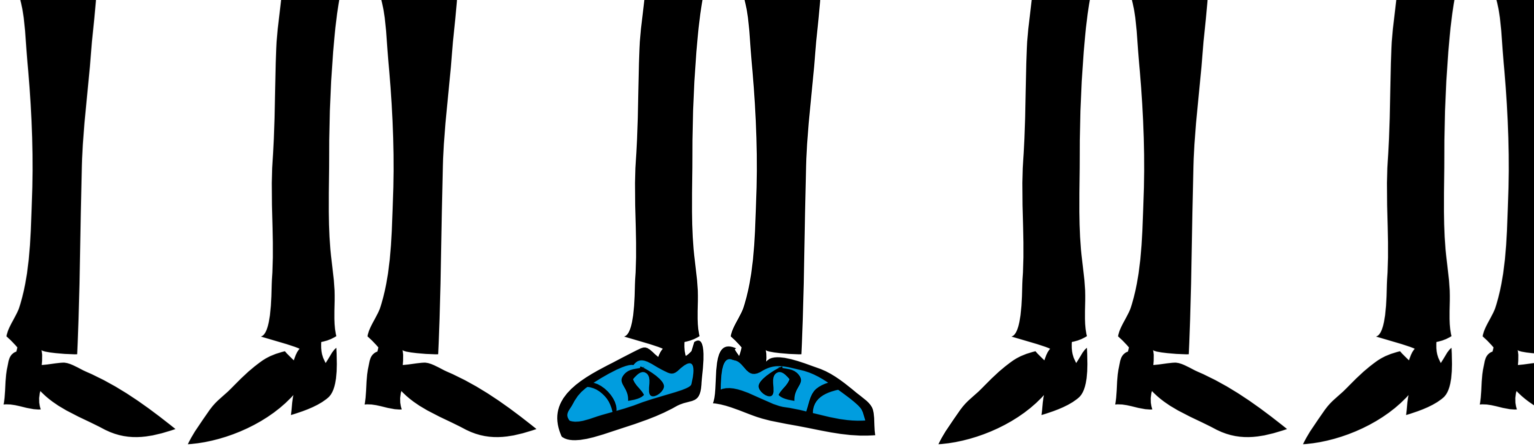

Engineering with a difference

Etteplan

Financial Review 2016

Etteplan's Annual Report 2016 consists of two parts. Annual Review 2016 covers our strategy and operations.

Fast. Dynamic. International.

Etteplan Oyj is a rapidly growing and developing expert company that specializes in engineering services, documentation and digitalization. We employ more than 2,500 experts in our some 50 offices around the world. We serve the world's leading manufacturers and innovative start-ups. We operate in highly advanced technical fields in close cooperation with our customers, improving the competitiveness of their products and engineering processes throughout their life cycles. Our key competence areas are machinery and equipment engineering, technical documentation and embedded systems and IoT solutions. Etteplan was founded in Finland in 1983. The Company's shares have been listed on Nasdaq Helsinki Ltd since 2000.


Financial Review 2016 is available at www. etteplan.com and contains the Financial Statements and other investor information.
"2016 was a successful year of growth and change for Etteplan."
Read more on page 2

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A year of growth and change

2016 was a successful year of growth and change for Etteplan. We strengthened our service offering and grew significantly as a company during the year, and we strengthened our position in our key markets. Acquisitions increased our digitalization-related expertise.

For Etteplan, the year 2016 was simultaneously very good and very challenging. The implementation of our strategy progressed well in all areas and, in addition to achieving strong growth, we were able to improve our profitability towards the end of the year. At the same time, the year was characterized by an uncertain market situation and unpredictable changes in Etteplan's main markets and various customer industries. We achieved a good result in spite of the uncertainty. Our revenue grew by more than 30 per cent and, in the last quarter, our EBIT from business operations reached a record level and approached our target of 10 per cent.

The demand situation varied during the year by market area and customer, as uncertainty characterized the markets. Our service solutions and particularly our outsourcing solutions were nevertheless successful as customers sought cost savings and efficiency in their business operations. The trend of concentrating service purchases also continued. Demand showed signs of recovery in the final quarter despite continued market uncertainty. In Finland, demand was at a weaker level than in the rest of Europe throughout the year. In Sweden, the market situation in the industry developed favorably during the year and we were able to improve our position. Business in the Netherlands and Germany remained stable. The demand situation in Poland was good and our business developed favorably during the year. In China, the opening up of the engineering services market accelerated towards the end of the year after uncertainty in the market earlier in the year.

We made acquisitions that significantly strengthened our strategic position as a provider of digitalization-related services. Through the acquisitions of Espotel Oy and Soikea Solutions Oy we established a third service area that provided us with new competitiveness in responding to our customers' growing demand and investments in various areas of digitalization. The Embedded systems and IoT service area achieved excellent development throughout the year, the integration into Etteplan of the acquired business operations progressed well and we achieved a strong result. Combining Etteplan's strong customer industry expertise and product knowledge with digitalization expertise gives us a competitive advantage in the market and creates good future growth opportunities.

The development of the Engineering services service area was stable despite the low level of market activity in making decisions on new plant investment projects, especially in Finland. Our outsourcing models proved to be successful in the area of engineering services with Outokumpu, for example, outsourcing the engineering design and technical documentation services at its Tornio plants to Etteplan.

The Technical documentation business saw excellent development towards the end of the year. Growth was strong throughout the year. Profitability was below our targets early in the year but improved as the year went on. Our unique service portfolio strengthened our market position and we acquired significant new accounts in China, for example.

One of our key strategic indicators is the share of revenue represented by Managed

In 2016, we achieved significant growth and strengthened our service offering.

Services. Our target was to increase this figure, known as the Managed Services Index, to more than 50 per cent of our revenue. I am pleased to say that we achieved this target already in the second quarter of 2016. In December 2016, we set a new target of increasing our Managed Services Index to 65 per cent by 2019. Managed Services are a concrete expression of our brand promise, "Engineering with a difference", by being an operating model based on comprehensive solutions that provide customers with a cost-efficiently produced service and quantifiable results. For Etteplan, Managed Services represent an opportunity to provide comprehensive services to customers and increase business profitability.

I would like to extend my warmest thanks to our customers for their trust and successful cooperation. I also want to thank our shareholders for their commitment to Etteplan, the opportunity to continue the determined implementation of our growth strategy, and for their support for the rights issue. A great deal of credit for our success belongs to our personnel, who are committed to our strategy and put it into practice in their day-to-day work. Etteplan is entering 2017 as an even stronger and more diverse company.

Juha Näkki
President and CEO

Review by the board of directors January 1-december 31, 2016

Market review

Etteplan's business is affected by global megatrends as well as industry-specific developments. The Internet of Things, digitalization, requirements concerning environmentally friendly products and shorter product life cycles are creating a need for intelligent and efficient engineering solutions in all industrial sectors. Companies are directing their investments to these areas, which creates opportunities for operators in the engineering industry. The continued trend of service outsourcing had a positive effect on the industry's development. The trend of centralizing service purchasing also continued, presenting growth opportunities for global engineering companies.

The most important factor in Etteplan's development is the global development of the machinery and metal industry. The final quarter of 2016 continued to be characterized by an uncertain market situation and unpredictable changes in Etteplan's main markets and various customer industries. Demand got off to a slow start at the beginning of the year, recovered slightly in the second quarter, but declined in the third quarter. Demand then picked up again slightly in the final quarter. Decision making on new investment projects was slow throughout the year.

There were no significant changes in the demand for our services by customer industry in the final quarter of the year, but customer-specific differences were substantial. Demand among mining industry equipment manufacturers picked up slightly late in the year due to an increase in raw material prices. Demand among lifting and hoisting equipment manufacturers also increased slightly. Demand in the energy and power transmission industry remained at a relatively good level. Demand among forest industry equipment manufacturers remained at a good level. In Sweden, demand from aerospace and defense equipment manufacturers was at a good level. In Finland, demand from aerospace and defense equipment manufacturers was at a relatively good level. 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.

There were significant differences in market development between Etteplan's main markets. In Finland, revenues in the technology industry in January-December 2016 were nearly at the same level as in the corresponding period the previous year. Orders received by Finnish companies in the machinery and metal industry in October-December 2016 were substantially higher than in July-September 2016. Nevertheless, their order books at the end of the year were nearly at the same level as they were at the corresponding time in 2015. In Finland, the demand for engineering services was at a weaker level than in the rest of Europe.

In Sweden, market demand returned to a good level in the final quarter after stabilizing slightly in the third quarter. Competition for employees, which burdens the entire engineering industry, continued to be intense.

Demand in Central Europe remained at a good level. There were no significant changes in the demand situation in Germany and the Netherlands. In Poland, the demand for engineering services remained at a good level.

In spite of the uncertainty in the Chinese market, companies operating in China increased their purchasing of external services. The service market continued to open up presenting growth opportunities for operators in the engineering industry.

Revenue

Etteplan's revenue grew by 30.3 per cent in January-December and was EUR 183.9 million (2016: EUR 141.1 million). Revenue increased by 30.8 per cent at comparable exchange rates. Revenue was increased by the significant acquisitions carried out in the spring. Organic growth was 2.5 per cent. At comparable exchange rates, organic growth was 3.0 per cent.

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 in the spring and the latter part of the year. The revenue in the third quarter is typically lower than that of other quarters.

Result

EBIT from business operations increased by 26.5 per cent in January-December and amounted to EUR 12.1 million (1-12/2015: EUR 9.5 million), or 6.6 per cent (6.8 per cent) of revenue. Exceptional items, related particularly to acquisitions, had a combined negative effect of EUR 1.7 million (EUR 1.0 million) on EBIT from business operations.

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-December, operating profit (EBIT) increased by 17.9 per cent and amounted to EUR 10.1 million (1-12/2015: EUR 8.6 million), or 5.5 per cent (6.1 per cent) of revenue. Operational costs increased by 30.6 per cent.

In 2016, financial expenses were EUR 1.2 million (2015: EUR 1.3 million).

Profit before taxes for January-December was EUR 9.4 million (1-12/2015: EUR 7.9 million). Taxes in the income statement amounted to 19.5 per cent (22.0 per cent) of the result before taxes. The amount of taxes was EUR 1.8 million (EUR 1.7 million).

The profit for January-December was EUR 7.6 million (2015: EUR 6.2 million).

Earnings per share for January-December, adjusted for the share issue, were EUR 0.33 (2015: EUR 0.28). The comparison period's earnings per share have been issue adjusted. The rights issue factor was 1.050. Equity per share was EUR 2.14 (EUR 1.73). Return on capital employed (ROCE) before taxes was 14.8 per cent (17.4 per cent).

Financial position and cash flow

The Group's cash and cash equivalents stood at EUR 4.8 million at the end of the year (December 31, 2015: EUR 8.8 million). The Group's financial liabilities amounted to EUR 34.3 million (December 31, 2015: EUR 23.2 million). The total of unused short-term credit facilities stood at EUR 7.8 million (December 31, 2015: EUR 9.1 million).

Operating cash flow in January-December was EUR 5.7 million (2015: EUR 9.9 million). Cash flow after investments was EUR -18.2 million (2015: EUR 6.4 million). The decrease in full-year cash flow was attributable to the Company's strong growth and an unfavorable mix of customers' payment terms. Total assets on December 31, 2016 were EUR 134.5 million (December 31, 2015: EUR 92.5 million). Goodwill on the balance sheet was EUR 58.1 million (December 31, 2015: EUR 42.7 million).

The equity ratio was 40.0 per cent at the end of the year (December 31, 2015: 37.8 per cent).

Capital expenditures

The Group's gross investments in January-December were EUR 30.2 million (2015: EUR 9.9 million). The investments consisted mainly of acquisitions carried out in the second quarter.

Personnel

The average number of personnel increased by 23.6 per cent compared to the previous year. The Group employed 2,407 (2015: 1,948) people on average and 2,545 (December 31, 2015: 2,074) people at the end of the year. At the end of the year, 839 people (December 31, 2015: 706) were employed by the Group outside of Finland. A total of 47 employees were temporarily laid off at the end of 2016.

Business review

Etteplan's market position in 2016 was strengthened by the significant acquisitions carried out in the second quarter and the success of the outsourcing business. The demand for Managed Services continued to grow. The demand for digitalization-related services remained at a good level. The markets showed signs of recovery in the final quarter of the year. The number of new product development and equipment engineering projects was higher than before and Etteplan's organic growth turned back to positive. New plant engineering investments were slow to start throughout the year, especially in Finland.

The demand situation in Finland remained weaker than in the rest of Europe. Etteplan's Finnish business remained stable and we won several outsourcing contracts.

In Sweden, the market situation in the industry continued to develop favorably and Etteplan's Swedish business saw positive development. In Sweden, attrition and the competition for experts continued to burden the business. Business in the Netherlands and Germany remained stable. The demand situation in Poland remained good and the business developed favorably.

The number of hours sold in the Chinese market decreased in the first quarter due to uncertainty in the Chinese market. The market situation changed in the second quarter and the number of hours sold began to increase. The growth was 24 per cent in January-December. The rate of growth increased towards the end of the year and was 38 per cent in October-December.

Key accounts grew by 10.7 per cent in January-December compared to the previous year.

Etteplan's target was to achieve a share of 50 per cent of revenue for Managed Services (Managed Services index, MSI). The target was achieved in the second quarter of 2016. In December, the new MSI target was set at 65 per cent. In January-December, the share of revenue represented by Managed Services was 53 per cent (1-12/2015: 47 per cent). The growth in the share of Managed Services enhances Etteplan's capacity management and improves profitability.

The Company's service offering was significantly strengthened in April when Etteplan made acquisitions to expand its business operations in Embedded Systems and into the Internet of Things (IoT). The acquired businesses continued to develop very well in the final quarter and their integration into Etteplan progressed according to plan.

GOVERNANCE

Annual General Meeting

The Annual General Meeting of Shareholders of Etteplan Oyj 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 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 also be used for carrying out the 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. Etteplan is preparing to change its ticker. The new ticker is ETTE. The adoption of the new ticker will be announced in a separate release.

The Company's share capital on December 31, 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. Etteplan completed a repurchase program of its own shares on November 14, 2016. The Company acquired a total of 100,000 shares and the voting rights carried by them at an average price of EUR 5.40 in public trading on Nasdaq Helsinki Ltd.

In January-December, the Company acquired a total of 132,974 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 Company held 235,892 of its own shares on December 31, 2016, which corresponds to 0.95 per cent of all shares and voting rights (December 31, 2015: 324,283).

The number of Etteplan Oyj shares traded in January-December was 1,863,476 for a total value of EUR 9.38 million (EUR 4.25 million). The share price low was EUR 3.81, the high EUR 5.90, the average EUR 5.04 and the closing price EUR 5.58. Market capitalization on December 31, 2016 was EUR 136.91 million.

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 4, 2016, in a share issue based on the existing shareholders' pre-emptive subscription right. All shares offered in the rights issue were subscribed. 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 issue. As a result of the issue, the total number of shares in Etteplan increased to 24,771,492. The new shares were registered with the Finnish Trade Register and in Etteplan's shareholder register on June 9, 2016. The rights issue 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 2016.

Share-based incentive plans

The Board of Directors of Etteplan Oyj decided on February 12, 2014 on a share-based incentive plan for the Company's President and CEO. The 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 will amount 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 share-based incentive plan for the Group key personnel. The Plan includes one earning period which includes the calendar years 2014-2016. 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.

At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 26,263 shares in the Company to the President and CEO in accordance with the terms of the incentive plan described above. The shares to be paid out as rewards will be transferred from the shares held by the Company. The Company will pay taxes and tax-related costs arising from the reward. The transfer date of the shares is February 28, 2017.

At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 169,939 shares in the Company to key personnel in accordance with the terms of the incentive plan described above. The shares to be paid out as rewards will be transferred from the shares held by the Company. The Company will pay taxes and tax-related costs arising from the reward. The transfer date of the shares is April 28, 2017.

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 will be published in the 2016 Annual Report.

Operating risks and uncertainty factors in the review period

The uncertainty caused by the general economic development continued in 2016. 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-December, 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.

Updated strategic and financial targets

The Board of Directors of Etteplan Oyj decided on December 19, 2016, to update the Company's strategic and financial targets. The new targets are:

- Growth: Average annual revenue growth 15 per cent.
- Profitability: EBIT from business operations 10 per cent of revenue.
- Managed Services: The share of revenue represented by Managed Services, i.e. the Managed Services Index (MSI) 65 per cent by 2019.
- Balance sheet: Equity ratio >30 per cent.

The targets for growth and profitability remain the same as before. The target for Managed Services was previously 50 per cent. The target related to the equity ratio is new.

Market outlook 2017

The most important factor in the development of Etteplan's business is the global development of the machinery and metal industry. There are small signs of recovery in our business environment, but the general uncertainty continues to slow down the start of new investments. Political changes in various countries and upcoming elections can also quickly change the direction of the economy. The development of the European markets is expected to remain unchanged. In the Finnish market, the market situation is expected to remain weaker than in the rest of Europe. In Asia, the growth of the service market is expected to continue.

Financial guidance 2017

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

The Board's proposal for distribution of 2016 profits

The parent company's distributable shareholders' equity according to the balance sheet on December 31, 2016, is EUR 32,803,579.84. The Board of Directors will propose to the Annual General Meeting, which will convene on April 4, 2017, that on the dividend payout date a dividend of EUR 0.16 per share be paid on the company's externally owned shares, for a total amount of EUR 3.963.438,72 at most, and that the remaining profit be transferred to retained earnings. It is the Board's opinion that the proposed distribution of dividends will not endanger the Company's solvency. In accordance with the Board's proposal, the record date for the dividend payout is April 6, 2017, and the date of dividend payout is April 13, 2017.

Annual General Meeting 2017

Etteplan Oyj's Annual General Meeting will be held in Vantaa, Finland, on Tuesday, April 4, 2017, starting at 1 p.m. The summons to the AGM will be published as a separate release.

Corporate Governance Statement

Etteplan is publishing the Corporate Governance Statement for 2015 separately from the Review by the Board of Directors. The statement will be available on the Company's website www.etteplan.com as well as in the Annual Report on pages 68-77.

Etteplan Oyj
Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	1.1.-31.12.2016		1.1.-31.12.2015	
Revenue	7	**183,938**		**141,143**	
Other operating income	9	517		309	
Materials and services	12	-13,893		-7,918	
Staff costs	13	-129,172		-101,452	
Other operating expenses		-26,440		-20,384	
Depreciation and amortization	20, 21	-4,818		-3,104	
Operating profit (EBIT)		**10,131**	**5.5 %**	**8,594**	**6.1 %**
Financial income	15	555		589	
Financial expenses	16	-1,245		-1,251	
Profit before taxes		9,441		7,933	
Income taxes	18	-1,838		-1,744	
Profit for the financial year		**7,604**		**6,189**	
Other comprehensive income, that may be subsequently reclassified to profit or loss					
Foreign subsidiary net investment hedge	4.1.1	103		-41	
Currency translation differences		-1,157		650	
Change in fair value of investments available-for-sale		-7		43	
Tax from items, that may be subsequently reclassified to profit or loss	18	-19		0	
Other comprehensive income for the year, net of tax		-1,080		652	
Total comprehensive income for the year		**6,524**		**6,841**	
Income attributable to					
Equity holders of the parent company		7,436		6,122	
Non-controlling interest		168		67	
		7,604		6,189	
Total comprehensive income attributable to					
Equity holders of the parent company		6,356		6,779	
Non-controlling interest		168		62	
		6,524		6,841	
Earnings per share calculated from the result attributable to equity holders of the parent company					
Basic earnings per share, EUR	19	0.33		0.28*	
Diluted earnings per share, EUR	19	0.33		0.28*	

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

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Liite	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Tangible assets	20	2,910	2,179
Goodwill	21	58,128	42,734
Other intangible assets	21	18,036	9,418
Investments available-for-sale	22	680	687
Other non-current receivables	36	41	54
Deferred tax assets	35	365	161
Non-current assets, total		**80,159**	**55,232**
Current assets			
Inventory	24	255	0
Trade and other receivables	25	49,180	28,296
Current tax assets	26	139	177
Cash and cash equivalents	27	4,750	8,807
Current assets, total		**54,324**	**37,281**
TOTAL ASSETS		**134,483**	**92,513**
EQUITY AND LIABILITIES			
Capital attributable to equity holders of the parent company			
Share capital	28	5,000	5,000
Share premium account	28	6,701	6,701
Unrestricted equity fund	28	18,524	4,406
Own shares	28	-386	-949
Cumulative translation adjustment	28	-1 981	-863
Other reserves	28	219	225
Retained earnings	28	17,099	13,980
Profit for the financial year	28	7,436	6,122
Capital attributable to equity holders of the parent company, total		**52,613**	**34,621**
Non-controlling interest		165	-3
Equity, total		**52,777**	**34,618**
Non-current liabilities			
Deferred tax liabilities	35	3,293	1,754
Financial liabilities	30	23,807	8,296
Other non-current liabilities	32	649	92
Non-current liabilities, total		**27,750**	**10,142**
Current liabilities			
Financial liabilities	30	10,461	14,925
Trade and other payables	33	42,513	31,901
Current income tax liabilities	34	982	927
Current liabilities, total		**53,956**	**47,753**
Liabilities, total		**81,706**	**57,895**
TOTAL EQUITY AND LIABILITIES		**134,483**	**92,513**

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1.1.-31.12.2016	1.1.-31.12.2015
OPERATING CASH FLOW		
Cash receipts from customers	174,644	138,557
Operating expenses paid	-165,607	-126,897
Operating cash flow before financial items and taxes	9,037	11,659
Interest and payment paid for financial expenses	-813	-636
Interest received	44	40
Income taxes paid	-2,606	-1,131
Operating cash flow (A)	**5,661**	**9,932**
INVESTING CASH FLOW		
Purchase of tangible and intangible assets	-1,879	-1,621
Acquisition of subsidiaries	-22,262	-1,907
Proceeds from contingent asset	215	0
Proceeds from sale of tangible and intangible assets	24	1
Proceeds from sale of investments	0	1
Purchase of investments	-10	0
Loan receivables, decrease	45	1
Investing cash flow (B)	**-23,866**	**-3,526**
Cash flow after investments (A+B)	**-18,204**	**6,406**
FINANCING CASH FLOW		
Share issue net of cost	13,937	0
Purchase of own shares	-693	-75
Short-term loans, increase	11,685	2,567
Short-term loans, decrease	-22,547	-8,687
Long-term loans, increase	20,601	10,000
Long-term loans, decrease	-4,569	0
Payment of finance lease liabilities	-1,184	-985
Dividend paid and other profit distribution	-3,046	-2,981
Financing cash flow (C)	**14,184**	**-160**
Variation in cash (A+B+C) increase (+) / decrease (-)	**-4,020**	**6,246**
Assets at the beginning of the financial period	8,807	2,575
Exchange gains or losses on cash and cash equivalents	-37	-14
Assets at the end of the financial period	4,750	8,807

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Share capital	Share premium account	Unrestricted equity fund	Other reserves	Own shares	Cumulative translation adjustment	Retained earnings	Total	Non-controlling interest	Equity total
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							6,122	6,122	67	6,189
Fair value reserve available-for-sale assets				35				35		35
Foreign subsidiary net investment hedge						-33		-33		-33
Cumulative translation adjustment						655		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							-2,981	-2,981		-2,981
Directed share issue			2,042					2,042		2,042
Purchase of own shares					-75			-75		-75
Reclassifications				14		-14		0		0
Share based incentive plan					38			38		38
Transactions with owners, total	**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	Share capital	Share premium account	Unrestricted equity fund	Other reserves	Own shares	Cumulative translation adjustment	Retained earnings	Total	Non-controlling interest	Equity total
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							7,436	7,436	168	7,604
Fair value reserve available-for-sale assets				-6				-6		-6
Foreign subsidiary net investment hedge						82		82		82
Cumulative translation adjustment						-1,200	44	-1 157		-1,157
Total comprehensive income for the year	**0**	**0**	**0**	**-6**	**0**	**-1,118**	**7,480**	**6,356**	**168**	**6,524**
Transactions with owners										
Dividends							-3,046	-3,046		-3,046
Share issue net of cost			13,937					13,937		13,937
Directed share issue			181		928			1,109		1,109
Purchase of own shares					-693			-693		-693
Share based incentive plan					328			328		328
Transactions with owners, total	**0**	**0**	**14,118**	**0**	**563**	**0**	**-3,046**	**11,635**	**0**	**11,635**
Equity Dec 31, 2016	**5,000**	**6,701**	**18,524**	**219**	**-386**	**-1,981**	**24,535**	**52,613**	**165**	**52,777**

Notes to the consolidated financial statements

1 GENERAL INFORMATION

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 shares are listed on Nasdaq Helsinki Ltd under the ETTE ticker.

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.

A copy of the Consolidated Financial Statements can be obtained on the Company's website www.etteplan.com or from the office of the Group's Parent Company at the address Muovitie 1, 15860 Hollola, Finland.

The Etteplan Oyj Board of Directors approved these Financial Statements for publication at its meeting on February 9, 2017.

According to the Finnish Limited Liability Companies Act, the shareholders have the opportunity to approve or reject the Financial Statements at the Annual General Meeting held after the publication. Furthermore, the Annual General Meeting can decide on the modification of the Financial Statements.

2 A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis for preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union by Dec 31, 2016. The Consolidated Financial Statements have been prepared under the historical cost convention, except for land areas, available-for-sale financial assets and financial liabilities, which are recognized at fair value.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The amendments and interpretations which became effective on the financial year beginning on 1 January 2016 are not material to the Group.

(b) New standards, amendments and interpretations issued, but not effective for the financial year beginning January 1, 2016 and not early adopted

Standards and interpretations effective for annual periods beginning after January 1 are not expected to have a significant effect on the Consolidated Financial Statements of the Group, except the following:

IFRS 15, 'Revenue from contracts with customers' establishes principles for recognizing revenue from the entity's contracts with customers and for the related disclosures. Recognition of revenue can happen over time or at a certain point in time depending on when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

Management is assessing the impact of the standard. At this stage of the assessment, it seems likely that the implementation of the new standard will not have a material effect neither on the amount nor timing of revenue recognition. The timing of revenue recognition of software license sales is possible to be affected by the implementation, but the effect is not material to the Group. The Group is planning to adopt the standard on January 1, 2018.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. A contingent consideration classified as liability is revalued to fair value at the end of each financial year and the resulting profit or loss is recognized in the income statement. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between the Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Management Group is identified as the chief operating decision-maker. The chief operating decision-maker assesses the financial performance and position of the Group, and makes strategic decisions. The financial information, which the chief operating decision-maker uses as a basis for decision making, does not differ substantially from the information presented in the Consolidated Statement of Comprehensive Income and Statement of Financial Position. The Group's business is conducted in one operating segment.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currencies of the Group entities are the same as their home currencies. The Consolidated Financial Statements are presented in euro, which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as a net investment hedge. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'financial income' or 'financial expenses'. All other foreign exchange gains and losses are presented in the income statement within 'other operating expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

The net investment in the Groups' Swedish subsidiary is hedged by loans in the same currency. The exchange differences arising from these loans are recognized in other comprehensive income.

2.5 Tangible assets

Tangible assets, excluding land areas, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land areas are shown at fair value, based on valuations by external independent valuators. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Land areas are not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

computers	3 years
vehicles	5 years
office furniture	5 years
renovation of premises	5 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in other operating income or expenses in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

(a) Goodwill

Goodwill corresponds to that part of the acquisition cost which exceeds the Group's share of the fair value, on the date of purchase, for the net asset value of the acquired subsidiary. Goodwill is measured at historical cost less impairment. Goodwill is not amortized but is tested for impairment annually and whenever there is objective evidence of goodwill impairment. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose, taking into account the current organization structure and level of reporting.

(b) Other intangible assets

Other intangible assets include software licenses, software created internally, other intangible rights and intangible assets acquired in business combinations; customer base and technology. Other intangible assets are recorded in the balance sheet at historical cost. Intangible assets acquired in business combinations are recognized at fair value at the acquisition date. Assets with limited useful lives are amortized on a straight-line basis over their useful lives. The amortization periods of other intangible assets are:

software	3 to 7 years
other intangible assets	3 to 10 years

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs, which are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed three years.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each financial period. The essential assumptions for impairment tests are presented in Note 23 to the Financial Statements ('Impairment testing').

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets as loans and other receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and other receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents' in the balance sheet.

(b) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.8.2 Recognition and measurement
Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income and recorded in the fair value reserve taking into account the tax effect. When the investments are sold or their value is permanently impaired, the accumulated fair value adjustments are included in the income statement.

2.9 Impairment of financial assets
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset or group of financial assets.

(a) Assets carried at amortized cost
In case of assets carried at amortized costs, evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and other receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the Consolidated Income Statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the Consolidated Income Statement.

(b) Assets classified as available-for-sale
In case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss.

2.10 Inventory
Inventory is stated at the lower of cost and net realizable value. Cost is determined using the FIFO-method. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on

the basis of normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables are classified as current assets, if collection is expected in one year or less. Otherwise, they are classified as non-current assets.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Items included under cash and cash equivalents have maturities of three months or less from the date of acquisition. Cash and cash equivalents are derecognized when the Group's contractual right to receive cash flows has expired or essentially all of the risks and rewards incident to ownership have been transferred from the Group.

2.13 Equity

Etteplan Oyj has one series of shares. Share capital is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Parent Company.

2.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's Financial Statements in the period in which the dividends are approved by the General Meeting of shareholders.

2.15 Financial liabilities

2.15.1 Classification

Financial liabilities are classified as financial liabilities recognized at fair value through profit or loss or as other financial liabilities.

a) Financial liabilities recognized at fair value through profit or loss

Financial liabilities recognized at fair value through profit or loss are liabilities from contingent considerations related to acquisitions of subsidiaries. Changes in the fair value of contingent considerations are recognized in the income statement.

b) Other financial liabilities

Other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Trade payables and other payables

Trade payables and other payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. They are classified as current liabilities unless payment is not due within one year or less after the reporting period.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

2.18 Current and deferred income tax

The taxes in the consolidated income statement include the current tax for Group companies, corrections to taxes from previous financial periods, and the change in deferred taxes. Current tax is calculated on taxable income according to the tax rate in force in each country concerned. In the case of items entered directly in shareholders' equity, the tax effect is recognized in equity.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The most significant temporary differences arise from the depreciation and amortization of assets, and from lease agreements and the provisions of foreign subsidiaries. Deferred taxes are determined by using the tax base in force on the balance sheet date or the enacted tax base at the time of tax base transition.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. It is valued at the end of each financial period whether the conditions for recognizing a deferred tax asset are met.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. In Sweden and the Netherlands, the Group has defined benefit plans, which are so called multi-employer plans, of which there is not sufficient information available to use benefit accounting. These plans are accounted as defined contribution plans.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(c) Bonus plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based incentive plans

Share-based incentive plans are treated as arrangements that are settled partly as shares and partly as cash. The part of a remuneration earned that the participants receive as Etteplan Oyj shares is treated as an arrangement that is settled as shares and recorded in shareholders' equity; the part of a remuneration earned that is paid in cash to pay off taxes and other levies is recorded in liabilities. The fair value of the employee services received in exchange for the grant of the shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted taking into account market performance conditions and non-vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions and service conditions. The Group recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment in equity.

2.20 Recognition of income

Revenue includes income from design activities and sales of materials for projects, adjusted for indirect taxes and discounts. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Income from services

As a rule, services are recognized when the service is rendered.

(b) Income from sales of materials

Sales of materials are recognized when the risks and rewards incident to ownership have been transferred to the buyer. Generally this takes place on assignment of materials.

(c) Government grants

Government grants that are intended to compensate costs are recognized as income over the same period as the related costs are recognized. These government grants are presented in other operating income.

(d) Long-term projects

Contracts whose outcome can be assessed reliably are recognized as income and expenses on the basis of the percentage of completion at the time of calculation. A contract's percentage of completion is evaluated on the basis of project progress, which, in turn, is determined from the ratio of the costs that have materialized to the estimated total cost of the contract. In the case of contracts whose outcome cannot be assessed reliably, project expenditure is expensed for the period in which it arises. Likewise, the amount of income recognized from a project does not exceed expenditure. The total loss on a contract that will probably result in a loss is expensed immediately.

2.21 Interest and dividend income

Interest income is recognized using the effective interest method. When a loan or other receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan or other receivables is recognized using the original effective interest rate.

Dividend income is recognized when the shareholder gains the right to receive payment.

2.22 Lease agreements

Lease agreements in which all risks and rewards incident to ownership remain with the lessor are treated as other lease agreements (operating leases). Contractual lease payments are entered as expenses in the income statement over the lease period.

Leases that transfer essentially all risks and rewards incident to ownership to the Group are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in financial liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The assets acquired under finance leases are depreciated and amortized over the shorter of the useful life of the asset and the lease term.

2.23 Foreign subsidiary net investment hedge

The currency exposure of investments in foreign subsidiaries can be hedged by raising loans in the same currency where found necessary by the Group. The Group applies hedge accounting to such loans.

The Group documents at the inception of the transaction the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instrument that is used in hedging transactions is highly effective in offsetting changes in fair value of the hedged item.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

2.24 Exceptional items

Exceptional items are disclosed separately in the Financial Statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income and expense that are shown separately due to the significance of their nature or amount.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value measurement in connection with acquisitions

In business combinations, tangible assets have been compared with the market prices of equivalent assets, and decline in the value of acquired assets due to various factors has been estimated. The fair value measurement of intangible assets is based on estimates of asset-related cash flows. The management believes that the estimates and assumptions are sufficiently precise for use as the basis for fair value measurement. Any indications of impairment of tangible and intangible assets are reviewed annually.

(b) Impairment testing

The Group tests goodwill and intangible assets with unlimited useful lives for impairment annually. Indications of impairment are evaluated in the manner described in note 2.7. Recoverable amounts for cash-generating units are based on value-in-use calculations. Estimates are required in making these calculations. Values recorded in the balance sheet in the end of the financial year were EUR 58,128 thousand (2015: EUR 42,734 thousand). Additional information on the sensitivity of the recoverable amounts to changes in assumptions used is disclosed in Note 23 Impairment testing.

(c) Contingent considerations

The amount of a contingent consideration in a business combination is often dependent on the future economic development of the business acquired. The actual outcome may deviate from the assumptions made at initial recognition, which can lead to revaluation of the previously recognized contingent consideration.

(d) Revenue recognized from fixed price contracts

For fixed price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method). Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

4 MANAGEMENT OF FINANCIAL RISKS

4.1 Financial risk factors

In its business operations, the Group is exposed to several types of financial risks: foreign-currency, interest, financing and liquidity, counterparty and credit risks. The objective of financial risk management is to protect the Group from unfavorable changes in the financial market and thus contribute as much as possible to guaranteeing the Group's profit and equity, and to guarantee sufficient liquidity in a cost-efficient manner. Management of financial risks has been centralized with the Group's financial department, which is responsible for identification and evaluation of, and protection against, the Group's financial risks. Furthermore, the financial department is responsible, in a centralized fashion, for funding of the Group, and it provides the management with information about the financial situation of the Group and the business units.

4.1.1 Foreign-currency risk

Foreign-currency risk related to different currencies comes about as a result of foreign-currency-denominated commercial transactions and from translation of foreign-currency-denominated balance sheet items into the reporting currency.

(a) Transaction risk

The majority of the Group's business operations are handled in the currency of the project country of the respective group company. This means that both sales and costs are in the same currency. In the period under review, the Group did not have significant transaction risks generated from the currency flow in foreign currencies. The Group did not take steps to protect itself against transaction risks during the review period.

(b) Translation risk

The Group is exposed to a translation risk caused by fluctuations in foreign currency exchange rates, when it translates balance sheet items of subsidiaries based outside the euro area into its reporting currency. Main risk is with goodwill booked in Swedish Krona (SEK). The goodwill booked in SEK at December 31, 2016 was EUR 22,712 thousand (2015: EUR 23,609 thousand).

Currency exposure arising from the net assets of the Group's Swedish operations has been managed through borrowings denominated in SEK. At the end of the reporting period 2016 the Group did not have SEK nominated loans (2015: EUR 1,873 thousand). The foreign exchange gain of 103 thousand (2015: loss EUR 41 thousand) on translation of the borrowings to EUR currency at the end of the reporting period is recognized in other comprehensive income.

A sensitivity analysis in the main currency pair on the transaction and translation risk, i.e. the effect of reasonable potential changes in exchange rates on the Group's profit for the financial year, equity and goodwill at balance sheet date is presented in the table below. In the analysis, the change in exchange rate has been estimated to be +/- 10 per cent from reporting date, and other factors are estimated to remain unchanged.

	EUR/SEK exchange rate 10% increase		EUR/SEK exchange rate 10% decrease	
EUR 1,000	**2016**	**2015**	**2016**	**2015**
Effect in profit for the financial year	-102	-87	125	95
Effect in other equity items	-464	-476	567	582
Effect in goodwill	-2,035	-2,115	2,487	2,585

4.1.2 Interest risk

The Group is exposed to interest risk in two ways: because of changes in value for balance sheet items (i.e., a price risk) and cash flow risk caused by changes in market interest rates.

On the balance sheet date, the total amount of interest-bearing debt excluding leasing liabilities was EUR 32,736 thousand (2015: EUR 21,492 thousand) covered with contracts in which the interest range is between 1.1 and 2.0 per cent (2015: between 0.95 and 2.5 per cent). All of the Group's loans have variable interest rates. The Group monitors the interest risk by calculating the effect of one percentage point change in interest rates on the Group's next twelve months' interest expenses. The sensitivity of the interest position to changes in interest rates is determined by calculating how much an equal one percentage point change in interest rates throughout the Group's interest rate range would change interest expenses. Interest bearing loans from financial institutions excluding finance lease liabilities are included in the calculation. At the balance sheet date the Group's sensitivity to an increase in interest rates of one percentage point was approximately EUR 213 thousand (2015: EUR 83 thousand).

4.1.3 Financing and liquidity risk

The Group aims to guarantee solid liquidity in all market conditions through efficient cash management. Credit limits tied to cash-pool arrangements are used for short-term financing. On the balance sheet date, the Group had EUR 9,490 thousand (2015: EUR 9,104 thousand) of available credit limits, of which EUR 1,678 thousand (2015: EUR 0) was in use. Refinancing risk is attempted to minimize by applying a balanced maturity schedule for its loan portfolio, ensuring sufficient maturity of loans, and using several banks as sources of financing.

The Group has financial covenants, which are tied to the equity ratio of the Group and to the debt/EBITDA -ratio of the Group. In case the Group's equity ratio at the time of the Financial Statement is below 25% or the debt/EBITDA -ratio is higher than 3.5, the financer has the right to demand immediate payment of all the Group's loans. According to Financial Statements in 2016 the terms of these covenants are not breached.

To balance the cash effect of the long payment terms typical to design business, the Group sells a part of its key customer receivables to a finance institution. There is no credit risk related to the sold receivables and these receivables are not included in the Consolidated Statement of Financial Position.

4.1.4 Counterparty and credit risk

Financing contracts have the associated risk of the counterparty being unable to fulfill its obligations under the contract. To minimize the counterparty risk financing contracts are concluded with leading Nordic banks that have a good credit rating.

Credit risk related to business operations arises out of a customer's inability to perform its contractual obligations. A considerable proportion of the Group's business operations focus on large, financially solid companies that operate internationally. Credit risk is also reduced by the customer companies being divided among several different sectors of operation. The Group aims to ensure that services are sold only to such customers that have an appropriate credit rating. Credit risk is controlled systematically, and overdue sales receivables are assessed on a weekly basis. The Company strives to control the effects of increased financial uncertainty by actively monitoring its receivables and by an efficient debt collection process.

For receivables that are more than 60 days past due a 50 per cent reservation for bad debt is made and a 100 per cent reservation for receivables that are more than 90 days past due. The maximum customer credit risk exposure at the end of the financial year is the book value of accounts receivable.

4.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total gross interest-bearing debt less cash and cash equivalents. To ensure sufficient flexibility, the goal is to keep the net gearing ratio within 20-100%. The following table sets out the Group's net gearing ratio:

EUR 1,000	**2016**	**2015**
Gross interest-bearing debt	34,269	23,222
Less: cash and cash equivalents	-4,750	-8,807
Net debt	29,519	14,415
Total equity	52,777	34,618
Net gearing ratio	**55.9 %**	**41.6 %**

FAIR VALUE HIERARCHY

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 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

	2016				2015			
EUR 1,000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Listed shares	170	0	0	**170**	177	0	0	**177**
Premises shares	0	480	0	**480**	0	480	0	**480**
Unlisted shares	0	0	30	**30**	0	0	30	**30**
Total	**170**	**480**	**30**	**680**	**177**	**480**	**30**	**687**

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

	2016				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**	43	0	0	**43**
Additions	0	0	0	**0**	0	0	2	**2**
Closing balance Dec 31	**170**	**480**	**30**	**680**	**177**	**480**	**30**	**687**

Financial liabilities recognized at fair value through profit or loss

	2016				2015			
EUR 1,000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Contingent liability in acquisitions	0	0	1,568	**1,568**	0	0	0	**0**
Total	**0**	**0**	**1,568**	**1,568**	**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	1,568	**1,568**	0	**0**
Gain/loss recognized in the income statement	0	**0**	6	**6**
Payment	0	**0**	-440	**-440**
Closing balance Dec 31	**1,568**	**1,568**	**0**	**0**

FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets Dec 31, 2016

EUR 1,000	Note	Loans and other receivables	Available-for-sale	Book value total	Fair value
Available-for-sale financial assets	22		680	**680**	680
Accrued income (excluding prepayments)	25	17,228		**17,228**	17,228
Trade and other receivables	25	31,713		**31,713**	31,713
Cash and cash equivalents	27	4,750		**4,750**	4,750
Financial assets total		**53,691**	**680**	**54,371**	**54,371**

Financial liabilities Dec 31, 2016

EUR 1,000	Note	Financial liabilities at fair value through profit and loss	Other financial liabilities	Book value total	Fair value
Loans from financial institutions	30		32,736	**32,736**	32,736
Finance lease liabilities	31		1,532	**1,532**	1,532
Liabilities from acquisitions*	32, 33		2,090	**2,090**	2,090
Pension liabilities	32		25	**25**	25
Trade payables	33		8,013	**8,013**	8,013
Accrued expenses	33		20,311	**20,311**	20,311
Other payables	33		12,723	**12,723**	12,723
Financial liabilities total		**0**	**77,431**	**77,431**	**77,431**

* Liabilities from acquisitions include both contingent liabilities and fixed interest bearing liabilities.

Financial assets Dec 31, 2015

EUR 1,000	Note	Loans and other receivables	Available-for-sale	Book value total	Fair value
Available-for-sale financial assets	22		687	**687**	687
Accrued income (excluding prepayments)	25	6,604		**6,604**	6,604
Trade and other receivables	25	21,425		**21,425**	21,425
Cash and cash equivalents	27	8,807		**8,807**	8,807
Financial assets total		**36,837**	**687**	**37,524**	**37,524**

Financial liabilities Dec 31, 2015

EUR 1,000	Note	Financial liabilities at fair value through profit and loss	Other financial liabilities	Book value total	Fair value
Loans from financial institutions	30		21,492	**21,492**	21,492
Finance lease liabilities	31		1,730	**1,730**	1,730
Liability from acquisition*	32, 33		1,045	**1,045**	1,045
Pension liabilities	32		66	**66**	66
Trade payables	33		4,993	**4,993**	4,993
Accrued expenses	33		17,405	**17,405**	17,405
Other payables	33		3,114	**3,114**	3,114
Financial liabilities total		**0**	**49,846**	**49,846**	**49,846**

* The liability concerned is not a contingent liability, but a fixed interest bearing liability.

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

2016

EUR 1,000	**Less than 1 year**	**1-5 years**
Borrowings	9,475	23,262
Finance lease payments	987	545
Interest payments	253	320
Liabilities from acquisitions	1,475	615
Trade and other payables	8,013	9
Financial liabilities total	**20,202**	**24,752**

2015

EUR 1,000	**Less than 1 year**	**1-5 years**
Borrowings	13,978	7,514
Finance lease payments	947	782
Interest payments	211	179
Liability from acquisition	1,015	30
Trade and other payables	8,107	0
Financial liabilities total	**24,258**	**8,505**

5 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 employed together some 330 professionals, who continued 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 26,454 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 1,473 thousand.

The goodwill of EUR 16,044 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 772 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 50 thousand. The goodwill of EUR 51 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.

Acquisitions total

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

Consideration transferred:	**EUR 1,000**
Cash payment:	
Shares in acquiree	13,972
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	1,523
Total consideration transferred	**27,497**
Assets and liabilities	
Tangible assets	681
Intangible assets	252
Customer relationships (intangible assets)	10,682
Inventory	233
Trade and other receivables	8,831
Cash and cash equivalents	2,883
Total assets	**23,561**
Non-current liabilities	4,550
Current liabilities	6,046
Deferred tax liability	1,833
Total liabilities	**12,429**
Total identifiable net assets	**11,132**
Formation of Goodwill:	
Consideration transferred	27,497
Total identifiable net assets	-11,132
Goodwill	**16,365**

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 28,515 thousand and profit EUR 2,760 thousand. Had the companies been consolidated from January 1, 2016, the consolidated statement of comprehensive income would show revenue of EUR 191,470 thousand and profit of EUR 7,704 thousand.

6 SEGMENT REPORTING

The Group has one operating segment, the revenue of which consists mainly of rendering of services. The Group operates mainly in seven geographical areas. The table below presents the division of external revenue and non-current assets by geographical area. 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 other countries.

EUR 1,000	**2016**	**2015**
Revenue		
Finland	125,749	89,603
Poland	1,558	0
Sweden	41,778	40,978
China	3,863	3,601
Holland	7,960	6,759
USA	398	202
Germany	2,631	0
Total	**183,938**	**141,143**
Non-current assets*		
Finland	46,722	20,535
Poland	103	0
Sweden	23,800	24,950
China	2,575	2,779
Holland	5,336	6,054
USA	0	0
Germany	578	14
Total	**79,114**	**54,330**

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

In 2016 revenue from one individual customer was EUR 18,936 thousand, which is over 10 per cent of the Group's total revenue.

7 REVENUE

EUR 1,000	2016	2015
Revenue from rendering of services	183,461	141,143
Revenue from sales of goods	477	0*
Total	**183,938**	**141,143**

Revenue consists of design business and the sales of materials related to projects adjusted with indirect taxes, discounts and differences in exchange rates.

* The Group did not have material revenue from sales of goods in the comparison year.

8 LONG-TERM PROJECTS

EUR 1,000	2016	2015
Amount of project revenue recognized during the period	10,945	5,697
Cumulative expenses and income recognized by the end of the financial year	3,387	2,190
Advances received	1,821	853

9 OTHER OPERATING INCOME

EUR 1,000	2016	2015
Proceeds from contingent asset	215	0
Sales profit of tangible and intangible assets	21	1
Other operating income	281	308
Total	**517**	**309**

10 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	2016	2015
Other operating income	215	0
Staff costs and other operating expenses	-1,886	-1,007
Operating profit (EBIT)	**-1,671**	**-1,007**
Financial expenses	0	-6
Profit for the financial year	**-1,671**	**-1,014**

11 RECONCILIATION OF EBIT FROM BUSINESS OPERATIONS

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.

Reconciliation of EBIT from business operations to EBIT is presented in the table below.

EUR 1,000	2016	2015
EBIT	**10,131**	**8,594**
Amortization on PPA allocations	1,939	946
earn-out revaluation items	0	0
EBIT from business operations	**12,071**	**9,540**

12 MATERIALS AND SERVICES

EUR 1,000	2016	2015
Materials	4,630	1,984
Services from others	9,263	5,934
Total	**13,893**	**7,918**

13 NUMBER OF PERSONNEL AND STAFF COSTS

	2016	2015
Personnel		
Personnel at year-end	2,545	2,074
Personnel, average	2,407	1,948
Personnel by category		
Design personnel	2,449	1,985
Administrative personnel	96	89
Total	**2,545**	**2,074**

EUR 1,000	2016	2015
Staff costs		
Wages and salaries	101,600	79,315
Pension costs - defined contribution plans	15,911	11,990
Other indirect employee costs	11,661	10,146
Total	**129,172**	**101,452**

Employee benefits of the Board of Directors and top management are disclosed in note Related party transactions.

In Sweden and the Netherlands a part of the pension arrangements are multi-employer defined benefit plans, which are secured through an insurance. The plans pool the assets contributed by various entities that are not under common control. The assets provide benefits to employees of more than one entity. Sufficient information for the calculation of obligations and asset by employer is not available from the insurers. Therefore, these plans are treated in accounting as defined contribution plans. Total amount paid to the insurer in 2016 in Sweden is EUR 1,158 thousand (2015: EUR 1,131 thousand) and in the Netherlands EUR 443 thousand (2015: EUR 414 thousand).

14 AUDIT FEES

EUR 1,000	2016	2015
PricewaterhouseCoopers:		
Auditing	95	68
Other services	135	55
Other auditors:		
Auditing	33	30
Other services	8	6
Total	**270**	**159**

15 FINANCIAL INCOME

EUR 1,000	2016	2015
Dividend income from assets available-for-sale	8	9
Interest income from loans and other receivables	36	31
Foreign exchange gain	511	549
Total	**555**	**589**

16 FINANCIAL EXPENSES

EUR 1,000	2016	2015
Interest on borrowings	702	474
Leasing interest expenses	50	57
Foreign exchange loss	341	621
Loss from reversal of liability discounting	0	6
Other financial expenses	153	92
Total	**1,245**	**1,251**

17 TRANSLATION DIFFERENCES RECOGNIZED IN INCOME STATEMENT

EUR 1,000	2016	2015
Foreign exchange gain included in financial income	511	549
Foreign exchange loss included in financial expenses	-341	-621
Total	**171**	**-71**

18 INCOME TAXES

EUR 1,000	2016	2015
Tax on income from operations	-2,437	-1,829
Tax corrections for previous accounting periods	97	-95
Change in deferred tax asset	204	51
Change in deferred tax liability	298	128
Total	**-1,838**	**-1,744**

Reconciliation between income taxes in the income statement and the theoretical amount of tax that would arise using the Group's domestic tax rate (2016: 20.0%, 2015: 20.0%).

EUR 1,000	2016	2015
Accounting profit before tax	9,441	7,933
Income tax expense		
Mathematical tax based on parent company's tax rate	-1,888	-1,587
Differences (net)		
Effect of different tax rates in group companies	-76	23
Taxes recognised at the Group level on loss for the period	205	-51
Calculated tax based on non-deductible items on unit's tax rate	-421	-49
Calculated tax based on non-taxable items on unit's tax rate	276	27
Tax corrections for previous accounting periods	97	-95
Use of previously unrecognized tax on confirmed losses	54	66
Unrecognized tax on loss for the period	-67	-66
Other tax difference	-18	-14
Income tax expense	**-1,838**	**-1,744**

Tax charge (-) / credit (+) relating to components of other comprehensive income

	2016			2015		
EUR 1,000	Before tax	Tax charge / credit	After tax	Before tax	Tax charge / credit	After tax
Change in fair value of investments available-for-sale	-7	2	-6	43	-9	35
Foreign subsidiary net investment hedge	103	-21	82	-41	8	-33
Currency translation differences	-1,157	0	-1,157	650	0	650
Other comprehensive income for the year, net of tax	**-1,061**	**-19**	**-1,080**	**652**	**0**	**652**

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the Parent Company by the weighted average number of externally owned shares during the financial year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all dilutive effect ordinary shares.

	2016	2015
Profit for the financial year (EUR 1,000)	7,604	6,189
Non-controlling interest (EUR 1,000)	-168	-67
Profit attributable to equity holders of the Parent Company (EUR 1,000)	7,436	6,122
Issue adjusted weighted average number of shares (1,000 pcs)	22,855	21,562
Basic earnings per share (EUR/share)*	**0.33**	**0.28**
The diluted weighted avarage number of shares for the calculation of earnings per share	22,855	21,562
Diluted earnings per share (EUR/share)*	**0.33**	**0.28**

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

20 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	-125	-33	-2	-160
Acquisition of subsidiaries	0	722	0	0	722
Additions	0	709	691	18	1,418
Reclassifications between items	0	-89	0	0	-89
Disposals	0	-21	-41	-6	-69
Acquisition cost Dec 31	19	12,954	7,639	842	21,454
Cumulative depreciation Jan 1	0	-10,910	-5,832	-713	-17,454
Translation difference	0	114	25	1	140
Cumulative depreciation on acquisitions	0	-38	0	0	-38
Cumulative depreciation on disposals	0	23	41	0	64
Cumulative depreciation on reclassifications	0	150	0	0	150
Depreciation for the financial period	0	-589	-786	-31	-1,406
Cumulative depreciation Dec 31	0	-11,250	-6,551	-743	-18,544
Book value Dec 31, 2016	**19**	**1,705**	**1,087**	**98**	**2,910**

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	105	16	3	124
Acquisition of subsidiaries	0	928	0	378	1,306
Additions	0	286	882	36	1,205
Reclassifications between items	0	8	0	0	8
Disposals	0	0	-9	0	-9
Acquisition cost Dec 31	19	11,760	7,022	832	19,633
Cumulative depreciation Jan 1	0	-9,661	-5,147	-326	-15,134
Translation difference	0	-88	-11	-1	-100
Cumulative depreciation on acquisitions	0	-842	0	-359	-1,200
Cumulative depreciation on disposals	0	0	9	0	9
Cumulative depreciation on reclassifications	0	-7	0	0	-7
Depreciation for the financial period	0	-313	-683	-27	-1,022
Cumulative depreciation Dec 31	0	-10,910	-5,832	-713	-17,454
Book value Dec 31, 2015	**19**	**850**	**1,191**	**119**	**2,179**

21 INTANGIBLE ASSETS

Intangible assets 2016

EUR 1,000	Intangible rights	Internally created intangible assets	Other intan- gible assets	Other intan- gible 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	-48	0	-56	-10	0	-971	-1,085
Acquisition of subsidiaries	189	175	10,682	0	0	0	11,046
Additions	513	393	0	304	73	16,365	17,648
Reclassifications between items	-177	222	0	0	-106	0	-60
Disposals	0	-8	0	-1	0	0	-9
Acquisition cost Dec 31	11,689	2,581	20,237	2,293	73	58,128	95,002
Cumulative amortization Jan 1	-9,485	-1,130	-3,176	-1,519	0	0	-15,311
Translation difference	31	0	21	9	0	0	60
Cumulative amortization on acquisitions	-114	-27	0	0	0	0	-142
Cumulative amortization on disposals	-37	0	0	0	0	0	-37
Amortization for the financial period	-768	-322	-1,938	-381	0	0	-3,409
Cumulative amortization Dec 31	-10,374	-1,480	-5,093	-1,891	0	0	-18,839
Book value Dec 31, 2016	**1,315**	**1,101**	**15,144**	**402**	**73**	**58,128**	**76,163**

Intangible assets 2015

EUR 1,000	Intangible rights	Internally created intangible assets	Other intan- gible assets	Other intan- gible 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	43	0	45	5	0	642	735
Acquisition of subsidiaries	1,616	0	3,870	0	0	0	5,485
Additions	872	211	0	431	106	3,449	5,070
Reclassifications between items	-48	0	0	0	0	0	-48
Disposals	0	0	0	-9	0	0	-9
Acquisition cost Dec 31	11,212	1,799	9,610	2,000	106	42,734	67,461
Cumulative amortization Jan 1	-7,448	-837	-2,208	-1,216	0	0	-11,709
Translation difference	-32	0	-20	-4	0	0	-57
Cumulative amortization on acquisitions	-1,459	0	0	0	0	0	-1,459
Amortization for the financial period	-546	-293	-947	-299	0	0	-2,085
Cumulative amortization Dec 31	-9,485	-1,130	-3 ,176	-1,519	0	0	-15,310
Book value Dec 31, 2015	**1,727**	**669**	**6,435**	**481**	**106**	**42,734**	**52,151**

22 INVESTMENTS AVAILABLE-FOR-SALE

EUR 1,000	2016	2015
Acquisition cost Jan 1	687	642
Fair value adjustments	-7	43
Additions	0	2
Acquisition cost Dec 31	**680**	**687**

23 IMPAIRMENT TESTING

Goodwill is allocated to cash-generating units for determination of impairment. In impairment testing the recoverable amount is defined as value-in-use. The impairment test has been done in Q4 2016 after budgets for 2017 were done and is based on goodwill as per September 30, 2016. Cash flows before tax are based on budget figures for year one and financials approved by management for a next five-year period. It is based on management assessment of the market demand and environment, which are examined against external information sources. When defining the cash flow, attention is paid on anticipated price and margin development, costs, net working capital and investment needs. Management determined these based on past performance and its expectations for market development.

Key assumptions used for value-in-use calculations	2016	2015
Aggregate growth percentage year 2-5		
Finland	1.0 %	1.0 %
Sweden	2.0 %	2.0 %
China	5.0 %	5.0 %
The Netherlands and Germany	1.0 %	1.0 %
Growth rate after 5 years	1.0 %	1.0 %
Discount rate		
Finland	6.9 %	9.2 %
Sweden	7.3 %	9.3 %
China	10.2 %	12.6 %
The Netherlands and Germany	7.3 %	9.8 %

The recoverable amount is compared with the book value of the cash-generating unit. An impairment loss is booked as cost in the income statement, if the recoverable amount is lower than the book value. No impairment loss has been booked during the financial year.

The discount rate is determined based on the weighted average cost of capital (WACC) that depicts the overall costs of shareholders' equity and liabilities. The discount rate applied to cash flow projections is the weighted average pre-tax cost of capital. The discount rate is based on the weighted average of 10-30 year government bond rates in the countries where the CGUs operate. The bond rates are adjusted for the general market risk and the business risk of the CGUs.

Impairment testing has been executed for the CGUs in which Group's goodwill has been allocated. Basis for allocating goodwill is the lowest level where the goodwill is monitored for internal purposes, but no larger than any operating segment.

Cash Generating Units (CGUs) where goodwill has been allocated for 2015:

EUR 1,000,000	2015
Sweden	23.1
Finland	14.4
China	2.1
The Netherlands	2.7
Total	**42.3**

Cash Generating Units (CGUs) where goodwill has been allocated for 2016:

EUR 1,000,000	2016
Sweden	22.6
Finland	29.8
China	2.0
The Netherlands and Germany	3.1
Total	**57.4**

Sensitivity analysis

According to impairment testing in 2015 the recoverable amounts exceeded the carrying amounts as follows:

EUR 1,000,000	2015
Sweden	1.1
Finland	85.0
China	1.6
The Netherlands	5.0
Total	**92.7**

According to impairment testing in 2016 the recoverable amounts exceeded the carrying amounts as follows:

EUR 1,000,000	2016
Sweden	14.7
Finland	104.3
China	2.5
The Netherlands and Germany	16.0
Total	**137.5**

In connection with impairment testing sensitivity analyses have been performed using the following variables:

- 0-growth in net sales
- Decrease of profitability (EBIT) by 4 percentage points
- Increase of discount rate by 4 percentage points

A decrease in operating profit by 4 percentage points would lead to an impairment loss booking of EUR 12.5 million in Sweden and an impairment loss booking of EUR 0.6 million in China. According to management understanding realization of the other variables used in the sensitivity analysis would not lead to impairment losses in cash-generating units.

The recoverable amount in Sweden, EUR 38.6 million, is EUR 14.7 million above the carrying amount, and an increase in the WACC of 4.1 percentage points or negative change in growth in years 2-5 with 10.1 percentage points or negative change in EBIT% with 2.2 percentage points would result in the recoverable amount being equal to the carrying amount. The recoverable amount in China, EUR 6.1 million, is EUR 2.5 million above the carrying amount, and a negative change in EBIT% with 4.0 percentage points would result in the recoverable amount being equal to the carrying amount. In the other CGUs the surplus between the recoverable amount and the carrying amount is substantial, and any likely change in the three parameters isolated would not result in the recoverable amount being equal to the carrying amount.

24 INVENTORY

EUR 1,000	2016	2015
Inventory at the beginning of financial year	0	0
Inventory acquired through business combinations	253	0
Change in value of inventory recorded in income statement	3	0
Total	**255**	**0**

25 TRADE AND OTHER RECEIVABLES

EUR 1,000	2016	2015
Trade receivables	31,423	21,322
Allowances for doubtful trade receivables	-167	-302
Other receivables	416	406
Prepayments and accrued income	17,508	6,871
Total	**49,180**	**28,296**
Main items included in prepayments and accrued income		
Accruals of personnel expenses	10	9
Prepaid office rents	185	213
Prepaid leasing	96	53
Other prepayments and accrued income on sales	15,617	5,449
Other prepayments and accrued income on expenses	1,601	1,146
Total	**17,508**	**6,871**

EUR 1,000	2016	2015
Aging analysis of trade receivables		
Not due	24,929	18,367
Due 1 to 30 days	3,558	2,082
Due 31 to 60 days	1,610	312
Due 61 to 90 days	448	69
Due 91 to 120 days	331	27
Due more than 120 days	546	464
Total	**31,423**	**21,322**
Aging analysis of allowance for doubtful trade receivables		
Due more than 120 days	-167	-302
Total	**-167**	**-302**

EUR 1,000	2016	2015
Movements on the Group provision for impairment of trade receivables are:		
Jan 1	-302	-206
Provision for impairment of receivables, decrease (+) / increase (-)	135	-96
Dec 31	**-167**	**-302**

EUR 1,000	2016	2015
Analysis of receivables by currency		
EUR	37,864	18,335
SEK	8,391	8,240
CNY	1,568	1,597
PLN	892	0
Other currencies	466	125
Total	**49,180**	**28,296**

26 CURRENT TAX ASSETS

EUR 1,000	2016	2015
Accrued income tax	139	177
Total	**139**	**177**

27 CASH AND CASH EQUIVALENTS

EUR 1,000	2016	2015
Bank accounts and cash	4,750	8,807
Total	**4,750**	**8,807**

Cash and cash equivalents in the balance sheet correspond with the financial assets in the Consolidated Statement of Cash Flows.

28 EQUITY

Shareholder's equity

Shareholders' equity consists of share capital, share premium account, unrestricted equity fund, own shares, cumulative translation adjustment, other reserves, retained earnings and non-controlling interest. Translation differences contains translation differences arising from the conversion of financial statements of foreign units and the foreign subsidiary net investment hedge. Other reserves include the fair value reserve, which consists of fair value adjustments of available-for-sale assets amounting to EUR 219 thousand (2015: EUR 225 thousand).

Shares and share capital

The fully paid and registered share capital of the Company at the end of the financial year was EUR 5,000,000 and number of shares was 24,771,492 (2015: 20,665,559). No changes in share capital occurred during financial year. In connection to business combinations the Company organized a rights issue of 4,105,933 shares. The Company has one series of shares. Each share entitles its holder to one vote in the shareholders' meeting and gives an equal right to dividends.

Shares are listed on NASDAQ OMX Helsinki Ltd under the ETTE ticker. The share has no nominal value and there is no maximum number of shares. All issued shares are fully paid.

The number of company-held shares at the end of the financial year was 235,892 (2015: 324,283).

The Board of Directors' authorization to acquire and dispose own shares and to increase the share capital through a rights issue is disclosed in the section Shares and shareholders.

The Board of Directors has proposed to the Annual General Meeting a dividend of EUR 0.16 to be paid for the financial year 2016.

29 SHARE-BASED PAYMENTS

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 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). 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.

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.

At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 26,263 shares in the Company to the President and CEO in accordance with the terms of the incentive plan described above. The shares to be paid out as rewards will be transferred from the shares held by the Company. The Company will pay taxes and tax-related costs arising from the reward. The transfer date of the shares is February 28, 2017.

At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 169,939 shares in the Company to key personnel in accordance with the terms of the incentive plan described above. The shares to be paid out as rewards will be transferred from the shares held by the Company. The Company will pay taxes and tax-related costs arising from the reward. The transfer date of the shares is April 28, 2017.

Staff costs include equity-settled and cash-settled cash-based payments:

EUR 1,000	2016	2015
Settled in equity in future	328	38
Total	**328**	**38**
Settled in cash in future, taxes and tax-like payments	695	216
Total	**695**	**216**

30 BORROWINGS

EUR 1,000	2016	2015
Non-current		
Loans from financial institutions	23,262	7,514
Finance lease liabilities	545	782
Total	**23,807**	**8,296**
Analysis by currency		
EUR	23,773	8,122
SEK	0	120
CNY	34	54
Total	**23,807**	**8,296**

EUR 1,000	2016	2015
Current		
Loans from financial institutions	9,475	13,978
Finance lease liabilities	987	947
Total	**10,461**	**14,925**
Analysis by currency		
EUR	7,507	9,175
SEK	0	2,019
CNY	2,954	3,731
Total	**10,461**	**14,925**

31 DUE DATES OF THE FINANCIAL LEASING LIABILITIES

EUR 1,000	2016	2015
Minimum lease payments		
Within a year	1,220	1,186
More than one year, but not more than five years	685	948
More than five years	0	0
Total	**1,905**	**2,134**
Future financing cost	-38	-53
Present value	**1,866**	**2,081**
Present value aging		
Within a year	1,191	1,145
More than one year, but not more than 5 years	676	936
Total	**1,866**	**2,081**

The average interest rate of the finance lease agreements in year 2016 was 2.8% (2015: 3.1%).

32 OTHER NON-CURRENT LIABILITIES

EUR 1,000	2016	2015
Liability from acquisitions	615	30
Pension liabilities	25	66
Other non-current liabilities	9	-5
Total	**649**	**92**
Analysis by currency		
EUR	641	43
SEK	8	49
Total	**649**	**92**

33 TRADE AND OTHER PAYABLES

EUR 1,000	2016	2015
Advances received	821	171
Advances received, long-term projects	1,821	853
Trade payables to others	8,013	4 993
Accrued expenses	20,311	17,405
Tax payables	6,973	4,349
Liability from acquisitions	1,475	1,015
Other payables	3,099	3,114
Total	**42,513**	**31,901**
Main items included in accrued expenses		
Interest liabilities	68	34
Accrued employee expenses	19,030	16,738
Other accrued expenses	1,213	633
Total	**20,311**	**17,405**
Analysis by currency		
EUR	33,829	24,141
SEK	7,045	6,844
CNY	856	904
PLN	677	0
Other	106	12
Total	**42,513**	**31,901**

34 CURRENT INCOME TAX LIABILITIES

EUR 1,000	2016	2015
Income tax liability	982	927
Total	**982**	**927**

35 DEFERRED TAXES

Deferred taxes 2016

Deferred tax assets

EUR 1,000	Jan 1, 2016	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2016
Confirmed loss	0	0	0	0	0	0
Other timing differences	161	0	204	0	0	365
Total	**161**	**0**	**204**	**0**	**0**	**365**

Deferred tax liabilities

EUR 1,000	Jan 1, 2016	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2016
Discretionary provisions	215	-7	70	-1	0	277
Intangible assets recognized in business combinations	1,403	-8	-373	0	1,833	2,856
Other timing differences	136	0	24	0	0	160
Total	**1,754**	**-15**	**-279**	**-1**	**1,833**	**3,293**

Deferred taxes 2015

Deferred tax assets

EUR 1,000	Jan 1, 2015	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2015
Confirmed loss	0	0	0	0	0	0
Other timing differences	110	0	51	0	0	161
Total	**110**	**0**	**51**	**0**	**0**	**161**

Deferred tax liabilities

EUR 1,000	Jan 1, 2015	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2015
Discretionary provisions	118	3	92	1	1	215
Intangible assets recognized in business combinations	841	5	-227	0	784	1,404
Other timing differences	127	0	9	0	0	135
Total	**1,086**	**8**	**-126**	**1**	**785**	**1,754**

At December 31, 2016 the Group had gross losses carried forward of EUR 1,441 thousand (2015: EUR 1,239 thousand) of which a deferred tax asset has not been recognized. These losses have no expiry date.

36 OTHER NON-CURRENT RECEIVABLES

EUR 1,000	2016	2015
Receivables from pension arrangements	8	54
Other non-current receivables	33	0
Total	**41**	**54**

37 PLEDGES, MORTGAGES AND GUARANTEES

EUR 1,000	2016	2015
For own debts		
Business mortgages	320	320
Pledged shares	120	120
Other contingencies	0	104
Leasing liabilities		
For payment under one year	2,195	1,685
For payment 1-5 years	2,486	1,544
Total	**5,121**	**3,773**

38 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.

Related-party transactions are priced according to Group's normal pricing basis and sales conditions.

Group companies Dec 31, 2016

Company	Domicile	Group's holding
Parent company Etteplan Oyj	Vantaa, Finland	
Etteplan Design Center Oy	Hollola, Finland	100%
Espotel Oy	Espoo, Finland	100%
Etteplan Poland sp.z.o.o.	Wroclaw, Poland	100%
Soikea Solutions Oy	Jyväskylä, Finland	100%
Etteplan Sweden AB	Västerås, Sweden	100%
Etteplan Vataple Technology Centre, Ltd	Kunshan, China	70%
Etteplan Consulting (Shanghai) Co., Ltd.	Shanghai, China	100%
Etteplan Venlo B.V.	Venlo, the Netherlands	100%
Etteplan B.V.	Eindhoven, the Netherlands	100%
Etteplan Netherlands B.V.	Eindhoven, the Netherlands	100%
Etteplan Deutschland GmbH	Köln, Germany	100%
Etteplan Tedopres Inc.	Austin, USA	100%

The following group companies have been merged in 2016:	Domicile	Merged to
SAV Oy Länsi-Suomi	Pori, Finland	Etteplan Design Center Oy
Satakunnan Insinöörikeskus Oy	Pori, Finland	Etteplan Design Center Oy
SAV Oy Itä-Suomi	Siilinjärvi, Finland	Etteplan Design Center Oy
SAV Oy Kaakkois-Suomi	Kouvola, Finland	Etteplan Design Center Oy
SAV Oy Pohjois-Suomi	Kemi, Finland	Etteplan Design Center Oy

The following transactions were carried out with related parties

EUR 1,000	2016	2015
Sales and purchases of services and related receivables and payables		
Sales of services to other related parties	217	36
Purchases of services from other related parties	36	36

EUR 1,000	2016	2015
Loans received from other related parties		
At the beginning of year	0	0
Additions	10,000	0
Interest	28	0
Conversion to shares	-9,807	0
Repayments	-221	0
At the end of year	**0**	**0**

Key management compensation

Key management of Etteplan Oyj includes the Board of Directors, CEO and Management Group.

Salaries, fees and fringe benefits paid

EUR 1,000	2016	2015
Members of the Board		
Robert Ingman, Chairman of the Board	63	58
Matti Huttunen, Mar 27, 2015 onwards	29	22
Pertti Nupponen	29	29
Teuvo Rintamäki	29	29
Leena Saarinen	38	30
Patrick von Essen	29	29
	217	**198**
CEO and other members of the Management Group		
Juha Näkki, salaries and fees paid	435	415
Juha Näkki, statutory pension costs	74	69
Other members of the Management Group, salaries and fees paid	1,273	1,020
Other members of the Management Group, statutory pension costs	249	156
Total	**2,248**	**1,858**

The Annual General Meeting annually resolves the remuneration for the members of the Board of Directors.

Stock options to the key management

Stock options have not been granted to the Company's management during 2016.

39 EVENTS AFTER THE BALANCE SHEET DATE

The Group's management is not aware of any events after the balance sheet date that could have a material impact on the Group's financial position or the figures or calculations reported in these financial statements.

40 KEY FIGURES FOR FINANCIAL TRENDS

EUR 1,000, financial period Jan 1 - Dec 31	2016 IFRS	2015 IFRS	2014 IFRS
Revenue	183,938	141,143	131,916
Change in revenue, %	30.3	7.0	2.5
EBIT from business operations	12,071	9,540	7,394
% of revenue	6.6	6.8	5.6
Operating profit (EBIT)	10,131	8,594	7,856
% of revenue	5.5	6.1	6.0
Profit before taxes and non-controlling interest	9,441	7,933	7,168
% of revenue	5.1	5.6	5.4
Profit for the financial year	7,604	6,189	6,147
Return on equity, %	17.4	19.5	22.7
ROCE, %	14.8	17.4	17.8
Equity ratio, %	40.0	37.8	39.5
Gross investments	34,269	9,867	3,565
% of revenue	18.6	7.0	2.7
Net gearing, %	55.9	41.6	56.5
Personnel, average	2,407	1,948	1,813
Personnel at year end	2,545	2,074	1,859
Wages and salaries	129,172	101,452	94,367

41 KEY FIGURES FOR SHARES

Financial period Jan 1 - Dec 31	2016 IFRS	2015 IFRS	2014 IFRS
Earnings per share, EUR	0.33	0.28*	0.28*
Equity per share, EUR	2.14	1.73	1.45
Dividend per share, EUR (Proposal by the Board of Directors)	0.16	0.15	0.15
Dividend per earnings per share, %	49	54*	54*
Effective dividend return, %	2.9	3.1	4.9
P/E-ratio, EUR	17.2	17.5*	10.9*
Share price, EUR:			
lowest	3.81	3.00	2.91
highest	5.90	4.93	3.34
average for the year	5.04	4.11	3.17
closing	5.58	4.90	3.04
Market capitalization, EUR 1,000	136,909	99,672	60,406
Number of shares traded, 1,000 pcs	1,863	1,033	614
Percentage of shares traded	8	5	3
Adjusted average number of shares during the financial year, 1,000 pcs	22,855	21,562*	21,562*
Adjusted average number of shares at year end, 1,000 pcs	24,536	20,341	19,871

*Comparison period's key figures have been issue adjusted. The rights issue factor was 1.050.

FORMULAS FOR THE 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)

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

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

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

Equity per share

$$= \frac{\text{Dividend for year}}{\text{Adjusted number of shares during the financial year}}$$

Dividend as percentage of earnings

$$= \frac{\text{Dividends per share x 100}}{\text{Earnings per share}}$$

Effective dividend yield, %

$$= \frac{\text{Dividends per share x 100}}{\text{Adjusted last traded share price}}$$

Price/earnings ratio (P/E)

$$= \frac{\text{Adjusted last traded share price}}{\text{Earnings per share}}$$

Share price trend = For each financial year, the adjusted low and high actual traded prices are given as well as the average price for the financial year adjusted for share issues.

$$\text{Average price} = \frac{\text{Total turnover of shares in euros}}{\text{Number of shares traded during the financial year}}$$

Market capitalization = Number of outstanding shares at year-end x last traded share price of year

Trend in share turnover, in volume and percentage figures = The trend in turnover of shares is given as the number of shares traded during the financial year and as the percentage of traded shares relative to issued stock during the year.

PARENT COMPANY'S INCOME STATEMENT

EUR 1,000	Note	1.1.-31.12.2016 FAS	1.1.-31.12.2015 FAS
Revenue	1	**8,017**	**6,639**
Other operating income	2	241	41
Staff costs	3	-3,618	-2,597
Depreciation and amortization	10,11	-577	-403
Other operating expenses	5	-6,316	-4,776
Operating profit/loss		**-2,254**	**-1,095**
Financial income and expenses	6,7	1,004	-441
Profit before appropriations and taxes		**-1,250**	**-1,536**
Appropriations	8	6,692	6,367
Income taxes	9	-1,078	-1,016
Profit for the financial year		**4,365**	**3,815**

PARENT COMPANY'S BALANCE SHEET

EUR 1,000	Note	31.12.2016 FAS	31.12.2015 FAS
ASSETS			
Non-current assets			
Intangible assets	10	2,469	2,806
Tangible assets	11	40	37
Investments			
Shares in group companies	12	83,296	55,861
Other investments	12	19	19
Investments, total		83,315	55,880
Non-current receivables	13	6,209	0
Non-current assets, total		**92,033**	**58,723**
Current assets			
Current receivables	14	12,659	39,139
Cash and cash equivalents	15	125	5,958
Current assets, total		**12,783**	**45,097**
TOTAL ASSETS		**104,816**	**103,821**
EQUITY AND LIABILITIES			
Equity			
Share capital	16	5,000	5,000
Share premium account	16	6,701	6,701
Unrestricted equity fund	16	18,715	4,344
Own Shares	16	-1,004	-1,239
Retained earnings	16	10,729	9,960
Net profit/loss for the financial year	16	4,365	3,815
Equity, total		**44,505**	**28,581**
APPROPRIATIONS	17	**142**	**133**
Liabilities			
Non-current liabilities	18	23,228	7,460
Current liabilities	19	36,941	67,647
Liabilities, total		**60,311**	**75,240**
TOTAL EQUITY AND LIABILITIES		**104,816**	**103,821**

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1,000	1.1.-31.12.2016 FAS	1.1.-31.12.2015 FAS
OPERATING CASH FLOW		
Cash receipts from customers	8,068	6 213
Operating expenses paid	-8,901	-6 704
Operating cash flow before financial items and taxes	-833	-491
Interest and payment paid for financial expenses	-282	-278
Dividends received	1,097	7
Income taxes paid	-1,175	-938
Operating cash flow (A)	**-1,193**	**-1,699**
INVESTING CASH FLOW		
Purchase of tangible and intangible assets	-243	-124
Acquisition of subsidiaries	-25,512	-4,625
Proceeds from contingent asset	215	0
Proceeds from sale of tangible and intangible assets	0	1
Loans granted	-6,209	-250
Change of internal bank account receivables	27,030	19,749
Investing cash flow (B)	**-4,720**	**14,751**
FINANCING CASH FLOW		
Share issue	14,371	0
Purchase of own shares	-693	-75
Short-term loans, increase	11,450	1,463
Short-term loans, decrease	-20,243	-8,440
Change of internal bank account liabilities	-28,412	-13,828
Long-term loans, increase	20,000	10,000
Dividend paid and other profit distribution	-3,046	-2,981
Group contribution	6,500	6,500
Financing cash flow (C)	**-74**	**-7,360**
Variation in cash (A+B+C) increase (+) / decrease (-)	**-5,986**	**5,692**
Assets at the beginning of the period	5,958	389
Exchange gains or losses on cash and cash equivalents	153	-123
Assets at the end of the period	125	5,958

PARENT COMPANY'S ACCOUNTING POLICIES

Basis of preparation

The financial statements of the parent company, Etteplan Oyj, are prepared in accordance with Finnish accounting and company legislation (FAS).

Recognition of income

The parent company's accounting principles for recognition of income correspond to those applied in the consolidated financial statements. Etteplan Oyj's revenue consists of software and management fees from Group companies.

Research and development expenditure

Research and development expenditure is expensed in the year in which it is incurred.

Measurement of non-current assets

Non-current assets are capitalized in the balance sheet at historical cost less depreciation according to plan and possible impairment loss. Depreciation according to plan is based on the estimated useful life of the asset. Land areas are considered to have an unlimited useful life. The useful lives of other non-current assets are:

software	5 years
computers	3 years
office furniture	5 years
renovation of premises	5 years
goodwill	5 to 10 years

Maintenance and repair costs are expensed. Major basic improvement investments are capitalized and depreciated in the income statement over their useful life. Capital gains and losses arising on the retirement and sale of non-current assets are included either in other operating income or under expenses.

Income taxes

Taxes in the income statement include taxes based on taxable earnings for the financial period as well as corrections to taxes for previous periods. Taxes based on taxable earnings are calculated using the tax rate in force at the time of the financial statement.

Accumulated appropriations in the parent company

Postponed depreciations of machinery and equipment amount to a total of EUR 16 thousand. A deferred tax asset is not booked for the postponed depreciations.

Pension agreements

Pension security for the employees of the parent company is arranged with external pension insurance companies. Pension expenses are recorded as expenses in the year in which they are incurred.

Lease agreements

Contractual lease payments are expensed over the lease period.

NOTES TO THE INCOME STATEMENT, PARENT COMPANY

1 REVENUE

EUR 1,000	2016	2015
Finland	8,017	6,639

Revenue consists of sofware and management fees from Etteplan Group companies.

2 OTHER OPERATING INCOME

EUR 1,000	2016	2015
Proceeds from contingent asset	215	0
Other operating income	26	41
Total	**241**	**41**

3 NUMBER OF PERSONNEL AND STAFF COSTS

	2016	2015
Personnel		
Personnel at year-end	33	28
Personnel, average	30	29
Personnel by category		
Administration personnel	33	28
Total	**33**	**28**

EUR 1,000	2016	2015
Staff costs		
Wages and salaries	3,204	2,224
Pension costs - defined contribution plans	351	314
Other indirect employee costs	62	58
Total	**3,618**	**2,597**
Fringe benefits (taxable value)	107	35

4 AUDIT FEES

EUR 1,000	2016	2015
Auditing	51	43
Other services	171	51
Total	**222**	**94**

5 OTHER OPERATING EXPENSES

EUR 1,000	2016	2015
Audit fees	222	94
Other operating expenses	6,095	4,682
Total	**6,316**	**4,776**

6 FINANCIAL INCOME

EUR 1,000	2016	2015
Intra-group dividend income	1,091	0
Dividend income from others	6	7
Interest and other financial income, Intra-group	70	0
Foreign exchange gain	283	0
Total	**1,450**	**7**

7 FINANCIAL EXPENSES

EUR 1,000	2016	2015
Interest on borrowings from others	399	264
Foreign exchange loss	26	172
Other financial expenses	21	12
Total	**446**	**448**

8 APPROPRIATIONS

EUR 1,000	2016	2015
Group contributions received	6,700	6,500
Increase (-) / decrease (+) in depreciation in excess of plan	-8	133
Total	**6,692**	**6,633**

9 INCOME TAXES

EUR 1,000	2016	2015
Tax on income from operations	1,074	1,012
Tax corrections for previous accounting periods	3	4
Total	**1,078**	**1,016**

NOTES TO THE BALANCE SHEET, PARENT COMPANY

10 INTANGIBLE ASSETS, PARENT COMPANY

Intangible assets 2016

EUR 1,000	Intangible rights	Goodwill	Other intan-gible assets	Advance payments	Total
Acquisition cost Jan 1	4,157	2,500	153	106	6,916
Additions	296	0	0	34	330
Reclassifications between items	0	0	0	-106	-106
Acquisition cost Dec 31	4,453	2,500	153	34	7,140
Cumulative amortization Jan 1	-3,555	-466	-89	0	-4,110
Amortization for the financial period	-327	-212	-22	0	-561
Cumulative amortization Dec 31	-3,882	-678	-110	0	-4,671
Book value Dec 31, 2016	**571**	**1,822**	**43**	**34**	**2,469**

Intangible assets 2015

EUR 1,000	Intangible rights	Goodwill	Other intan-gible assets	Advance payments	Total
Acquisition cost Jan 1	4,149	500	153	0	4,802
Additions	8	2,000	0	106	2,114
Acquisition cost Dec 31	4,157	2,500	153	106	6,916
Cumulative amortization Jan 1	-3,269	-387	-67	0	-3,724
Amortization for the financial period	-286	-79	-22	0	-386
Cumulative amortization Dec 31	-3,555	-466	-89	0	-4,110
Book value Dec 31, 2015	**602**	**2,034**	**64**	**106**	**2,806**

11 TANGIBLE ASSETS, PARENT COMPANY

Tangible assets 2016

EUR 1,000	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan 1	1,124	55	1,180
Additions	20	0	20
Acquisition cost Dec 31	1,144	55	1,199
Cumulative depreciation Jan 1	-1,090	-52	-1,142
Depreciation for the financial period	-16	-1	-16
Cumulative depreciation Dec 31	-1,106	-53	-1,159
Book value Dec 31, 2016	**38**	**2**	**40**

Tangible assets 2015

EUR 1,000	Machinery and equipment	Other tangible assets	Total
Acquisition cost Jan 1	1,114	55	1,169
Additions	10	0	10
Acquisition cost Dec 31	1,124	55	1,180
Cumulative depreciation Jan 1	-1,074	-51	-1,126
Depreciation for the financial period	-16	-1	-17
Cumulative depreciation Dec 31	-1,090	-52	-1,142
Book value Dec 31, 2015	**34**	**3**	**37**

12 INVESTMENTS, PARENT COMPANY

Investments 2016

EUR 1,000	Shares in Group companies	Other investments	Total
Acquisition cost Jan 1	55,861	19	55,880
Increases	27,435	0	27,435
Decreases	0	0	0
Acquisition cost Dec 31	83,296	19	83,315
Book value Dec 31, 2016	**83,296**	**19**	**83,315**

Investments 2015

EUR 1,000	Shares in Group companies	Other investments	Total
Acquisition cost Jan 1	50,676	20	50,696
Increases	5,185	0	5,185
Decreases	0	-1	-1
Acquisition cost Dec 31	55,861	19	55,880
Book value Dec 31, 2015	**55,861**	**19**	**55,880**

13 NON-CURRENT RECEIVABLES

EUR 1,000	2016	2015
Non-current receivables from Group companies		
Loan receivables	6,209	0
Non-current receivables total	**6,209**	**0**

14 CURRENT RECEIVABLES

EUR 1,000	2016	2015
Current receivables from Group companies		
Trade receivables	1,589	1,559
Loan receivables	0	250
Other receivables	841	397
Internal bank account receivables	2,764	29,794
Group contribution receivables	6,700	6,500
Current receivables from others		
Other short-term receivables	23	32
Current prepayments and accrued income	741	607
Current receivables total	**12,659**	**39,139**
Main items included in prepayments and accrued income		
Tax receivables	40	0
Accruals of personnel expenses	3	2
Other prepayments and accrued income on expenses	698	605
Total	**741**	**607**

15 CASH AND CASH EQUIVALENTS

EUR 1,000	2016	2015
Bank accounts and cash	125	5,958
Total	**125**	**5,958**

Cash and cash equivalents in the balance sheet correspond with the financial assets in the cash flow statement.

16 EQUITY

EUR 1,000	2016	2015
Share capital Jan 1	5,000	5,000
Share capital Dec 31	**5,000**	**5,000**
Share premium account Jan 1	6,701	6,701
Share premium account Dec 31	**6,701**	**6,701**
Unrestricted equity fund Jan 1	4,344	2,344
Share issue	14,371	0
Business combinations	0	2,000
Unrestricted equity fund Dec 31	**18,715**	**4,344**
Treasury shares Jan 1	-1,239	-1,165
Additions	-693	-75
Business combinations	928	0
Treasury shares Dec 31	**-1,004**	**-1,239**
Retained earnings Jan 1	13,775	12,940
Dividends paid	-3,046	-2,981
Retained earnings Dec 31	**10,729**	**9,960**
Profit for the financial year	**4,365**	**3,815**
Shareholders' equity total	**44,505**	**28,581**
Distributable funds Dec 31		
Retained earnings	10,729	9,960
Treasury shares	-1,004	-1,239
Unrestricted equity fund	18,715	4,344
Profit for the financial year	4,365	3,815
Distributable funds Dec 31	**32,804**	**16,879**
Number of shares Jan 1 (1,000 pcs)	20,666	20,179
Rights issue	4,106	0
Directed share issue	0	486
Number of shares Dec 31 (1,000 pcs)	**24,771**	**20,666**

17 ACCUMULATED APPROPRIATIONS

EUR 1,000	2016	2015
Depreciation in excess of plan	142	133
Total	**142**	**133**

18 PITKÄAIKAINEN VIERAS PÄÄOMA

EUR 1,000	2016	2015
Loans from financial institutions	22,628	7,460
Accrued liabilities on acquisitions	600	0
Total	**23,228**	**7,460**

19 CURRENT LIABILITIES

EUR 1,000	2016	2015
Current liabilities to group companies		
Trade payables	111	271
Other payables	297	93
Internal bank account liabilities	25,270	53,682
Current liabilities to others		
Trade payables	1,032	788
Other liabilities	140	145
Accrued expenses	2,414	1,366
Income tax liability	0	57
Accrued liability on acquisitions	1,395	1,000
Loans from financial institutions	6,282	10,243
Current liabilities total	**36,941**	**67,647**
Main items included in accrued expenses		
Interest liabilities	68	34
Accrued employee expenses	2,346	1,332
Total	**2,414**	**1,366**

20 PLEDGES, MORTGAGES AND GUARANTEES

EUR 1,000	2016	2015
Other contingencies	320	320
Guarantees for group companies	3,588	3,785
Leasing liabilities		
For payment in next financial year	1,666	1,208
For payment later	1,862	1,105
Total	**7,436**	**6,419**

Etteplan Oyj has given a Parent Company guarantee totalling EUR 4,695 thousand for loans, of which EUR 2,377 thousand is in use, for Etteplan Vataple Technology Centre, Ltd.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 1,032 thousand for loans, of which EUR 611 thousand is in use, for Etteplan Consulting (Shanghai) Co., Ltd.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 170 thousand for loans, of which EUR 0 is in use, for Etteplan B.V.

Etteplan Oyj has given a Parent Company guarantee totalling EUR 1,400 thousand for loans, of which EUR 600 thousand is in use, for Etteplan Deutschland GmbH.

Shares and shareholders

SHARE CAPITAL AND SHARES

On December 31, 2016, Etteplan Oyj's share capital, entered in the trade register and paid in full, was EUR 5,000,000 and the number of shares was 24,771,492. The Company has one series of shares. Each share confers the right to one vote at the General Meeting and the same right to a dividend.

SHARE QUOTE

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

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 May 4, 2016, in a share issue based on the existing shareholders' pre-emptive subscription right. All shares offered in the rights issue were subscribed. 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 issue. As a result of the issue, the total number of shares in Etteplan increased to 24,771,492. The new shares were registered with the Finnish Trade Register and in Etteplan's shareholder register on June 9, 2016. The rights issue was the subject of stock exchange releases published on May 9, 2016, May 10, 2016, June 1, 2016, and June 8, 2016.

SHARE PRICE TREND AND TURNOVER

The number of Etteplan Oyj shares traded during the financial year was 1,863,476, for a total value of EUR 9.38 (4.25) million. The share price low was EUR 3.81, the high EUR 5.90, the average EUR 5.04 and the closing price EUR 5.58. Market capitalization on December 31, 2016 was EUR 136.91 million.

SHAREHOLDERS

The number of shareholders increased during the financial year. At the end of 2016, the Company had 2,141 (1,650) registered shareholders. In total, 231,402 shares, or 0.93 per cent of all shares, were nominee-registered.

FLAGGINGS

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

TREASURY SHARES

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, according to which the number of repurchased shares will not exceed 100,000 shares and the corresponding number of voting rights. In accordance with the authorization, the shares will be repurchased in public trading on Nasdaq Helsinki Ltd at the market price quoted at the time of the repurchase, as provided by the regulations on the 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.
Etteplan completed a repurchase program of its own shares on November 14, 2016. The Company acquired a total of 100,000 shares and the voting rights carried by them at an average price of EUR 5.40 in public trading on Nasdaq Helsinki Ltd.

The Company held 235,892 of its own shares on December 31, 2016, which corresponds to 0.95 per cent of all shares and voting rights (December 31, 2015: 324,283). The Company acquired a total of 132,974 of its own shares in 2016. 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.

CURRENT AUTHORIZATIONS

Authorization to raise the share capital

The Annual General Meeting authorized the Board of Directors to resolve to repurchase 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 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 also be used in order to carry out the 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 replaces the corresponding previous authorization.

Authorization to acquire and dispose own shares

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of a maximum of more than 6,000,000 shares with a share issue or by granting option rights or other specific rights, referred to in Chapter 10, section 1 of the Companies Act, giving entitlement to shares in one or more lots. The authorization includes the right to decide to issue either new shares or shares held by the Company. The authorization includes the right to deviate from the existing shareholders' pre-emptive subscription right as set forth in Chapter 9, section 3 of the Companies Act. Therefore, the Board of Directors has the right to direct the share issue, or issuance of the option rights or other special rights entitling to shares. The authorization also includes the right to decide on all the terms of share issue, option rights or other special rights entitling to shares. The authorization therefore includes the right to determine 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 the right to determine whether the subscription price will be entered into the share capital or into the reserve of invested unrestricted 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.

OPTION RIGHTS

The Company does not currently have a share option program.

SHARE-BASED INCENTIVE PLANS

The Board of Directors of Etteplan Oyj decided on February 12, 2014 on a share-based incentive plan for the Company's President and CEO. The 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 will amount 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.

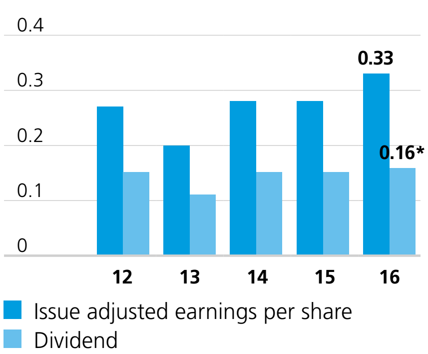
The Board of Directors of Etteplan Oyj decided on June 3, 2014 to establish a share-based incentive plan for the Group key personnel. The Plan includes one earning period which comprises the calendar years 2014-2016. The earnings criteria are Etteplan Group's revenue increase and the development of Total 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 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.

At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 26,263 shares in the Company to the President and CEO in accordance with the terms of the incentive plan described above. The shares to be paid out as rewards will be transferred from the shares held by the Company. The Company will pay taxes and tax-related costs arising from the reward. The transfer date of the shares is February 28, 2017.

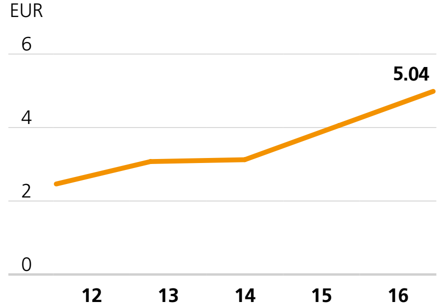
At its meeting on February 9, 2017, Etteplan's Board of Directors decided to transfer 169,939 shares in the Company to key personnel in accordance with the terms of the incentive plan described above. The shares to be paid out as rewards will be transferred from the shares held by the Company. The Company will pay taxes and tax-related costs arising from the reward. The transfer date of the shares is April 28, 2017.

Earnings per share and dividend



* Board's dividend proposal
Rights issue factor 1.050

Share price development 2012–2016



Volume-weighted average price

Major shareholders, December 31, 2016

Name	Number of shares	Proportion of shares and votes, %
Ingman Group Oy Ab	16,500,000	66.61
Oy Fincorp Ab	2,478,055	10.00
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
Etteplan Oyj	235,892	0.95
Kempe Anna	200,000	0.81
Kempe Lasse	98,000	0.40
Kempe Pia Pauliina	95,000	0.38
Nordea Bank Finland Plc	89,197	0.36
Euroclear Bank Sa/Nv	68,440	0.28
Kylänpää Osmo Olavi	53,200	0.21
Tapper Teemu Petteri	48,503	0.20
Vesterinen Atso Ilmari	48,502	0.20
Kurra Jorma Juhani	43,751	0.18
Ingman Robert	40,000	0.16
Burmeister Dorrit Elisabeth	32,313	0.13
Skandinaviska Enskilda Banken AB	31,306	0.13
Other shareholders	2,071,692	8.36
Total	**24,771,492**	**100.00**
Nominee-registrated shares	231,402	0.93

Breakdown of shareholdings by owner group, December 31, 2016

Name of the sector	Number of shareholders	Number of shares	Number of nominee-registrated shares	Proportion of shares and votes, %
National economy total (domestic sector)				
Companies	96	20,331,400	0	82.08
Financial and insurance institutions	11	27,553	149,748	0.72
Public sector entities	4	1,012,189	0	4.09
Households	2,009	3,113,258	0	12.57
Non-profit institutions	10	41,672	0	0.17
Foreigners				
European Union	10	12,993	81,654	0.38
Other countries and international organizations	1	1,025	0	0,00
Total	**2,141**	**24,540,090**	**231,402**	**100.00**

Breakdown of shareholdings by size class, December 31, 2016

Number of shares	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares and votes, %
1–100	377	17.61	18,395	0.07
101–500	951	44.42	290,561	1.17
501–1 000	349	16.30	268,139	1.08
1 001–5 000	377	17.61	805,787	3.25
5 001–10 000	43	2.01	290,837	1.17
10 001–50 000	30	1.40	642,348	2.59
50 001–100 000	5	0.23	403,837	1.63
100 001–500 000	5	0.23	1,525,367	6.16
500 001–	4	0.19	20,526,221	82.86
Total	**2,141**	**100.00**	**24,771,492**	**100.00**

Board of Directors dividend proposal

At December 31, 2016, the parent company's distributable shareholders' equity amounted to EUR 32.8 million, of which the net profit for the financial year was EUR 4.4 million.

The Board of Directors proposes that from the distributable funds at the disposal of the Annual General Meeting, a dividend of EUR 0.16 per share be paid on the Company's externally owned shares, for a total amount of EUR 4.0 million at most. Dividend will not be paid out to shares that are company-held on the record date of dividend payout, April 6, 2017.

No substantial changes have occurred in the financial position of the Company since the end of the financial year. The Company's liquidity is good and the Board of Directors judges that the proposed distribution of dividend will not endanger the Company's solvency.

It is proposed that the dividend be paid on April 13, 2017.

Vantaa, February 9, 2017

Robert Ingman Chairman of the Board	Patrick von Essen Member of the Board	Matti Huttunen Member of the Board
Pertti Nupponen Member of the Board	Teuvo Rintamäki Member of the Board	Leena Saarinen Member of the Board

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Etteplan Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Etteplan Oyj (business identity code 0545456-2) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

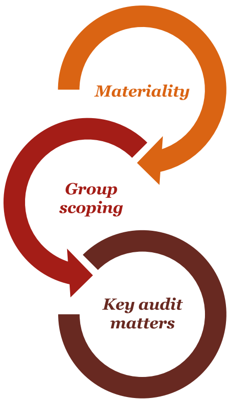
We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach



Overview

Materiality

- We have applied an overall group materiality of € 1.5 million

Group scoping

- The group audit scope included all significant companies in Finland (3) and Sweden (1), covering the vast majority of revenues, assets and liabilities of the Group.

Key audit matters

- Revenue recognition
- Valuation of goodwill
- Business combinations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 1.5 million
How we determined it	0.85 % of revenues
Rationale for the materiality benchmark applied	We chose revenues as the benchmark because it represents a stable and relevant size and performance metrics for the users of the financial statements and it is a generally accepted benchmark.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Etteplan group, the accounting processes and controls, and the industry in which the group operates. Using this criteria we selected companies and accounts into our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition Refer to accounting policies for the consolidated financial statements and notes 7 and 8. We identified two specific risks of error in respect of improper revenue recognition given the nature of the Group's products and services, as follows: • Inappropriate revenue cut-off in products and services sales; and • Inappropriate accounting for projects, which due to their size and long term duration meet the definition of a construction contract (IAS 11) and require specific attention both from the accounting and the auditing perspective. Due to the management judgment included in revenue recognition for construction contracts (IAS 11), we have included it as key audit matter. Revenue cut-off in products and services has been considered a key audit matter due to the significance of the revenue financial statements line item when assessing the results and performance of the Group.	We evaluated the IT systems used in the determination of revenue recognition by testing access and change management controls. We also evaluated process level controls by performing walkthroughs of each significant class of revenue transactions, assessed the design effectiveness of key controls and tested the operating effectiveness of those controls; Our substantive audit procedures to address the identified risk relating to revenue cut-off in products and services sales consisted the following: • Testing individual transactions occurring within proximity of the financial year-end; and • Performing transactional testing procedures to validate the recognition of revenue throughout the year as well as year-end. We selected a sample of projects meeting the construction contract definition and performed the following substantive audit procedures: • Ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement; • Agreed project revenue estimate against the sales agreement, including contract amendments; • Audited that the project cost estimate was appropriately updated; and • Recalculated the revenue based on stage of completion of the project. Assessed the appropriateness of the stage of completion by comparing actual costs per the company's accounting records to the estimated total costs of the project.
Valuation of goodwill Refer to accounting policies for the consolidated financial statements and note 23. Goodwill is the most significant Etteplan balance sheet item and amounts to € 58.1 million. The determination of whether an impairment charge is required involves significant management judgement, including estimating the future performance of the business and the discount rate applied to these future cash flows. This is why we defined this area as a key audit matter.	Our audit focused on assessing the appropriateness of management's judgments and estimates used in the goodwill impairment analysis through the following procedures: • We tested the methodology applied in the Value In Use calculation as compared to the requirements of IAS 36, Impairment of Assets, and the mathematical accuracy of management's model; • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to the latest Board approved budgets and long term plans; • We tested the key underlying assumptions for the cash flow forecasts, including sales and profitability forecasts, discount rate used and the implied growth rates beyond the forecasted period; • We compared the current year actual results included in the prior year impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic; • We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions; and • We assessed the appropriateness of the discount rates and long term growth rates applied within the model, including comparison to economic and industry forecasts as appropriate.
Business combinations Refer to accounting policies for the consolidated financial statements and note 5. During 2016 Etteplan acquired Espotel Oy and Soikea Solutions Oy for a total consideration of € 26.5 million. The acquisition is accounted for as a business combination (IFRS 3) and includes a number of significant and complex judgments in the determination of the fair value of the assets and liabilities acquired. The primary element of the valuation and purchase price allocation exercise was to assess the fair value of intangible assets (€ 10.0 million) in the form of customer relationships. Resulting goodwill amounted to € 16.0 million. The allocation also considered other assets and liabilities.	For the intangible assets, we assessed the methodology adopted by management for calculating the fair value of customer relationship assets. We also audited the key assumptions in the valuation model, particularly in respect of the: • cash flow forecasts used in the valuation process; • assumed useful lives of the customer relationships; and • discount rate applicable to the transaction.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.t

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 28, 2017

Lauri Kallaskari
Authorised Public Accountant

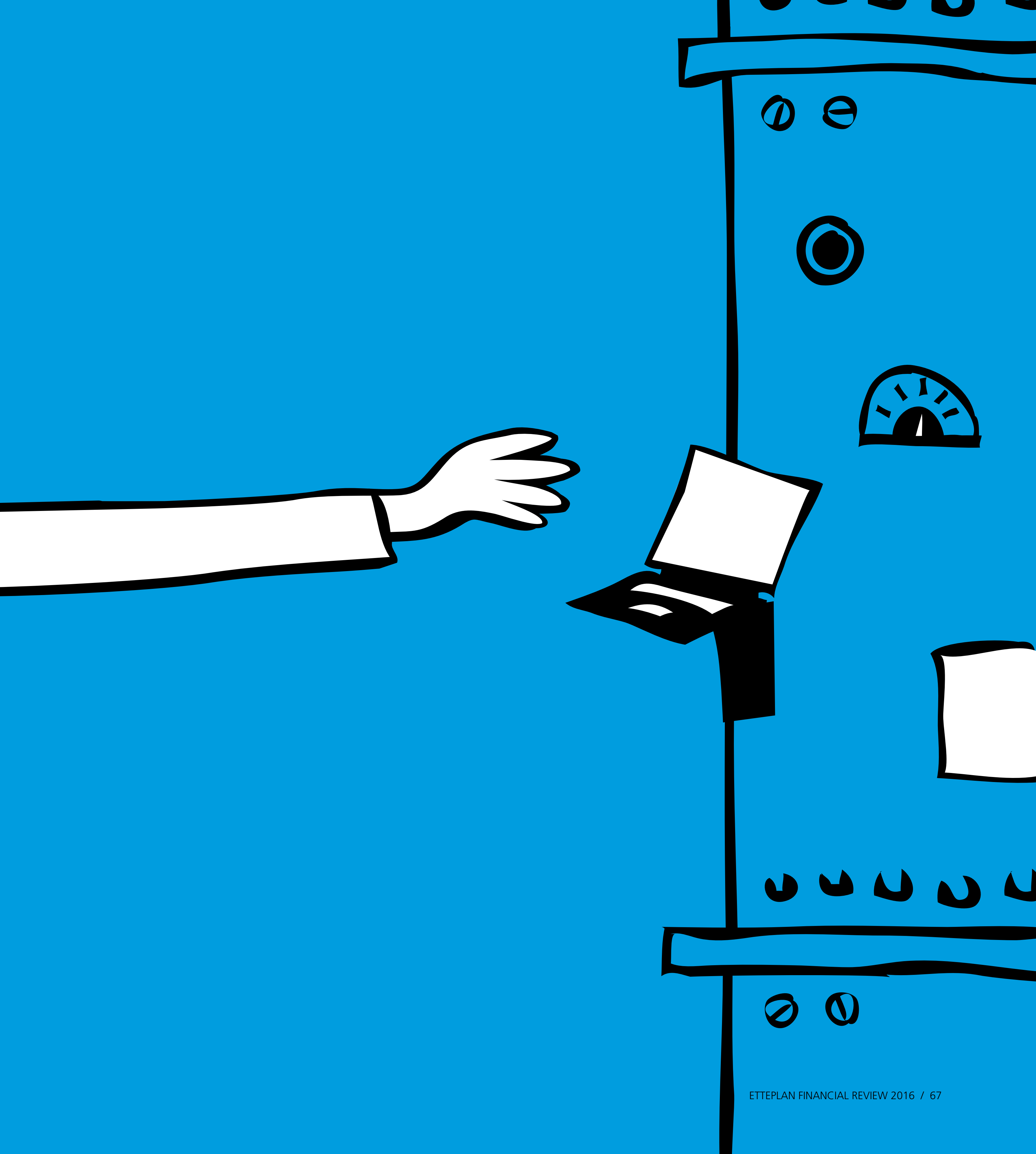
PricewaterhouseCoopers Oy
Authorised Public Accountants
PO BOX 1015 (Itämerentori 2)
00101 Helsinki

Olli Wesamaa
Chartered Accountant

DFK Finland Oy
Pohjoisesplanadi 21 B
00100 Helsinki

Corporate governance and investor information

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



Corporate governance statement 2016

This corporate governance statement has been prepared in accordance with the Finnish Corporate Governance Code 2015. The corporate governance statement has been prepared as a part of annual report and it is also available separately on the Company's website www.etteplan.com. Etteplan's Board of Directors' has reviewed this corporate governance statement. Etteplan Oyj's external auditor, PricewaterhouseCoopers Oy, has checked that this statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with Etteplan Oyj's financial statements.

General governance principles

Etteplan Oyj is a Finnish public limited company that in its decision-making and governance complies with the Finnish Companies Act, other legislation concerning publicly listed companies, and the Articles of Association of Etteplan Oyj.

The Company is a publicly listed company that abides by the regulations of Nasdaq Helsinki Ltd. Etteplan complies with the Finnish Corporate Governance Code 2015 published by the Securities Market Association. Etteplan does not deviate from any single regulation of the Code. The Finnish Corporate Governance code is available on the Securities Market Association's website at www.cgfinland.fi.

Supervision and management of the Company is divided among the General Meeting of Shareholders, the Board of Directors, and the CEO.

GENERAL MEETING

The shareholders exercise their decision-making power at the General Meeting. The Company must hold one Annual General Meeting for shareholders annually, by the end of June. If necessary, an Extraordinary Meeting of Shareholders is held. A shareholder may exercise his/her right to speak, ask questions and vote at the General Meeting. The matters to be considered at the Annual General Meeting (AGM) are specified in section 8 of Etteplan's Articles of Association and in Chapter 5, Section 3 of the Companies Act.

Decisions by the General Meeting are published without delay after the meeting by a stock exchange release and on the Company's website www.etteplan.com.

Information on General Meetings to Shareholders

The Board shall convene the Annual General Meeting or an Extraordinary General Meeting with a summons to be published on the Company's website www.etteplan.com. The summons must list the agenda for the meeting. The Board may also decide to publish the invitation to the General Meeting in one Finnish national newspaper, determined by the Board. The summons to a meeting and the Board's proposals for the meeting are also published as a stock exchange release.

The notice of the General Meeting includes a proposal for the agenda of the meeting. The notice of the General Meeting, documents to be submitted to the General Meeting and draft resolutions to the General Meeting will be available on the Company's webpage at the earliest two months and at the latest three weeks before the General Meeting.

The Company will disclose on its webpage the date by which a shareholder shall notify the Board of Directors of the Company of an issue that he or she demands to be included in the agenda of the Annual General Meeting.

The minutes of the General Meeting shall be posted on the Company's webpage within two weeks of the General Meeting. The documents related to the General Meeting shall be available on the Company's webpage at least for five years after the General Meeting.

Organization of the General Meeting

According to Company's Articles of Association the General Meeting shall be held in the Company's domicile or in Lahti or in Helsinki as decided by the Board of Directors of the Company.

To be able to participate in General Meeting, a shareholder must be registered on the record date in the Etteplan Oyj's shareholder register, maintained by Euroclear Finland Ltd. A nominee registered shareholder who intends to take part in General Meeting is advised to request the necessary instructions regarding entry in the Company's shareholder register and the issuing of proxy documents from their account holder. A notification by a holder of nominee registered shares for temporary inclusion in the Company's shareholders' register is perceived as prior notice of participation in the General Meeting.

Shareholders must register for a General Meeting in advance, within the time prescribed in the summons. A shareholder may participate in a General Meeting personally or through a duly authorized proxy. The proxy must present a power of attorney form for such authorization. Upon registration for a General Meeting, the shareholder must report to the Company any powers of attorney issued. The shareholder and proxy may have an assistant present at the meeting.

Attendance of the Board of Directors, Managing Director and Auditor at the General Meeting

The Chairman of the Board of Directors and the members of the Board and its Committees as well as the CEO shall attend the General Meeting. In addition, the Auditor shall be present at the Annual General Meeting.

Attendance of a prospective Director at a General Meeting

A person proposed for the first time as Director shall participate in the General Meeting that decides on his or her election unless there are well-founded reasons for absence.

BOARD

The Board of Directors is responsible for the Company's management and for the due organization of the Company's operations in accordance with the relevant legislation and the Company's Articles of Association. The Board of Directors controls and monitors the Company's operational management; appoints and dismisses the CEO; and approves the major decisions affecting the Company's strategy, capital expenditures, organization, remuneration and bonus systems covering the management, and finances.

Charter of the Board

As part of the Company's corporate governance, the Etteplan Oyj Board of Directors has approved written rules of procedure to control Board work. The Board's rules of procedure complement the stipulations of the Finnish Companies Act and the Articles of Association of the Company. Charter of the Board is presented on the Company's website www.etteplan.com.

Meetings of the Board

The Board meets as often as appropriate fulfilment of its obligations requires.

In the financial year 2016, the Board held a total of 13 meetings four of which were phone or e-mail meetings. The Board members participated in the meetings as follows: Patrick von Essen, Matti Huttunen, Robert Ingman, Pertti Nupponen, Teuvo Rintamäki and

Leena Saarinen in 13 meetings. In addition to the members of the Board, the Company's CEO attended Board meetings as the Secretary to the Board.

Performance evaluation of the Board

On an annual basis, the Board of Directors assesses its own activities and work practices. The Board specifies the criteria to be used in the assessment, which is carried out as internal self-evaluation. The results of these activities are handled by the Board.

Composition of the Board

The Annual General Meeting elects the members of the Board of Directors. The Nomination and Remuneration Committee of the Board of Directors of Etteplan Oyj prepares a list of proposed members of the Board of Directors for consideration by the General Meeting. The Board proposed candidates are reported upon in the summons to the meeting and on the Company's webpage.

According to the Articles of Association, the Board of Directors shall have a minimum of three and a maximum of seven members. The Board of Directors shall be elected for a term of one year at a time.

In accordance with the proposal of the Board of Directors' Nomination and Remuneration Committee the Annual General Meeting held on April 5, 2016 elected the following persons as members of the Board of Directors:

- Robert Ingman (born 1961), Chairman, M.Sc. (Eng.) and M.Sc. (Economics), 16,540,000 shares
- Patrick von Essen (born 1963), President and CEO of Dovre Group, M.Sc. (Eng.), no ownership
- Matti Huttunen (born 1967), Managing Director PKC Electronics Oy, B.Sc. (Eng.), no ownership
- Pertti Nupponen (born 1961), D.Sc. (Econ. & Bus. Adm.) and M.Sc. (tech.), no ownership
- Teuvo Rintamäki (born 1955), professional board member, M.Sc. (Economics), no ownership
- Leena Saarinen (born 1960), professional board member, M.Sc. (Food technology), 38 shares

The Board of Directors of Etteplan Oyj elected on April 5, 2016 in its organization meeting subsequent to the AGM Robert Ingman as Chairman of the Board.

The ownerships are listed as per December 31, 2016 and include shares possibly owned by controlled entities. Further information on the Board members is available on the Company's website at www.etteplan.com and partly in the Annual Report 2016.

Independence of the Board

The majority of the members of the Board shall be independent of the Company. In addition, at least two of the members of the Board representing this majority shall be independent of significant shareholders of the Company.

The Board shall evaluate the independence of its members and report which of them are independent of the Company and which are independent of significant shareholders.

Robert Ingman, Patrick von Essen, Matti Huttunen, Pertti Nupponen, Teuvo Rintamäki and Leena Saarinen are independent of the Company.

Patrick von Essen, Matti Huttunen, Pertti Nupponen, Teuvo Rintamäki and Leena Saarinen are independent of significant shareholders.

Diversity of the Board

The Board of Directors of Etteplan has defined the principles on the diversity of the Board in compliance with the Corporate Governance Code 2015. Accordingly, the requirements on the size, market position and business industry of the Company should be duly reflected when composing the Board of Directors.

When composing the Board the objective is that the members have versatile and different know-how on various industries so that the professional profiles of the members complete each other. The composition of the Board aims to ensure that it has extensive know-how on the essential strategic focus areas of the Company. In addition, the aim is to ensure that the Board will consist of both genders.

The diversity principles defined by the Board of Directors were well fulfilled in the financial year 2016. The Company will continue to execute the principles in the financial year 2017.

BOARD COMMITTEES

The Board of Directors of Etteplan Oyj has a Nomination and Remuneration Committee. The Board carries out the duties assigned for the Audit Committee since the Company does not have an Audit Committee.

Nomination and Remuneration Committee

The Board of Directors of Etteplan Oyj has appointed a Nomination and Remuneration Committee among the Directors. The Board has confirmed the central duties and operating principles of the committee in a written charter. Charter of the Committee is presented on the Company's website www.etteplan.com. The Nomination and Remuneration Committee reports regularly on its work to the Board.

The task of the Nomination and Remuneration Committee is to assist the Board of Directors in matters related to the appointment and compensation of the Company's CEO, the deputy CEO and other executives. In addition, the committee prepares for the Annual General Meeting a proposal on the number of Board members, Board composition and Board member compensation. The committee also recommends, prepares and proposes to the Board the CEO's and the deputy CEO's nomination, salary and compensation, and further evaluates and provides the Board and the CEO with recommendations concerning management and employees rewards and compensation systems.

The committee consists of three members of the Board of Directors. It convenes on a regular basis at least once a year. The Committee Chairman provides the Board with the proposals made by the committee.

Since the Annual General Meeting of 2016, Leena Saarinen has acted as the Chairman of the Nomination and Remuneration Committee and Robert Ingman and Pertti Nupponen as members of the Committee. All members of the Committee are independent of the Company.

The Nomination and Remuneration Committee met 9 times during 2016. The Committee members participated in the meetings as follows: Robert Ingman, Pertti Nupponen and Leena Saarinen in 9 meetings.

CEO

M. Sc. (Eng) Juha Näkki has been the Company's President and CEO from the beginning of 2012. The CEO is responsible for managing the Group's day-to-day operations in accordance with the rules and instructions issued by the Board of Directors. The CEO may take measures that are unusual and far-reaching with regard to the scope and nature of the Company's operations, but only with authorization from the Board of Directors. The CEO is responsible for ensuring that the Company's accounting complies with the applicable legislation and that its asset management is arranged in a reliable manner. The CEO attends the Board meetings as the Secretary to the Board, but he is not a member of the Board of Directors. The parent Company's CEO furthermore acts as the Group's Chief Executive Officer.

A written CEO agreement, which has been approved by the Board, has been drawn up for the CEO. The Board of Directors appoints the CEO and terminates this employment, as well as monitors the CEO's activities.

Further information on CEO Juha Näkki is available on the Company's website at www.etteplan.com and partly in the Annual Report 2016.

OTHER EXECUTIVES

The CEO appoints members to the Management Group who are appropriate from the standpoint of line operations. The Management Group assists the CEO and also develops and monitors all matters entrusted to the Company's management, including those connected with the Group and business unit strategies, acquisitions and major capital expenditures, divestments, the Company's image, monthly reporting, interim reports, investor relations, and the main principles of the human resource policy. The Board of Directors approves the appointment of the Management Group members. The members of the Management Group report to the President and CEO.

In the financial period 2016 the Management Group of Etteplan consisted of the following members:

- Juha Näkki (born 1973), President and CEO, 14,313 shares
- Per-Anders Gådin (born 1965), Senior Vice President, Finance, 4,300 shares
- Petri Ikonen (born 1964), Senior Vice President, Technical Documentation Services, no ownership
- Veikko Lamminen (born 1960), Senior Vice President, Operations Finland, 2,100 shares
- Outi-Maria Liedes (born 1956), Senior Vice President, HR & Operational Development, no ownership
- Kari Liuska (born 1963), Senior Vice President, Embedded Systems & IoT, 31,200 shares
- Riku Riikonen (born 1977), Senior Vice President, Engineering Services, no ownership
- Outi Torniainen (born 1965), Senior Vice President, Communications and Marketing, no ownership
- Mikael Vatn (born 1967), Senior Vice President, Operations Central and Western Europe, 5,500 shares.

The ownerships are listed as per December 31, 2016 and include shares possibly owned by controlled entities. Further information on the Management Group members is available on the Company's website at www.etteplan.com and partly in the Annual Report 2016.

REMUNERATION

Principles applied to remuneration schemes

The goal of remuneration schemes is to promote competitiveness and long-term financial success of the Company and to contribute to the favourable development of shareholder value. Remuneration schemes are based on predetermined and measurable performance and result criteria.

The task of Board's Nomination and Remuneration Committee is to assist the Board of Directors in matters related to the remuneration of the Company's CEO, the deputy CEO and other executives and to prepare matters related to the reward schemes for employees.

Decision-making process

The General Meeting shall decide on the remuneration payable for Board and Committee work as well as the basis for its determination. The Nomination and Remuneration Committee has been assigned the duty of preparing the remuneration of the Board. The Board of Directors shall decide on the remuneration of the CEO as well as other compensation payable to him or her. The compensation principles for the Management Group are determined by the CEO in cooperation with the Board of Directors.

Remuneration of the Board of Directors

According to the resolution passed by the Annual General Meeting of 2016, the remuneration for each member of the Board of Directors is 600 euros per meeting and for the Chairman of the Board of Directors 1,200 euros per meeting. In addition, each member of the Board receives 24,400 euros per year and the Chairman of the Board of Directors 48,800 euros per year. Daily allowances and travel expenses are paid to the Board members according to the Company's travel policy.

According to the resolution passed by the Annual General Meeting of 2016, the remuneration for each member of the Nomination and Remuneration Committee is 600 euros per meeting and for the Chairman of the Nomination and Remuneration Committee 1,200 euros per meeting. In addition daily allowances and travel expenses are paid for the meetings to the committee members according to the Company's travel policy.

Remuneration for Board and Committee work is not paid in the form of Company shares and the Board members are not in the target group of Company's share based incentive plan.

Remuneration of the CEO

The CEO's compensation consists of a basic salary and a yearly bonus decided annually by the Board on the basis of the Group's financial result and other key targets. The maximum amount of yearly bonus is decided annually. In addition the CEO has car and phone benefits. The CEO has an agreement of a share based incentive plan. Statutory retirement age applies to the CEO. The term of notice for the CEO is six months. In the event of dismissal, the CEO is at the most entitled to receive compensation equivalent to 18 months' salary which includes the salary for a six-month term of notice.

Information on the service contract of the CEO

In 2016 President and CEO Juha Näkki's basic salary was EUR 274,407.60. In 2016, his car, phone and medical expenses insurance benefits totalled to EUR 16,050.60. EUR 140,510.00 of performance based bonus accrued from year 2015 was paid to the President and CEO in 2016.

In 2014 a share-based incentive plan was created for the Company´s President and CEO.

The Restricted Stock Plan includes one three year vesting period which includes calendar years 2014-2016. The potential reward of the Plan is bound to the validity of the CEO's service and will be paid in February 2017. In addition the President and CEO is included in the share-based incentive plan for the Group key personnel. No company-held shares were disposed in 2016 for the share-based incentive plan.

In 2016 no additional accrual basis pension insurance policy was paid for the President and CEO Juha Näkki.

Remuneration of other executives

The system of compensation for the members of the Management Group includes a basic salary and a performance based bonus. The principles for performance based bonus are decided annually. The maximum of the yearly bonus is 33-100 percent of the recipient's annual salary depending on the member's duties. No separate agreement has been made regarding early retirement for the members of the Management Group. The term of notice for a Management Group member is at least 4 months. In the event of dismissal, a Management Group member is at the most entitled to receive compensation equivalent to 10 months' salary which includes the salary for a four-month term of notice.

In 2016 the Management Group members' basic salary was in total EUR 1,032,619.93. In 2016, the car, phone and medical expenses insurance benefits of the Management Group members totalled to EUR 18,498.70. In total EUR 222,325.74 of performance based bonus accrued from year 2015 was paid to Management Group members in 2016.

Share-based incentive plans

The Board of Directors of Etteplan Oyj decided in February 2014 on a new share-based incentive plan for the Company´s President and CEO. The aim of the Plan is to combine the objectives of the shareholders and the CEO in order to increase the value of the Company, to commit the CEO to the Company, and to offer him a competitive reward plan based on earning the Company shares.

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 cash proportion is intended to cover taxes and tax related costs arising from the reward to the CEO. No reward will be paid, if the CEO terminates his service contract before the reward payment.

The reward to be paid on the basis of the Restricted Stock Plan 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 in June 2014 to establish a new share-based incentive plan for the Group key personnel. The aim of the Plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on holding the Company shares.

The Plan includes one earning period which includes 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 potential reward will be paid partly in the Company's shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel.

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).

In April 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 plans directed at the President and CEO and Etteplan's key personnel.

The number of shares paid under the plans 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.

In its meeting in February 2017, Etteplan's Board of Directors decided to transfer 26,263 shares in the Company to the President and CEO in accordance with the terms of the incentive plan described above. The shares to be paid out as rewards were transferred from the shares held by the Company. The Company paid taxes and tax-related costs arising from the reward. The transfer date of the shares was February 28, 2017.

In its meeting in February 2017, Etteplan's Board of Directors decided to transfer 169,939 shares in the Company to key personnel in accordance with the terms of the incentive plan described above. The Company will pay taxes and tax-related costs arising from the reward The shares to be paid out as rewards will be transferred from the shares held by the Company. The transfer date of the shares is April 28, 2017.

Remuneration Statement

A remuneration statement is available on Company's website www.etteplan.com. The statement is updated regularly.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The objective of Etteplan Oyj's internal control and risk management is to ensure that the Company's operations are efficient and profitable, its information is reliable, and it complies with appropriate regulations and operating principles. The objectives also include identification, assessment, and monitoring of risks related to business operations. Internal audit helps to improve the efficient fulfilment of the Board's supervision obligation.

Operating principles of internal control

Etteplan's internal control process in controlled by the Finnish Companies Act, the Securities Markets Act and other laws and regulations applicable to the operations of the company, the rules and recommendations of the Helsinki Stock Exchange as well as Corporate Governance Code for Finnish listed companies. External control is implemented by the company's auditors and the authorities.

ETTEPLAN'S RISK MANAGEMENT

Internal control in Etteplan covers financial reporting and other monitoring. The function of internal control is to ensure that the company achieves the goals and objectives set for it, as well as uses its resources economically and appropriately. Internal control also aims to ensure among other things correct and reliable financial and other information, compliance with external regulations and internal guidelines and policies as well as sufficient security of operations and information. Furthermore, internal control aims to ensure the organisation of adequate and appropriate IT and manual systems to support the operations of the company.

In Etteplan internal control is executed by the Board of Directors, management and the company's entire personnel. Internal control is divided into 1) proactive control, 2) day-to-day control and 3) subsequent control. Proactive control consists of specification of corporate values and general operational principles. Day-to-day control includes operational steering and monitoring and thereto related operational systems and work instructions. Subsequent control comprises management evaluations and inspections, comparisons and verifications with the aim of ensuring that the goals are met and the agreed operational principles are followed.

Organization of risk management

Risk management is an integral part of Etteplan's business management and internal control framework. The function of risk management is to anticipate future risks, to ensure that targets are reached and to secure operations in changing conditions. The objective is to ensure that the company's operations are efficient and profitable, that the information produced is reliable and that it complies with the appropriate regulations and operating principles.

The key measures of Etteplan risk management are proactive measures, securing operations, limiting adverse impacts and utilizing opportunities. Etteplan risk management consists of coordinated measures aiming to identify, evaluate, manage and control all major risk areas of the Group in a systematic and proactive manner.

Etteplan's risk management process is led by the Group President and CEO together with the Management Group member responsible for risk management. The Management Group monitors the significant risks of the business units and supervises the development of the Group's risk management system and practices.

The business managers have the primary responsibility for risk management. Managers are responsible for risk management in their business areas in compliance with the Group's risk management guidelines. Risk management ensures profit, quality and continuity.

Managers report on the major risks and overall risk status of their business area to the Management Group as part of the monthly business reporting. The Group's financial administration monitors and assesses operational and financial risks and takes measures to hedge against them in cooperation with the Board of Directors, the Management Group and operative management.

The Board of Directors supervises risk management and approves the risk management guidelines of the Group. Risk management actions and the most relevant Group level risks are reported regularly to the Board of Directors.

Risks and risk management are presented on Company's website www.etteplan.com and in the Annual Report 2016.

Reviews concerning financing risks are presented in the notes to the consolidated financial statements in the Annual Report 2016.

Internal audit

Etteplan Group does not have separate internal audit function. The Board can engage external advisors to perform evaluations relating to control environment or other activities.

Description of the main features of the internal control and risk management systems pertaining to the financial reporting process

Etteplan prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards, as adopted by EU, the Securities Markets Acts as well as the appropriate Financial Supervision Authority Standards and Nasdaq Helsinki Ltd's rules. The Report of the Board of Directors of Etteplan and parent company financial statements are prepared in accordance with Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board.

Etteplan Group observes Group level accounting principles and instructions, which are applied in all Group companies and according to which the Group's financial reporting is prepared. Together with reporting calendar and schedules, accounting principles and instructions form the framework for timely and correct Group reporting. Etteplan's business operations are in all material respects located in Finland, Sweden, China, the Netherlands and Poland, and all countries have local accounting and financial reporting organizations, systems and reporting to the Group. Internal control and risk management systems and practices as described below are designed to ensure that the financial reports as disclosed by the Company give essentially correct information about the Company finances.

Etteplan has a common Group consolidation system. Accounting data is transferred from the local accounting systems either automatically or manually and correctness is controlled by the Group's accounting team. Common chart of accounts forms the basis of Group reporting. The Group accounting, consolidation and published financial reports are prepared by the centralised team.

Internal control over financial reporting

Proper arrangement and monitoring of internal control is the responsibility of the local management in accordance with the Group framework. Etteplan Board of Directors has approved operating principles of internal control, which have been prepared in accordance with the Code recommendation 48. Operating principles include the main features of risk management process, summary of risks, control objectives and common control points for financial reporting as well as roles and responsibilities in executing and monitoring internal control in Etteplan.

Internal controls over financial reporting process at the country and Group level was a focus area in 2009. Since then the processes have been reviewed and updated annually. Etteplan's finance organization has analysed process risks and defined control objectives for external financial reporting process. Existing control points in the process have been documented. These control points include for example reconciliations, authorisations, analysis, and segregation of key accounting duties. The work has been led by the Group CFO.

According to its annual clock, the Management Group has monthly meetings where also financial performance and financial reporting are analysed. Prior to these meetings, financial reports have been analysed in the business group level to detect any irregularities or errors. Group level financial reports are prepared to the Etteplan Board on a monthly basis. The Board also reviews and approves interim financial reports, annual results report and financial statements.

Etteplan does not have separate internal audit function. The Board can engage external advisors to perform evaluations relating to control environment or other activities.

INSIDER ADMINISTRATION

The Etteplan Oyj Board of Directors has approved insider regulations for the Company. The regulations are based on the Finnish Securities Markets Act as well as from the beginning of July 2016 the Market Abuse Regulation (EU N:o 596/2104, MAR), and they comply with the standards of Financial Supervision and the Guidelines issued by the Nasdaq Helsinki Ltd.

In accordance with the Market Abuse regulation Etteplan is no longer under the obligation to maintain a public insider register. However, Etteplan maintains a register of its managers and publishes stock exchange releases on the transactions the managers report to the stock exchange and the Company in compliance with the time limits and obligations defined by MAR. Due to the nature of their position, the members of the Board of Directors, the CEO, and the members of the Management Group are entered into said register of managers.

In addition, the Company maintains a permanent company specific insider register in accordance with the decision of the Board of Directors. The company specific insider register includes frontline managers for business operations, financial administration personnel, and those working for the Company on the basis of an employment or other contract who receive insider information.

A project-specific insider register is created by the decision of the Board of Directors, the CEO, or the Management Group.

The Company's insider guidelines direct insiders to restrict their trading in the Company's shares to times when the markets have as precise information as possible on the factors influencing the value of shares in the Company. Consequently, persons included in Etteplan's insider registers are always prohibited from trading with Company securities during 30 days before the publication of interim reports and financial statement release, including the day of publication (the closed window). During other times i.e. as of the day following the publication of interim reports and financial statement release there is an open window during which insiders are allowed to trade. Even then it is provided that they do not possess insider information.

The Chief Financial Officer is responsible for the maintenance of the afore mentioned registers of Etteplan Oyj. The CFO is also responsible for compliance with insider regulations and fulfilment of duties to report. The afore mentioned registers are maintained by the Company's Vantaa office, which updates the information that, as required by law, is entered in the registers for Euroclear Finland Ltd pertaining to insiders with the duty to declare.

RELATED PARTY TRANSACTIONS

Etteplan Group's related parties include such persons that have control, joint control or significant influence over the Group. Also the Group's key personnel, i.e. the members of the Board of Directors and Management Group including the CEO are included in the related parties. Companies in control or joint control of the afore mentioned persons are considered as other related parties. Related party transactions are priced according to Group's normal pricing basis and sales conditions.

In 2016 Etteplan's service purchases and sales from and to other related party companies were related to administrative cooperation between the companies. In connection with the acquisitions in spring 2016 Ingman Group Oy Ab, a related party of Etteplan Oyj, granted Etteplan a market-based loan, which was converted into Etteplan's shares in connection with the rights issue in June 2016.

AUDIT

The primary duty of statutory auditing is to verify that the financial statements give correct and sufficient information about the Group's profit and financial situation for the financial year. Etteplan Oyj's financial year is the calendar year. The auditor is responsible for auditing the Company's accounts and the correctness of its financial statements during the financial year, and for issuing an auditor's report to the Annual General Meeting.

A summary of the Group's audit report is compiled for the Board of Directors. Also, the auditors of all Group companies report separately to the management of each company within the Group. The auditor attends at least one meeting of the Board of Directors in the relevant financial year.

The Annual General Meeting elects one or two auditors to audit corporate governance and accounts. At least one of the auditors must be a firm of independent public accountants so authorized by the Central Chamber of Commerce. In 2016, the Annual General Meeting elected PricewaterhouseCoopers Oy, a firm of authorized public accountants, with Lauri Kallaskari, acting as Chief Auditor. In addition, Olli Wesamaa, CPA, was elected as the second Auditor of the Company. The auditor's term ends at the conclusion of the first Annual General Meeting after the election.

Audit fees and services not related to auditing

According to the resolution made by the Annual General Meeting 2016 the fees for the auditor are paid according to invoice approved by the Company.

The audit fees paid in 2016 totalled 127,668 euros (in 2015: 97,950 euros). In addition, 158,722 euros was paid to the firm for services not related to auditing (in 2015: 61,247 euros).

COMMUNICATIONS

It is Etteplan Oyj's principle to be open, truthful and quick in all communications. The primary objective of the Company's investor information is to provide the market with information about the Group's operations and financial standing. The goal is to give all stakeholder groups correct and uniform information in a regular and balanced manner.

Silent period

Etteplan Oyj follows a so-called silent period before publication of interim reports and financial statement releases. The duration of the silent period is 30 days.

Distribution of investor information

Etteplan publishes all of its investor information on the Company's website www.etteplan.com. Financial releases will be made available immediately after publication. They will be published in Finnish and English.

Board of Directors

From left to right: Teuvo Rintamäki, Leena Saarinen, Matti Huttunen, Robert Ingman, Patrick von Essen, Pertti Nupponen

TEUVO RINTAMÄKI
b.1955, M.Sc. (Economics)
Board member since 2010
Independent of the company and significant shareholders

LEENA SAARINEN
b. 1960, M.Sc. (Food technology)
Board member since 2013
Chairman of the Nomination and Remuneration Committee
Independent of the company and significant shareholders

MATTI HUTTUNEN
b. 1967, B.Sc. (Eng.)
Board member since 2015
Independent of the company and of significant shareholders

ROBERT INGMAN
b. 1961, M.Sc. (Eng.), M.Sc. (Economics)
Chairman of the Board of Directors since 2013
Board member since 2009
Member of Nomination and Remuneration Committee
Independent of the company

PATRICK VON ESSEN
b. 1963, M.Sc. (Eng.)
President and CEO of Dovre Group plc since 2014
Board member since 2014
Independent of the company and of significant shareholders

PERTTI NUPPONEN
s. 1961, KTT, DI
Board member since 2005
Member of Nomination and Remuneration Committee
Independent of the company and of significant shareholders

Management Group

Top row from the left: Petri Ikonen, Mikael Vatn, Riku Riikonen, Veikko Lamminen, Kari Liuska. Lower row from the left: Per-Anders Gådin, Outi-Maria Liedes, Juha Näkki and Outi Torniainen.

PETRI IKONEN
b. 1964, B.Sc. (Eng.)
Management Group member since 2015
Senior Vice President, Technical Documentation since 2015
Employed by the Company since 2010

MIKAEL VATN
b. 1967, B.Sc. (Eng.)
Management Group member since 2012
Senior Vice President, Operations Central and Western Europe since 2012
Employed by the Company since 2011

RIKU RIIKONEN
b. 1977, M.Sc. (Eng.)
Management Group member since 2010
Senior Vice President, Engineering Services since 2015
Employed by the Company since 2010

VEIKKO LAMMINEN
b. 1960, B.Sc. (Eng.)
Management Group member since 2012
Senior Vice President, Operations Finland since 2012
Employed by the Company since 2005

KARI LIUSKA
b. 1963, M.Sc. (Telecommunications), B.Sc. (Engineering)
Management Group member since 2016
Senior Vice President, Embedded Systems and IoT since 2016
Employed by the Company since 2016

PER-ANDERS GÅDIN
b. 1965, M.Sc (EP), BBA
Management Group member since 2009
CFO, Senior Vice President since 2009
Employed by the Company since 1999

OUTI-MARIA LIEDES
b. 1956, M.Sc. (Eng.), MBA
Management Group member since 2008
Senior Vice President, HR and Operational Development since 2016
Employed by the Company since 2008

JUHA NÄKKI
b. 1973, M.Sc. (Eng.)
Chairman of the Management Group since 2012, Management Group member since 2008
President and CEO of Etteplan Oyj since 2012
Employed by the Company since 2005

OUTI TORNIAINEN
b.1965, B.Sc (Communications)
Management Group Member since 2016
Senior Vice President, Communications and Marketing since 2016
Employed by the Company since 2016

The up-to-date CV information for Board of Directors and Management Group are available at www.etteplan.com.

Systematic risk assessment anticipates changes

Etteplan regularly conducts a thorough risk assessment covering the entire business operations. We systematically assess risks and adjust our operations when needed. In the risk assessment carried out in 2016, the overall risk level was slightly lower than in 2015. The risk levels of strategic risks decreased from 2015, while personnel-related risks increased.

A uniform Group-wide risk management assessment is conducted annually in conjunction with the strategy process. Etteplan complies with international risk management criteria (CAS and COSO) in its risk management. In risk assessment, we focus particularly on monitoring changes in previously identified risks, identifying new business risks as well as developing proactive risk management. The key aspects of the risk assessment include:

- proactive measures
- securing operations
- limiting adverse impacts and
- utilizing opportunities

Description of risks

The uncertainty caused by the general economic development and in the global economy pose 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.

Risks related to Etteplan Group's business operations are divided into five categories, and the risks are monitored according to this classification. These risks include both internal and external risks.

1. Strategic risks
2. Operational risks
3. Personnel risks
4. IT & security risks
5. Financial risks

The typical risks of Etteplan's business operations are described in the following section. However, the Company's operations may also be subject to other risks.

The most significant risks and uncertainties identified during the financial year are described in the report of the Board of Directors on pages 8-9.

Etteplan's risk management organization and operating methods are described on pages 72-73.

"We ensure the continuity of our operations by well-managed risk management."

Matala ●●●●●●●●●●●●●●●●●●●● Todella merkittävä

RISK CATEGORY	RISK SCALE	EXAMPLES OF RISKS	EXAMPLES OF PREVENTIVE ACTIONS	RESPONSIBLE ORGAN
Strategic risks	●●●	Business development, strategy implementation, the lack of top experts, business environment, market-, globalization- and M&A-related risks	Strategy and business plans, diversified customer base, balanced personnel structure, compliance with M&A procedures, corporate governance, Code of Conduct and risk management policy	CEO, Management Group, Finance, Human Resources and Communications functions
Operational risks	●●●●●●●●●	Organization and management, sales, projects, assignments, customer relationship and financing-related risks	Compliance with management systems, sales process, quality policy, key account management and service delivery processes, the Group's insurance policies	Business management, Quality, Human Resources and Finance functions
Personnel risks	●●●●●●●●●●●●●●	Competence management, management and organization, attrition, recruitment, the staffing of assignments, occupational health and well-being related risks	Use of competence management system, employee surveys, internal training, HR management, introduction process, compliance with Code of Conduct	Human Resources function, business management, entire personnel
IT & security risks	●●●●	Information security, network and system downtimes, computer viruses and customer IT connections related risks	Compliance with IT policy and information security guidelines, supplier agreements	IT Director, business management, entire personnel
Financial risks	●	Currency, interest, financing and liquidity, counterparty and credit risks related to the financing of business operations	Compliance with payment & credit policies and Group treasury policy, internal controls	CFO, Finance function, business management

* The risk scale reflects the level of the highest individual risk within the category, not the overall risk level.

Strategic risks

The overall level of Etteplan's strategic risks decreased from the previous year. The risk level was reduced by a more balanced business portfolio as well as the improved management of M&A-related risks. Strategic risks were also diminished by the fact that the Company's business strategy corresponded well with market development and customer needs. However, the general economic uncertainty had the opposite effect on the risk level.

Etteplan's most significant strategic risks are related to the development of business operations, the implementation of strategy and acquisitions. Etteplan's strategy involves expansion through acquisitions. Etteplan manages these risks by having carefully prepared procedures for acquisitions and integration. In addition to acquisitions, organic growth is an important part of the growth objectives for Etteplan's business. The most significant risk related to achieving this goal is the potential lack of top experts. Possible unpredictable changes in customers' business also constitute a risk for Etteplan's business operations. The economic downturn can have a negative effect on investments and hence also on Etteplan's business and profitability. The Group aims to reduce its vulnerability to market risks and business cycles through a balanced customer base comprised of customers operating in different industries, markets and geographical areas. The engineering business is characterized by intense competition, particularly in an economic downturn.

Operational risks

Etteplan's operational risk level remained at a high level. The operational risks were mainly related to the potential impacts on Etteplan's business from the development of different markets.

Etteplan's greatest operational risks are related to assignments and personnel. The Company's assignments involve a risk that a service or deliverable involves, for example, a professional error or negligence, which could cause significant financial or other damage. In order to manage operational risks, Etteplan emphasizes compliance with management systems, codes of practice and acceptance procedures, training of personnel and compliance with instructions concerning the management of quotes and contracts, particularly in the delimitation of contractual liability.

Etteplan aims to restrict the liability risks inherent to engineering services by using standardized contract terms and insurances.

Assignments can be carried out at a fixed price, at a ceiling fee or on an hourly-rated basis. Fixed-price and ceiling-fee assignments involve the risk that estimates regarding the work of professionals are exceeded. This can be caused by inaccurate time and cost estimates, performance delays, disputes about compensation for additional or changed services, human error or other unexpected circumstances. Quality management systems and project review processes are in use throughout the Group to avoid and mitigate such risks. Regular project reviews are conducted in major assignments and in assignments which are assessed to contain risks. Work in progress, changed and additional work, and receivables are assessed and recorded in the accounting and risk management system. The project manager plays a key role in the risk management of assignments.

The project manager is responsible for managing and controlling the assignment from beginning to end: from tender preparation to final acceptance. To ensure the effectiveness of risk management, training is provided to project managers in all of their essential areas of activity, and supervision mechanisms are in place for both large and risky assignments. The Company has a liability insurance program that encompasses the entire Group. However, the insurance does not cover all liability risks.

Personnel risks

Etteplan's personnel risks were estimated to be at a high level in 2016. There is intense competition for highly competent professionals in the field of technology in Sweden, for example, and the same trend is also getting stronger in Finland. If they materialize, personnel risks can slow down the Company's growth.

The availability of competent professionals is an important factor for ensuring profitability and operations. The most significant personnel risks at Etteplan are related to personnel competence management, attrition and appropriate staffing of assignments. The realization of these risks are prevented among others by regular PDP discussions, a personnel data system covering the entire Group personnel, systematic follow-up on occupational health and welfare at work as well as by internal procedures and guidelines.

The Group maintains the personnel's job satisfaction and welfare at work by developing Group-wide HR processes as well as by investing in the development of personnel. The focus areas in HR management in 2016 are presented in the Annual Review 2016 on pages 28-30.

IT & security risks

The effective functioning of information and communication systems is essential for Etteplan's business operations. The related IT & security risk level remained at a moderate level in 2016.

IT & security risks are examined carefully, as Etteplan's business operations are dependent on information and communication systems. System failures or access limitations can negatively affect the operations of the Group. Etteplan prevents the realization of information security related risks by internal procedures and guidelines as well as by internal control. Measures limiting the effects of external influences on the systems include backup copies, firewalls, system monitoring, virus scanners and managing access rights.

Financial risks

Etteplan's financial risks remained unchanged and at a low level in 2016.

Etteplan Group's most significant financial risks are related to business financing as well as currency and translation risks. The financial risks are managed in accordance with the treasury policy approved by Etteplan's Board of Directors. The aim is to hedge against significant financial risks, balance the cash flow and give the business time to adjust its operations to changing conditions. Reviews concerning financing risks are presented in the notes to the Consolidated Financial Statements on pages 23-26. Etteplan prevents the realization of financial risks through internal procedures and guidelines as well as through internal control.

Investor information

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

Periodic fluctuation

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. Only the key figures in the Financial Statements for the entire year provide an appropriate description of the Company's financial situation.

A stable dividend payer

Etteplan's aim is to increase shareholder value and to be a stable dividend payer. The dividend has been approximately 50 per cent of earnings per share.

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 were to be left in 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.

The Board of Directors proposes to the Annual General Meeting of April 4, 2017, that a dividend of EUR 0.16 per share be paid for the financial year 2016. If the Annual General Meeting approves the Board's proposal on the payment of dividend, the dividend shall be paid to shareholders registered on the record date of April 6, 2017, in the shareholders' register maintained by Euroclear Finland Ltd. The dividend payment date proposed by the Board of Directors is April 13, 2017.

ETTEPLAN'S INVESTOR RELATIONS PRINCIPLES

The objective of Etteplan's investor relations is to produce accurate, sufficient and up-to-date information about Etteplan's strategy, business operations, markets and financial position to ensure that the capital markets have relevant information about the Company as an investment.

Outlook

Information on Etteplan's outlook and earnings forecast is published in the Financial Statements release for the financial year, the half year financial report and the interim reports. The outlook is approved by the Board of Directors. Etteplan does not publish quarterly earnings forecasts.

Market estimates

Upon request, the Group will review analyses or reports compiled by an analyst for factual errors, insofar as the reports and analyses are based on materials released by the Group. Etteplan does not comment on or take any responsibility for estimates or forecasts published by capital market representatives.

Silent period

Etteplan observes a silent period of 30 days prior to the announcement of financial results. During this period, Etteplan's management and personnel refrain from making any contacts or comments to investors, analysts and the media about the Company's business outlook, financial results or projections. At other times, we are pleased to respond to inquiries by investors and analysts and arrange meetings.

Analysts following etteplan

Evli Bank Plc Tel. +358 9 4766 9701
Inderes Oy Juha Kinnunen Tel. +358 40 778 1368
Nordea Bank Plc Pasi Väisänen Tel. +358 9 5300 5192

Investor relations contacts

Juha Näkki, President and CEO, Tel. +358 10 307 2077
Outi Torniainen, Senior Vice President, Communications and Marketing, Tel.+358 10 307 3302
Per-Anders Gådin, CFO, Tel. +46 70 399 7929

Information for shareholders

GENERAL MEETING OF SHAREHOLDERS

The Etteplan Oyj Annual General Meeting will be held on Tuesday, April 4, 2017, starting at 1 p.m. at the Company premises in Vantaa at Ensimmäinen savu, 01510 Vantaa. The invitation to the General Meeting of shareholders shall be published according to Etteplan Oyj's Articles of Association on the Company website www.etteplan.com.

RIGHT TO ATTEND

Every shareholder who on March 23, 2017, is registered as a shareholder in the list of shareholders maintained by Euroclear Finland Ltd has the right to participate in the Annual General Meeting.

NOTIFICATION OF ATTENDEES

To be able to participate in the Annual General Meeting, the shareholder must register for this no later than 10 a.m. on March 30, 2017 either by e-mail to registration(at)etteplan.com or by telephone on +358 10 307 3222. The shareholder may also register by sending a registration letter to Etteplan Oyj, Yhtiökokous, P.O. Box 216, 01511 Vantaa, Finland. The letter must arrive before the registration deadline. Any proxy documents, identified and dated, must be delivered to the Company for inspection to the address mentioned above prior to the expiry of the registration period.

Important dates

- Record date for participation in the General Meeting: March 23, 2017
- Deadline for registration for the General Meeting: March 30, 2017 at 10 a.m.
- General Meeting: April 4, 2017
- Record date for the payment of dividend: April 6, 2017
- Dividend payment date: April 13, 2017

SHAREHOLDER REGISTER INFORMATION

Shareholders should notify the bank, brokerage firm or other account operator with which they have a book-entry securities account about changes in address or account numbers for the payment of dividends and other matters related to their holdings in the share.

DISCLOSURE OF FINANCIAL INFORMATION IN 2017

Etteplan Oyj publishes financial reports and releases in Finnish and English. Financial reports and releases are made available at www.etteplan.com immediately after their publication. A printed Annual Report can be ordered from Group Communications, tel. +358 10 307 3706 or by e-mail from CorpComm(at) etteplan.com.

PUBLICATION DATES FOR REVIEWS AND REPORTS IN 2017:

- Financial statements release: February 9, 2017
- Annual Report: week 10 (the week starting March 6, 2017)
- Interim report 1-3/2017: Wednesday, May 3, 2017
- Half year financial report 1-6/2017: Thursday, August 10, 2017
- Interim report 1-9/2017: Wednesday, October 25, 2017

In 2016, we participated in several events aimed particularly at private investors. We look forward to seeing you at our events again in 2017.

Etteplan Oyj

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Tel. +358 10 3070
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Etteplan