables and payables			
Sales of services to other related parties	0	0	36
Purchases of services from other related parties	18	0	36

(EUR 1 000)	30.6.2016	30.6.2015	31.12.2015
Loans received from other related parties			
At the beginning of period	0	0	0
Additions	10 000	0	0
Interest	28	0	0
Conversion to shares	-9 807	0	0
Repayments	-221	0	0
At the end of period	**0**	**0**	**0**

BUSINESS COMBINATIONS

Espotel Oy and Soikea Solutions Oy

Etteplan acquired the total share capital of Espotel Oy and Soikea Solutions Oy from their key personnel and private equity investment companies on April 4, 2016. Espotel is one of the leading engineering services companies in the Nordics specializing in embedded systems, production testing solutions and IoT (Internet of Things) solutions for industrial purposes. Soikea is a specialist in digital data transfer and management, whose multichannel solutions produce the right information to the right place at the right time. The comprehensive product and service solutions of Espotel and Soikea meet well the demands for digitalization in the industrial sector. The experts of the companies have extensive experience ranging from the design of CPU based equipment to digital systems. The companies employ together some 330 professionals, who will continue in Etteplan Group. Espotel and Soikea have operations in Finland, Sweden and Poland.

The acquisition consideration for the companies' shares and convertible loan is EUR 25,732 thousand consisting of cash payments, a transfer of Etteplan Oyj's own shares, and a contingent consideration. The cash consideration including a price adjustment agreed with the seller amounts to EUR 23,873 thousand in total and the consideration paid in Etteplan Oyj's own shares amounts to EUR 1,109 thousand. In addition to these payments a contingent consideration of EUR 0-1,500 thousand (undiscounted amount) is agreed upon. The contingent consideration will be paid in full provided that Soikea Solutions Oy’s result in the financial year 2016 and 2017 reaches the thresholds set in the share transfer agreement. 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 750 thousand.

The goodwill of EUR 15,159 thousand arising from the acquisition is attributable to the technical know-how of acquirees' personnel, and the companies' operating model. None of the goodwill recognized is expected to be deductible for income tax purposes.

arvato AG

Etteplan completed a business and share transfer agreement with arvato AG, a Bertelsmann Group company on December 31, 2015.

The acquired business includes technical documentation services in Germany and in the Netherlands. The acquisition comprises arvato Technical Information B.V. as well as the part of arvato services technical information GmbH, which provides technical documentation services to industrial machine and equipment manufacturers as well as the defense industry. The acquired business employs 35 persons in the Netherlands and Germany. The business operations and personnel were transferred to Etteplan on January 1, 2016. As part of the acquisition, Etteplan and arvato AG have agreed on strategic co-operation. With this business transfer agreement Etteplan strengthens its position in Central Europe as a service provider in technical documentation and commences business operations in the German market.

The acquisition consideration is EUR 1,214 thousand in total consisting of cash payments and a contingent consideration. The contingent consideration, EUR 0-500 thousand (undiscounted amount), will be paid in full provided that the revenue created by the acquired business in 2016 reaches the treshold set in the purchase agreement. 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 500 thousand.

The goodwill of EUR 367 thousand arising from the acquisition is attributable to the knowledge and competence acquired as well as the synergies expected from combining the operations of the Group and the acquired company. None of the goodwill recognized is expected to be deductible for income tax purposes.

Suomen Unit Oy

Etteplan acquired the business operations of Suomen Unit on April 1, 2016. The company’s 16 experts became Etteplan’s employees from that date. The consideration transferred was EUR 270 thousand. The business transfer has no material effect on the Group.

The following table summarizes the consideration paid for the acquisitions and the provisional amounts of assets acquired and liabilities assumed recognized at the time of acquisitions.

Consideration transferred:	**(EUR 1 000)**
Cash payment:	
Shares in acquiree	13 964
Convertible bond loan including interest	10 494
Part of cash payment paid later	300
Price adjustment agreed with seller	99
Own shares	1 109
Contingent consideration	1 250
Total consideration transferred	**27 216**
Assets and liabilities	
Tangible assets	681
Intangible assets	252
Customer relationships (intangible assets)	10 861
Inventory	233
Trade and other receivables	8 984
Cash and cash equivalents	2 883
Total assets	**23 892**
Non-current liabilities	4 550
Current liabilities	6 046
Deferred tax liability	1 877
Total liabilities	**12 473**
Total identifiable net assets	**11 419**
Formation of Goodwill:	
Consideration transferred	27 216
Total identifiable net assets	-11 419
Goodwill	**15 797**

Costs related to acquisitions, EUR 689 thousand, are included in other operating expenses in the consolidated statement of comprehensive income.

The revenue included in the consolidated statement of comprehensive income contributed by the acquired companies was EUR 8,991 thousand and profit EUR 400 thousand. Had the companies been consolidated from January 1, 2016, the consolidated statement of comprehensive income would show revenue of EUR 96,347 thousand and profit of EUR 6,407 thousand.

Etteplan

TANGIBLE ASSETS

TANGIBLE ASSETS 2016 EUR 1 000	Land and water	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost Jan 1	19	11 760	7 022	832	19 633
Translation difference	0	-100	-22	-2	-124
Acquisition of subsidiaries	0	724	0	0	724
Additions	0	175	284	23	482
Reclassifications between items	0	1	0	0	1
Disposals	0	-1	-14	-12	-26
Acquisition cost Jun 30	19	12 560	7 270	840	20 689
Cumulative depreciation Jan 1	0	-10 910	-5 832	-713	-17 454
Translation difference	0	89	16	1	106
Cumulative depreciation on acquisitions	0	-38	0	0	-38
Cumulative depreciation on disposals	0	4	14	0	18
Depreciation for the financial period	0	-253	-382	-15	-650
Cumulative depreciation Jun 30	0	-11 108	-6 184	-727	-18 019
Book value Jun 30, 2016	**19**	**1 452**	**1 086**	**113**	**2 671**

TANGIBLE ASSETS 2015 EUR 1 000	Land and water	Machinery and equipment	Machinery and equipment, finance lease	Other tangible assets	Total
Acquisition cost Jan 1	19	10 434	6 133	414	17 000
Translation difference	0	113	14	4	131
Additions	0	178	530	12	721
Reclassifications between items	0	7	0	0	7
Acquisition cost Jun 30	19	10 732	6 677	430	17 859
Cumulative depreciation Jan 1	0	-9 661	-5 147	-326	-15 134
Translation difference	0	-91	-10	-1	-102
Cumulative depreciation on reclassifications	0	-7	0	0	-7
Depreciation for the financial period	0	-138	-328	-13	-479
Cumulative depreciation Jun 30	0	-9 898	-5 484	-340	-15 722
Book value Jun 30, 2015	**19**	**834**	**1 193**	**90**	**2 137**

Etteplan

INTANGIBLE ASSETS

INTANGIBLE ASSETS 2016 EUR 1 000	Intangible rights	Internally created intangible assets	Other intangible assets	Other intangible assets, finance lease	Advance payments	Goodwill	Total
Acquisition cost Jan 1	11 212	1 799	9 610	2 000	106	42 734	67 461
Translation difference	-52	0	-43	-7	0	-676	-778
Acquisition of subsidiaries	189	175	10 861	0	0	0	11 225
Additions	258	118	5	274	33	15 797	16 485
Reclassifications between items	-76	182	0	0	-106	0	0
Acquisition cost Jun 30	11 530	2 274	20 434	2 267	33	57 854	94 393
Cumulative amortization Jan 1	-9 485	-1 130	-3 176	-1 519	0	0	-15 311
Translation difference	30	0	20	6	0	0	55
Cumulative amortization on acquisitions	-114	-27	0	0	0	0	-142
Cumulative amortization on reclassifications	-1	0	0	0	0	0	-1
Amortization for the financial period	-392	-178	-841	-195	0	0	-1 605
Cumulative amortization Jun 30	-9 961	-1 336	-3 997	-1 708	0	0	-17 003
Book value Jun 30, 2016	**1 569**	**938**	**16 437**	**559**	**33**	**57 854**	**77 391**

INTANGIBLE ASSETS 2015 EUR 1 000	Intangible rights	Internally created intangible assets	Other intangible assets	Other intangible assets, finance lease	Advance payments	Goodwill	Total
Acquisition cost Jan 1	8 729	1 588	5 696	1 573	0	38 642	56 228
Translation difference	52	0	47	5	0	614	718
Additions	704	3	0	245	0	0	952
Disposals	0	0	0	-9	0	0	-9
Acquisition cost Jun 30	9 485	1 591	5 743	1 813	0	39 256	57 889
Cumulative amortization Jan 1	-7 448	-837	-2 208	-1 216	0	0	-11 710
Translation difference	-39	0	-25	-4	0	0	-68
Amortization for the financial period	-241	-158	-408	-141	0	0	-949
Cumulative amortization Jun 30	-7 728	-995	-2 641	-1 361	0	0	-12 726
Book value Jun 30, 2015	**1 757**	**596**	**3 102**	**452**	**0**	**39 256**	**45 162**

Etteplan

FINANCIAL LIABILITIES

(EUR 1 000)	30.6.2016	30.6.2015	31.12.2015
Non-current	26 359	9 059	8 296
Current	12 275	12 359	14 925
Total	**38 634**	**21 418**	**23 222**

PLEDGES, MORTGAGES AND GUARANTEES

(EUR 1 000)	30.6.2016	30.6.2015	31.12.2015
For own debts			
Business mortgages	320	320	320
Pledged shares	120	120	120
Other contingencies	0	104	104
Leasing liabilities			
For payment under one year	2 117	1 538	1 685
For payment 1-5 years	1 588	1 704	1 544
Total	**4 145**	**3 786**	**3 773**

SEGMENT REPORTING

The Group has one operating segment, the revenue of which consists of rendering of services. The Group operates mainly in four geographical areas; Finland, Sweden, China and Central Europe. The external revenue of each geographical area is presented according to the location of the seller. Non-current assets are presented according to the location of the asset. Etteplan China operations sell their services both locally and through other group companies thus this revenue is partly included in the revenue from Finland and Sweden in the table below.

(EUR 1 000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015
Revenue				
Finland	35 278	21 240	59 836	42 594
Sweden	11 504	10 482	22 278	21 203
China	995	876	1 711	1 723
Central Europe	2 434	1 642	4 990	3 370
Total	**50 211**	**34 240**	**88 814**	**68 890**

(EUR 1 000)	30.6.2016	30.6.2015
Non-current assets *		
Finland	46 413	13 374
Sweden	24 214	25 037
China	2 644	2 961
Central Europe	6 791	5 928
Total	**80 062**	**47 300**

*Other non-current assets excluding financial instruments, deferred tax assets and assets related to compensation after termination of employment contract.

In the period Jan 1 - Jun 30, 2016 revenue from one individual customer was EUR 9,307 thousand, which is over 10 per cent of the Group's total revenue.

Etteplan

FAIR VALUE OF FINANCIAL INSTRUMENTS

The tables below analyse 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 for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Available for sale financial assets recognized at fair value through profit or loss

	30.6.2016				30.6.2015			
(EUR 1,000)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed shares	170	0	0	**170**	161	0	0	**161**
Premises shares	0	480	0	**480**	0	480	0	**480**
Unlisted shares	0	0	30	**30**	0	0	29	**29**
Total	**170**	**480**	**30**	**680**	**161**	**480**	**29**	**668**

Reconciliation of available for sale financial assets recognized at fair value through profit or loss

	30.6.2016				30.6.2015			
(EUR 1,000)	**Listed shares**	**Premises shares**	**Unlisted shares**	**Total**	**Listed shares**	**Premises shares**	**Unlisted shares**	**Total**
Opening balance at Jan 1	177	480	30	**687**	134	480	29	**642**
Gain/loss recognized in other comprehensive income	-7	0	0	**-7**	27	0	0	**27**
Closing balance Jun 30	**170**	**480**	**29**	**680**	**161**	**480**	**29**	**668**

Financial liabilities recognized at fair value through profit or loss

	30.6.2016				30.6.2015			
(EUR 1,000)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Contingent liability in acquisitions	0	0	1 250	**1 250**	0	0	0	**0**
Total	**0**	**0**	**1 250**	**1 250**	**0**	**0**	**0**	**0**

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

	2016		2015	
(EUR 1,000)	**Contingent liability in acquisitions**	**Total**	**Contingent liability in acquisitions**	**Total**
Opening balance at Jan 1	0	**0**	434	**434**
Additions	1 250	**1 250**	0	**0**
Gain/loss recognized in income statement	0	**0**	5	**5**
Payment	0	**0**	-440	**-440**
Closing balance Jun 30	**1 250**	**1 250**	**0**	**0**

MAJOR SHAREHOLDERS JUNE 30, 2016

Name	Number of shares	Proportion of shares and votes, %
Ingman Group Oy Ab	16 500 000	66,61
Oy Fincorp Ab	2 494 905	10,07
Varma Mutual Pension Insurance Company	985 593	3,98
VAS Invest Oy	562 573	2,27
Tuori Klaus	421 200	1,70
Sijoitusrahasto Taaleritehdas Mikro Markka	360 000	1,45
Tuori Aino Mirjami	308 275	1,24
Kempe Anna	220 000	0,89
Nordea Bank Finland Plc	147 245	0,59
Etteplan Oyj	135 892	0,55
Kempe Lasse	100 000	0,40
Kempe Pia Pauliina	97 700	0,39
Euroclear Bank Sa/Nv	68 440	0,28
Tapper Teemu Petteri	58 203	0,23
Kylänpää Osmo Olavi	53 200	0,21
Vesterinen Atso Ilmari	48 502	0,20
Kurra Jorma Juhani	43 751	0,18
Ingman Robert	40 000	0,16
Lago Kapital Oy	34 000	0,14
Burmeister Dorrit Elisabeth	32 313	0,13
Other shareholders	2 059 700	8,07
Total	**24 771 492**	**99,74**
Nominee-registrated shares	285 586	1,53

FORMULAS FOR KEY FIGURES

Organic growth

$$\frac{\text{(Revenue current period - revenue comparison period - revenue from acquiree current period) x 100}}{\text{Revenue comparison period}}$$

EBIT from business operations

Operating profit (EBIT) + amortization on PPA allocations - earn out revaluation items

Return on equity (ROE)

$$\frac{\text{(Profit before taxes and non-controlling interest - taxes) x 100}}{\text{(Shareholders' equity + minority interest) average}}$$

Return on capital employed (ROCE), before taxes

$$\frac{\text{(Profit before taxes and non-controlling interest + interest and other financial expenses) x 100}}{\text{(Balance sheet total - non-interest bearing debts) average}}$$

Equity ratio, %

$$\frac{\text{(Shareholders' equity + non-controlling interest) x 100}}{\text{Balance sheet total - advances received}}$$

Net gearing, %

$$\frac{\text{(Interest-bearing debts - cash and cash equivalents and marketable securities) x 100}}{\text{Shareholders' equity + non-controlling interest}}$$

Earnings per share

$$\frac{\text{(Profit before taxes and non-controlling interest - taxes - non-controlling interest)}}{\text{Adjusted average number of shares during the financial year}}$$

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$$