

2020

Financial Review

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Board of Directors' review January 1–December 31, 2020

OPERATING ENVIRONMENT

The majority of Etteplan's customers are industrial companies, with several global megatrends currently influencing the development of their operating environment. Structural changes in the global economy, disruptions in international trade, urbanization and climate change are all influencing companies, national economies and people's lives. In addition to these megatrends, the engineering industry is influenced primarily by three trends: digitalization, accelerating technological development and the lack of engineering resources. These trends are creating a need for intelligent and efficient engineering solutions in all industrial sectors. The trend of centralizing service purchasing continues as customer demand becomes increasingly international, presenting growth opportunities for global engineering companies. The continued trend of service outsourcing has a positive effect on the industry's development and it supports Etteplan's growth. Competition for employees and the limited availability of specialized experts in certain areas continues to affect the development of the sector as a whole in all market areas.

The prolongation of the global COVID-19 pandemic continues to have a significant impact on the global economy and market situation. The most important factor affecting Etteplan's business is the global development of the machinery and metal industry, and demand has weakened due to the pandemic. However, in the latter part of the year, the start of vaccinations reduced uncertainty in the markets and boosted investments in product development and production, which improved the demand situation even more than we anticipated.

Development of demand by customer industry

The pandemic affects demand in all customer industries. Customer-specific differences were again considerable in the review period. Demand in the Forest, Pulp and Paper industry was at a moderate level. Demand in the Energy industry was at a moderate level. Demand in the Mining industry is picking up. Demand in the Lifting and Hoisting industry was at a moderate level. Demand in the ICT industry remained good. In the Automotive and Transportation industry, demand was at a weak level. Demand in the Chemical industry improved to a good level.

Development of demand in Etteplan's operating countries

In Finland, the general market demand weakened in the second quarter and remained at a low level in the third quarter due to the effects of the pandemic. Market demand picked up in the final quarter of the year.

The combined revenue of technology industry companies in Finland increased by some two per cent in 2020 compared to 2019. All in all, the technology industry in Finland managed the Corona year with less damage than initially anticipated. Based on the orders during the latter part of 2020, it is estimated that revenue in the beginning of 2021 will be on the same level with the corresponding period last year.

The revenue of engineering and consulting companies in the technology industry declined by one per cent in 2020 compared to 2019. Based on the orders in the past few months, we estimate that the revenue of engineering and consulting companies in the beginning of 2021 will be approximately on the same level with the corresponding period last year.

In Sweden, the Netherlands, Germany and Poland, a slight turn for the better was seen in the general market demand in the third quarter, and that continued in the fourth quarter. The pandemic, nevertheless, creates continued uncertainty.

In China, demand recovered in the second quarter after being weakened by the pandemic and was at a good level in the third and fourth quarters.

REVENUE

Etteplan's revenue decreased by 1.4 per cent and was EUR 259.7 million (2019: EUR 263.3 million). Revenue decreased by 1.4 per cent at comparable exchange rates. The organic decrease in revenue was 8.3 per cent. At comparable exchange rates, the decrease was 8.3 per cent. Revenue from key accounts declined by 7.4.

Our revenue decreased due to the effects of the COVID-19 pandemic and we had to adapt our business to the prevailing market situation during the year. The start of the second wave of the pandemic slowed down project start-ups after the summer holidays and affected the accrual of revenue in the third quarter. We were cautious in

recruitment during the year due to the uncertainty brought about by the pandemic. Once the demand situation improved in the latter part of the year, we called temporarily laid off employees back to work and also started recruitment. A strike in the engineering and consulting industry in Finland in the final quarter of 2019 affected revenue in the comparison period.

Etteplan's business is subject to periodic fluctuation due to the number of working days, holiday seasons and the timing of product development and investment projects in customer companies, which mainly take place in the spring and the latter part of the year. The revenue in the third quarter is typically lower than that of other quarters.

The revenue of acquired companies is not included in the organic growth of revenue for the 12 months following the acquisition. Devex Mekatronik AB increased Etteplan's revenue effective from June 1, 2019, EMP Engineering Alliance from July 1, 2019, Teknifo AB from October 1, 2019, Triview Technical Communication B.V. from November 1, 2019, and Tegema from September 1, 2020.

RESULT

The weakening of demand caused by the COVID-19 pandemic affected Etteplan's business during the year. However, profitability was at an excellent level due to the improvement of the demand situation in the latter part of the year, excellent operational efficiency as well as adaptation and cost saving measures. The result was also affected by COVID-19 support measures by various governments.

Operating profit (EBITA) was at the previous year's level and amounted to EUR 26.2 (26.0) million or 10.1 (9.9) per cent of revenue.

Operating profit (EBIT) was EUR 22.4 (22.8) million or 8.6 (8.7) per cent of revenue.

The combined effect of non-recurring items on operating profit (EBITA) and operating profit (EBIT) was EUR -0.9 (1.1) million. The non-recurring items were related to changes in the premeasurements of contingent considerations, acquisitions and organizational restructuring.

At the beginning of 2019, Etteplan started to measure its profitability using operating profit (EBITA) instead of EBIT from business operations. The Company updated its financial target concerning profitability on April 4, 2019, and reiterated the target in connection with the strategy renewal on December 18, 2019. The target is to reach 10 per cent operating profit (EBITA) of revenue.

Profit before taxes was EUR 21.1 (21,9) million. Taxes in the income statement amounted to 19.0 (20.7) per cent of the result before taxes. The amount of taxes was EUR 4.0 (4.5) million.

The profit for the financial year was EUR 17.1 (17.4) million.

Basic earnings per share were EUR 0.69 (0.70). Equity per share was EUR 3.50 (3.09) at the end of December. Return on capital employed (ROCE) before taxes was 16.0 (19.9) per cent.

CASH FLOW AND FINANCIAL POSITION

Operating cash flow was EUR 38.0 (32.9) million. Cash flow after investments was EUR 30.5 (10.1) million in.

Operating cash flow was excellent in the final quarter of the year. In the third quarter, cash flow was weaker than in the other quarters due to the summer holidays. In the second quarter, cash flow was exceptionally strong as operating expenses declined faster than the cash flow from sales due to the adaptation and cost saving measures. When business returns to growth, the effect on cash flow will be the opposite. This means that, assessed over the longer term, cash flow will reflect our operating performance.

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

The Group's cash and cash equivalents stood at EUR 24.4 (15.9) million at the end of December.

The Group's interest-bearing debt amounted to EUR 65.0 (56.3) million. Debt increased due to a new loan arrangement and the growth of lease liabilities related to relocations. Lease liabilities represented EUR 24.5 (15.6) million of interest-bearing liabilities.

The total of unused short-term credit facilities stood at EUR 16.5 (14.2) million.

Etteplan has assessed the effects of the COVID-19 pandemic on assets and liabilities in accordance with the recommendation of the European Securities and Markets Authority ESMA. The assessment did not indicate differences compared to the situation at the end of the previous year.

Total assets on December 31, 2020 were EUR 217,9 (203.0) million. Goodwill on the balance sheet was EUR 83.7 (79.0) million.

At the end of December, the equity ratio was 40.5 (38.9) per cent.

CAPITAL EXPENDITURE

The Group's gross investments were EUR 29.7 (36.9) million. The gross investments mainly consisted of an increase in lease liabilities, acquisition-related items, equipment purchases and license fees for engineering software.

PERSONNEL

The number of personnel decreased slightly and stood at 3,267 employees at the end of December 2020 (December 31, 2019: 3,447). The number of personnel decreased by 5.2 per cent compared to the end of 2019 as recruitment was reduced due to the COVID-19 situation. The Group employed 3,320 (3,305) people on average in 2020. At the end of December, 1,351 (1,382) people were employed by the Group outside of Finland.

BUSINESS REVIEW

Etteplan published its renewed strategy, Increasing value for customers, and updated financial targets in December 2019. Etteplan has engaged in preparations and planning related to the renewed strategy, but many projects have been suspended for the time being due to attention being shifted to the COVID-19 pandemic. Investments in the development of the service offering, nevertheless, continued in the third and fourth quarters. Other investments in the implementation of the strategy will continue as soon as the situation allows it, and we believe the renewed strategy will drive the success of the Company after the pandemic.

The key objective of the Company's strategy is to create even higher value for customers and support them in the industrial change. The three key elements of our strategy are customer value, service solutions and success with people.

The most important focus areas of growth are the continuous development of service solutions, digitalization and international growth. Etteplan's target is to achieve revenue of EUR 500 million by 2024 and increase the share of revenue earned outside Finland to 50 per cent. The Company targets an operating profit (EBITA) level of 10 per cent of revenue. A further target is to increase the share of revenue represented by Managed Services to 75 per cent.

The growth in the share of Managed Services enhances Etteplan's capacity management and improves profitability. The share of revenue represented by Managed Services stood at 61 (60) per cent in 2020. We continue the development of technology solutions as part of our service solutions. We are strengthening our expertise in areas such as additive manufacturing, digital twin solutions, artificial intelligence and other digital technologies.

Etteplan's customers are investing in digitalization and intelligent devices, which presents significant growth opportunities for the Company. In the recent years, Etteplan has also invested in digitalization and software development with the aim of expanding its service offering and competence capital in order to respond to the digitalization needs of customers. At the same time, we are investing in organic growth as well as the development of our own business and increasing its rate of digitalization.

Etteplan's goal is to grow internationally and provide solutions from all of the Company's service areas in all of its market areas. Revenue accumulated outside Finland amounted to EUR 100.4 (89.5) million, or 39 (35) per cent of the Group's total revenue in 2020.

The Chinese market developed well and the number of hours sold increased by 5.6 per cent as the pandemic slowed down growth during the first part of the year.

Impacts of the COVID-19 pandemic on Etteplan's operations

The COVID-19 pandemic has a significant impact on Etteplan's operations. Etteplan reacted quickly and successfully to the changed operating environment and nearly 85 per cent of Etteplan's employees quickly moved to remote work in the middle of March.

Remote work will increase at Etteplan in the future, and we have invested in the management and development of remote work. We aim to support employee well-being, even in the context of remote work, and we have signed a cooperation agreement with Isku to develop remote workstations.

The declining demand among customers directly affects Etteplan. Consequently, Etteplan implemented temporary layoffs in 2020 in Finland, Sweden and Germany. In Poland and the Netherlands, the local legislation does not permit temporary layoffs. At most 402 employees were temporarily laid off during the year. A large proportion of the temporary layoffs were implemented as part-time layoffs. When the demand situation improved toward the end of the year, we called temporarily laid off employees back to work. At the end of December, a total of 165 employees were temporarily laid off.

Acquisitions

In September 2020, Etteplan strengthened its production-related competences and know-how by acquiring Tegema in the Netherlands. Tegema provides production solutions, production cells and equipment for customers in the field of semiconductors, electronics, mobility, photonics and medical. The acquisition is a step forward in Etteplan's international growth and also marks the start for engineering services in the

Netherlands. Previously, Etteplan has offered technical documentation services in the Netherlands. Tegema employs some 100 experts in Eindhoven and Arnhem. In 2019, the company's revenue was approximately EUR 11 million. The integration of Tegema into Etteplan has progressed according to plan.

After the end of the review period, in January 2021, Etteplan expanded its business in the Nordic region and opened up a new country, Denmark, by acquiring TekPartner, an engineering and IT company that specializes in electronics and software. Founded in 2009, TekPartner covers development of all core disciplines within embedded software, intelligent electronics, FPGA (field-programmable gate array) and IoT (Internet of Things). In 2019, TekPartner's revenue amounted to approximately EUR 8 million. TekPartner delivers its services through a combination of its own team of 19 highly qualified engineering professionals and a network of partners.

GOVERNANCE

GENERAL MEETING

Etteplan Oyj's Annual General Meeting was held on April 2, 2020. 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 2019.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.35 per share for the financial year 2019 and to leave the remaining funds in unrestricted equity. The dividend decided on by the Annual General Meeting was paid to the shareholders registered on the record date in the shareholders' register maintained by Euroclear Finland Ltd. The record date for the dividend payout was April 6, 2020, and the date of dividend payout April 15, 2020.

In accordance with the proposal of Etteplan's Nomination and Remuneration Committee, the Annual General Meeting resolved that the Board of Directors shall consist of five members. In accordance with the proposal of the Nomination and Remuneration Committee, the Annual General Meeting resolved on the annual remuneration of the members of the Board of Directors, the Chairman of the Board and the members of the Nomination and Remuneration Committee and the Audit Committee.

In accordance with the proposal of the Nomination and Remuneration Committee of the Board of Directors, the Annual General Meeting re-elected Matti Huttunen, Robert Ingman, Leena Saarinen and Mikko Tepponen as members of the Board of Directors. The Annual General Meeting further elected Päivi Lindqvist as a new member of the Board of Directors. KPMG Oy Ab, Authorized Public Accountants, with Authorized

Public Accountant Kim Järvi as the main responsible auditor, was elected as the Company's auditor.

In its organization meeting subsequent to the Annual General Meeting, the Board of Directors of Etteplan Oyj elected Robert Ingman as Chairman of the Board of Directors. Matti Huttunen was elected the Chairman and Robert Ingman and Leena Saarinen as members of the Nomination and Remuneration Committee of Etteplan Oyj.

Leena Saarinen was elected the Chairman and Päivi Lindqvist and Mikko Tepponen as members of the Audit Committee of Etteplan Oyj. The Board of Directors of Etteplan Oyj confirmed the central duties and operating principles of the Audit Committee, which are available on the Company's website at www.etteplan.com.

The Annual General Meeting resolved to change the domicile of the Company from Vantaa to Espoo and resolved to thus change the Articles of Association of the Company by updating article 1 Business name and domicile to read as follows:

1 § Business name and domicile

The Company's business name is Etteplan Oyj, and it is domiciled in Espoo.

In connection with this change, Etteplan's head office will move to the technology cluster of Keilaniemi and Otaniemi in Espoo, Finland.

BOARD AUTHORIZATIONS

The Annual General Meeting 2020 authorized the Board of Directors to resolve on the repurchase of the Company's own shares in one or more tranches using the Company's unrestricted equity. A maximum of 2,000,000 shares in the Company may be repurchased. The Company may deviate from the obligation to repurchase shares in proportion to the shareholders' current holdings, i.e. the Board has the right to decide on a directed repurchase of the Company's own shares.

The authorization includes the right for the Board to resolve on the repurchase of the Company's own shares through a tender offer made to all shareholders on equal terms and conditions and at the price determined by the Board, or in public trading organized by the Nasdaq Helsinki Ltd at the market price valid at any given time, so that the Company's total holding of its 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 2, 2020, and ending on October 2, 2021. The authorization replaces the corresponding previous authorization.

The Annual General Meeting 2019 decided to authorize the Board of Directors to resolve on the issuance of a maximum of 2,500,000 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 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, Article 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 conferring entitlement to shares. The authorization also includes the right to decide on all the terms of share issue, option rights or other special rights conferring entitlement 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 4, 2019, and ending on April 4, 2021.

SHARES

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Mid Cap market capitalization group in the Industrials sector under the ETTE ticker. The Company has one series of shares. All shares confer an equal right to a dividend and the Company's funds.

The Company's share capital on December 31, 2020, was EUR 5,000,000.00 and the total number of shares was 24,963,308.

The number of Etteplan Oyj shares traded in 2020 was 1,564,244 (2019: 1,471,517), for a total value of EUR 14.80 (13.23) million. The share price low was EUR 6.50, the high EUR 13.30, the average EUR 9.46 and the closing price EUR 12.95. Market capitalization on December 31, 2020, was EUR 322.25 (251.79) million. On December 31, 2020, Etteplan had 3,323 shareholders (December 31, 2019: 2,914).

The Company held 79,046 of its own shares on December 31, 2020 (December 31, 2019: 156,203), which corresponds to 0.32 per cent of all shares and voting rights.

FLAGGING

Etteplan Oyj received no flagging notices in 2020.

ETTEPLAN OYJ'S INCENTIVE PLAN FOR KEY PERSONNEL 2020–2022

On February 5, 2020, Etteplan's Board of Directors resolved 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 comprises calendar years 2020–2022. The earning period covers the same years as Etteplan's strategy update published in December 2019. The plan is in line with Etteplan's strategy and supports the achievement of the Company's financial targets.

The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). The potential reward will be paid partly in the Company's shares and partly in cash after the end of the earning period. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel.

Approximately 25 people belong to the plan, including the Management Group of Etteplan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 390,000 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, and therefore the incentive plan will have no diluting effect on the share value.

PAYMENT OF THE SHARE REWARDS BASED ON THE SHARE-BASED INCENTIVE PROGRAM 2017–2019 INTENDED FOR THE KEY PERSONNEL

On February 11, 2020, Etteplan's Board of Directors confirmed the maximum number of shares, 84,124, earned based on the earning period 2017–2019 of the share-based incentive program for the Company's key personnel, and resolved on the payment of the share rewards from the shares held by the Company. In addition, Etteplan paid in cash a proportion to cover taxes and tax-related costs arising from the reward to some 20 people belonging to the target group of the incentive plan. The share rewards were paid on April 15, 2020. Etteplan Oyj announced the establishment of this share-based incentive program with a Stock Exchange Release published on May 31, 2017:

"The Board of Directors of Etteplan Oyj decided on May 31, 2017, to establish a new share-based incentive plan for the Group's key personnel. The incentive plan includes one earning period comprising the calendar years 2017–2019. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). 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. Approximately 20 people belong to the target group of the incentive plan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 260,000 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 and, therefore, the incentive plan will have no diluting effect on the value of the share."

On April 15, 2020, Etteplan Oyj transferred a total of 77,157 of its own shares to Group key personnel in accordance with the terms of the share-based incentive plan for the Group key personnel, and the decision made by the Board of Directors on February 11, 2020. The amount of shares differs from the previously communicated amount due to a change in Etteplan's Management Group. After the transfer, Etteplan holds a total of 79,046 own shares.

OPERATING RISKS AND UNCERTAINTY FACTORS

Etteplan's financial results are exposed to a number of strategic, operational and financial risks. The uncertainties caused by the general economic development continue to constitute risks for 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 increased difficulties in recruiting professional staff, particularly in certain expert disciplines, continues to present a business risk. The COVID-19 pandemic has a significant impact on Etteplan's business and the prolonging of the situation will have a negative impact on the Company's financial development.

Etteplan assesses business risks annually. The focus of the assessment is particularly on monitoring changes in already identified risks, identifying new business risks and developing proactive risk management. The results of the assessment are presented in Etteplan's Corporate Governance Statement.

MARKET OUTLOOK 2021

The prolongation of the global COVID-19 pandemic continues to have a significant impact on the global economy and market situation. The most important factor affecting Etteplan's business is the global development of the machinery and metal industry, and demand has weakened due to the pandemic. The start of vaccinations has, nevertheless, reduced uncertainty in the markets and boosted investments in product development and production. As vaccinations move forward, we believe that the demand situation will develop favorably during the year.

FINANCIAL GUIDANCE 2021

Etteplan changes its financial guidance practice and, going forward, issues guidance for revenue and operating profit (EBIT) as a numerical range:

Revenue in 2021 is estimated to be EUR 280–300 million.

Operating profit (EBIT) in 2021 is estimated to be EUR 23–26 million.

THE BOARD'S PROPOSAL FOR DISTRIBUTION OF 2020 PROFITS

The parent company's distributable shareholders' equity according to the balance sheet on December 31, 2020, is EUR 53,795,022.60. The Board of Directors will propose to the Annual General Meeting, which will convene on April 8, 2021, that on the dividend payout date a dividend of EUR 0.34 per share be paid on the Company's externally owned shares, for a total amount of EUR 8,487,524.72 at most, and that the remaining profit be transferred to retained earnings.

ANNUAL GENERAL MEETING 2020

Etteplan Oyj's Annual General Meeting will be held in Vantaa, Finland, on Thursday, April 8, 2021, starting at 10:00 a.m. The summons to the AGM is published as a separate release.

CORPORATE GOVERNANCE STATEMENT

Etteplan publishes the Corporate Governance Statement for 2020 separately from the Board of Directors' review. The statement is available on the Company's website www.etteplan.com.

STATEMENT OF NON-FINANCIAL INFORMATION

Etteplan publishes the Statement of non-financial information for 2020 separately from the Board of Directors' review. The statement is available on the Company's website www.etteplan.com.

NON-IFRS KEY FIGURES

Etteplan presents non-IFRS key figures to supplement its consolidated financial statements which are prepared in accordance with IFRS. These key figures are designed to measure growth and provide insight into the company's underlying operational performance. This section describes the most important non-IFRS key figures used by the Group. Formulas for key figures (IFRS and Non-IFRS) are presented on page 34.

Operating profit (EBITA) and EBITA, %

Operating profit (EBITA) is presented, because it reflects the Group's operational performance better than Operating profit (EBIT). Operating profit (EBITA) does not include amortization of fair value adjustments at acquisitions. EBITA, % presents Operating profit (EBITA) as a percentage share of revenue. The table below shows a reconciliation between Operating profit (EBITA) and Operating profit (EBIT).

EUR 1,000	2020	2019
EBIT	22,380	22,819
Amortization on fair value adjustments at acquisitions	3,791	3,146
Operating profit (EBITA)	26,172	25,964

Organic/un-organic growth and growth in comparable currencies

Organic (revenue) growth is presented in addition to total revenue growth, because it improves the comparability of revenue growth between periods by presenting the revenue growth without the effects of the last 12 months' acquisitions. Organic growth is calculated by comparing revenue between comparison periods excluding revenue from acquisitions that have taken place in the past 12 months. The revenue growth created by the last 12 months' acquisitions is presented as un-organic growth. Revenue growth in comparable currencies is presented, because it improves the comparability of revenue growth between periods by presenting the revenue growth with comparable exchange rates. For the calculation of growth in comparable currencies, revenue for the current period is calculated by using the comparable period's exchange rates. The figure is presented for Group revenue and organic growth.

The share of revenue represented by Managed Services

Etteplan measures the share of revenue represented by Managed Services (MSI Index). Managed Services are service solutions, such as projects and continuous services, where the customer pays for results instead of resources. The share of revenue represented by Managed Services is presented, because it describes Etteplan's strategy implementation and explains, in part, the changes in profitability.

Etteplan Oyj
Board of Directors

Consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	Jan 1-Dec 31, 2020	Jan 1-Dec 31, 2019
Revenue	7	259,702	263,292
Other operating income	8	3,622	2,582
Materials and services	10	-23,317	-26,550
Staff costs	11	-177,301	-172,520
Other operating expenses	12	-22,300	-29,273
Depreciation and amortization	19, 20	-18,026	-14,712
Operating profit (EBIT)		22,380	22,819
		8.6%	8.7%
Financial income	14	422	695
Financial expenses	15	-1,722	-1,590
Profit before taxes		21,080	21,924
Income taxes	17	-4,003	-4,536
Profit for the financial year		17,077	17,387
Other comprehensive income, that may be reclassified to profit or loss			
Currency translation differences		1,415	-398
Other comprehensive income, that will not be reclassified to profit or loss			
Change in fair value of equity investments at fair value through other comprehensive income		-7	-75
Other comprehensive income for the year, net of tax	17	1,409	-473
Total comprehensive income for the year		18,486	16,915
Profit for the financial year attributable to			
Equity holders of the parent company		17,077	17,387
Total comprehensive income attributable to			
Equity holders of the parent company		18,486	16,915
Earnings per share calculated from the profit attributable to equity holders of the parent company			
Basic earnings per share, EUR	18	0.69	0.70
Diluted earnings per share, EUR	18	0.69	0.70

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Goodwill	22	83,685	79,044
Other intangible assets	19	26,011	27,472
Tangible assets	20	25,698	17,264
Investments at fair value through other comprehensive income	21	378	387
Other non-current receivables	21	54	54
Deferred tax assets	30	493	259
Non-current assets, total		136,320	124,480
Current assets			
Inventory	23	336	313
Work in progress	7	17,764	22,498
Trade and other receivables	24	38,883	39,332
Current tax assets		208	401
Cash and cash equivalents		24,407	15,878
Current assets, total		81,598	78,421
TOTAL ASSETS		217,918	202,901

EUR 1,000	Note	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	25	5,000	5,000
Share premium account	25	6,701	6,701
Unrestricted equity fund	25	20,101	20,101
Own shares	25	-124	-700
Cumulative translation adjustment	25	-2,884	-4,299
Other reserves	25	101	108
Retained earnings	25	58,178	49,829
Equity, total		87,074	76,740
Non-current liabilities			
Deferred tax liabilities	30	6,502	6,481
Loans from financial institutions	27	12,900	24,900
Lease liabilities	27	8,608	8,216
Other non-current liabilities	28	27	27
Non-current liabilities, total		28,038	39,624
Current liabilities			
Loans from financial institutions	27	27,583	15,757
Lease liabilities	27	15,883	7,381
Advances received	7	2,770	5,378
Trade and other payables	29	54,608	55,588
Current income tax liabilities		1,962	2,433
Current liabilities, total		102,806	86,537
Liabilities, total		130,844	126,161
TOTAL EQUITY AND LIABILITIES		217,918	202,901

The notes are an integral part of the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	Note	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
OPERATING CASH FLOW			
Cash receipts from customers		267,784	263,365
Operating expenses paid		-223,600	-225,189
Operating cash flow before financial items and taxes		44,184	38,176
Interest and payment paid for financial expenses	15	-1,257	-1,192
Interest received	14	79	162
Income taxes paid	17	-5,010	-4,262
Operating cash flow (A)		37,997	32,884
INVESTING CASH FLOW			
Purchase of tangible and intangible assets	19, 20	-1,639	-2,063
Acquisition of subsidiaries, net of cash acquired	5	-5,885	-21,049
Proceeds from sale of tangible and intangible assets		30	81
Proceeds from sale of investments	21	0	215
Investing cash flow (B)		-7,494	-22,816
Cash flow after investments (A+B)		30,503	10,068
FINANCING CASH FLOW			
Purchase of own shares	25	0	-519
Issue of new current loans	27	11,698	2,020
Repayments of current loans	27	-12,217	-8,440
Issue of new non-current loans	27	0	13,500
Repayments of non-current loans	27	-695	0
Payment of lease liabilities	20	-12,131	-9,624
Dividend paid	25	-8,682	-7,454
Financing cash flow (C)		-22,028	-10,517
Variation in cash (A+B+C) increase (+) / decrease (-)		8,475	-449
Assets at the beginning of the financial period		15,878	16,115
Exchange gains or losses on cash and cash equivalents		55	212
Assets at the end of the financial period		24,407	15,878

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
Equity Jan 1, 2019	5,000	6,701	20,101	231	-452	-3,901	39,846	67,527
Comprehensive income for the year								
Profit for the financial year	0	0	0	0	0	0	17,387	17,387
Other comprehensive income for the year								
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	-75	0	0	0	-75
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	0	0	0	-49	0	0	49	0
Cumulative translation adjustment	0	0	0	0	0	-398	0	-398
Other comprehensive income for the year, net of tax	0	0	0	-122	0	-398	49	-473
Total comprehensive income for the year	0	0	0	-122	0	-398	17,436	16,915
Transactions with owners								
Dividends	0	0	0	0	0	0	-7,454	-7,454
Purchase of own shares	0	0	0	0	-519	0	0	-519
Share-based incentive plan	0	0	0	0	271	0	0	271
Transactions with owners, total	0	0	0	0	-248	0	-7,454	-7,702
Equity Dec 31, 2019	5,000	6,701	20,101	108	-700	-4,299	49,829	76,740
Equity Jan 1, 2020	5,000	6,701	20,101	108	-700	-4,299	49,829	76,740
Comprehensive income for the year								
Profit for the financial year	0	0	0	0	0	0	17,077	17,077
Other comprehensive income for the year								
Change in fair value of equity investments at fair value through other comprehensive income	0	0	0	-7	0	0	0	-7
Cumulative translation adjustment	0	0	0	0	0	1,415	0	1,415
Other comprehensive income for the year, net of tax	0	0	0	-7	0	1,415	0	1,409
Total comprehensive income for the year	0	0	0	-7	0	1,415	17,077	18,486
Transactions with owners								
Dividends	0	0	0	0	0	0	-8,682	-8,682
Share-based incentive plan	0	0	0	0	576	0	-45	531
Transactions with owners, total	0	0	0	0	576	0	-8,728	-8,152
Equity Dec 31, 2020	5,000	6,701	20,101	101	-124	-2,884	58,178	87,074

The notes are an integral part of the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Parent Company of Etteplan Group is Etteplan Oyj, a Finnish public limited company established under Finnish law. The Company is domiciled in Espoo. Etteplan's shares are listed in Nasdaq Helsinki Ltd's Medium Cap market capitalization group in the Industrials sector under the ETTE ticker.

Etteplan provides solutions for industrial equipment and plant engineering, software and embedded solutions, and technical documentation solutions to the world's leading companies in the manufacturing industry. Our services are geared to improve the competitiveness of our customers' products, services 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 from the Company's website www.etteplan.com or from the office of the Group's Parent Company at the address Askonkatu 9 E, 15100 Lahti, Finland.

The Etteplan Oyj Board of Directors approved these Financial Statements for publication at its meeting on February 11, 2021.

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 in this section. These policies have been consistently applied to all the years presented, unless stated otherwise.

2.1 Basis for preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared in accordance with IAS and IFRS standards and SIC and IFRIC interpretations approved for implementation in EU directive N:o 1606/2002 at December 31, 2020. The notes to the Financial Statements are also prepared in accordance with the Finnish accounting and company regulation, which complements the IFRS requirements. The Consolidated Financial Statements have been prepared under the historical cost convention, except for certain 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 the 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.

Figures in the Financial Statements are presented in thousands of euros and are therefore rounded.

2.1.1 Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group

The new standards, amendments and interpretations effective for the financial year beginning January 1, 2020 did not have a significant effect on the Consolidated Financial Statements of the Group.

b) Forthcoming requirements

The new standards, amendments and interpretations issued, but effective later than for the financial year beginning January 1, 2020 are not expected to have a significant effect on the Consolidated Financial Statements of the Group.

2.2 Consolidation

Subsidiaries are all such 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. 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.

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.

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 loans 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 are translated at the closing rate. Exchange differences arising are recognized in equity.

2.5 Intangible assets

Intangible assets acquired in business combinations are recognized at fair value at the acquisition date. Other intangible assets are recorded in the balance sheet at historical cost. Assets with limited useful lives are amortized on a straight-line basis over their useful lives. The amortization periods of intangible assets are:

Software and other intangible rights	3 to 7	years
Internally created software	3 to 5	years
Customer base	10	years
Contractual intangible assets	3	years
Other intangible assets	3	years

The residual value, useful life and amortization method of each asset is examined at the end of each financial year and adjusted, if necessary, to reflect the changes in expectations of the economic benefits to be gained from the asset.

Intangible assets are classified as follows;

Intangible rights mainly include software licenses owned by the Group.

Internally created intangible assets include activated development costs related to software products created by the Group.

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 so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software 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 such overhead costs that are directly attributable to the development. 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 useful lives. Significant, unfinished intangible assets are tested for impairment annually. Research costs are recognized as an expense as incurred.

Fair value adjustments in acquisitions include intangible assets acquired in business combinations; customer base and contractual intangible assets (non-competition agreements).

Intangible right-of-use assets include leased software activated as described in note 2.19.

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.

2.6 Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and impairment loss. 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 a replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they occur.

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

Buildings	50	years
Office premises	1.5 to 7	years
Computers	3	years
Vehicles	4 to 5	years
Office furniture	5 to 10	years
Renovation of premises	5 to 7	years

Land areas are not depreciated.

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.

Tangible right-of-use assets consist of leased computers and cars as well as leased office premises activated as described in note 2.19.

2.7 Impairment of non-financial assets

The Group assesses at the end of each reporting period, whether there are indications of 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, as well as assets with unlimited useful life, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized through profit or loss 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 dispose and value-in-use. Value-in-use is defined as the discounted estimated future net cash flows generated by the asset or cash-generating unit. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows followed for internal management (cash-generating units).

The impairment loss recognized for non-financial assets other than goodwill is reversed, in case there has been a change in the estimates of recoverable amount. The impairment loss is only reversed to the amount of the book value of the asset before impairment. An impairment loss for goodwill is not reversed under any circumstances.

The essential assumptions for impairment tests are presented in note 22 to the Financial Statements (Impairment testing).

2.8 Financial instruments

2.8.1 Recognition

Regular purchases and sales of financial instruments are recognized on the trade-date – the date on which the Group commits to purchase or sell the instrument. At initial recognition, the Group measures a financial instrument at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial instrument. Transaction costs of financial instruments carried at FVPL are expensed in 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. Financial liabilities are derecognized when the liability has ceased, that is, the obligation specified in the agreement is fulfilled or revoked or its validity has ended.

2.8.2 Classification

The Group classifies its financial instruments in the following subsequent measurement categories:

Categories of financial assets:

- measured at amortized cost
- measured at fair value through Other Comprehensive Income (FVOCI), and
- measured at fair value through profit or loss (FVPL).

The classification of financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The classification changes only if the business model changes.

Categories of financial liabilities:

- measured at amortized cost, and
- measured at fair value through profit or loss (FVPL).

2.8.3 Subsequent measurement

Gains and losses for assets and liabilities measured at fair value will either be recorded in profit or loss or OCI.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group measures all its equity investments at FVOCI, because the Group's management has made an irrevocable election to present fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of these investments. Only the dividends from these investments are recognized in profit or loss when the Group's right to receive payments is established. These investments consist of premises shares used by the Group and quoted and unquoted, mainly phone company shares.

More information on the balance sheet items included in each measurement category can be found in note 21.

2.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. See note 4.1.4 for further details.

2.9 Trade receivables

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost, 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. Expected credit losses are estimated as described in note 4.1.4.

2.10 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.

2.11 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.

2.12 Loans

Loans are recognized initially at fair value, net of transaction costs incurred. Loans 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.

2.13 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 labor 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.

2.14 Equity

Etteplan Oyj has one series of shares. 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.

A liability is recognized for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.15 Current and deferred income tax

The taxes in the consolidated income statement include the current tax for the 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 on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. 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 the 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 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 evaluated 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.

2.16 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) 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.

c) 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.

2.17 Revenue recognition

Etteplan's revenue streams consist mainly of the following three service areas:

Engineering Solutions refer to the innovation, engineering and calculations of the technical attributes of machinery or equipment for the purpose of product development and manufacturing. Assignments are typically product development projects for a new product, plant engineering projects or Engineering-to-Order projects, involving the customization of the product in accordance with end customer requirements and the market area's legislation.

Software and Embedded Solutions refers to product development services and technology solutions that allow the controlling of machines and equipment and enable their digital connectivity as part of the Internet of Things.

Technical Documentation Solutions refers to the documentation of a product's technical attributes, such as manuals and service instructions for the users of a product, as well as related content management and distribution in print or digital form.

Revenue includes revenue from contracts with customers adjusted for indirect taxes and discounts. Revenue is recognized following a five-step model, on the basis of which the timing and amount of revenue to be recognized is determined. The model involves identifying the contract with the customer and its performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue. Revenue is recognized when the customer obtains control to the promised service or product; either

over time or at a point in time. The Group recognizes revenue in a way that represents the rendering of the promised services or goods to the customer, and to such an amount that represents the compensation the Group expects to be entitled to in exchange for the goods and services.

Etteplan divides its services into the following categories according to the applied method of revenue recognition:

- a) Design and consultancy projects, where either a fixed price or a target price limiting the amount of revenue that can be recognized for the project is set in the agreement with the customer. In this type of projects, revenue is recognized over time based on the percentage of completion method. The percentage of completion is measured as the costs of the project realized as a proportion to the total expected costs of the project, because it is seen as the most accurate way of measuring the transfer of control to the customer. If the agreement includes separately identifiable performance obligations, revenue for each performance obligation is recognized separately. 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 revenue recognized from a project does not exceed expenditure. The total loss on a contract that will probably result in a loss is reserved and expensed immediately. The revenue for possible additional work and changes are recognized separately when they comprise a separate performance obligation and are priced according to stand-alone transaction prices.
- b) Design and consultancy projects, where all costs incurred can be invoiced to the customer without other limitations than the agreed invoicing price. In this type of projects revenue is recognized over time as the service is being performed. The performance obligation in the agreement with the customer is most typically one working hour.
- c) Arrangements, where the customer buys a license to software created by Etteplan and maintenance related to the license. Revenue for the license itself is recognized when the customer obtains access to the license. Revenue for maintenance related to the license is recognized over time as the service is rendered.

Transaction prices are based on customer agreements, where separate prices are set for separate performance obligations. Changes to customer agreements as well as additional work agreed on, are recognized as separate performance obligations. The Group has enforceable right to payment for performance completed to date, in case the project is terminated, in essentially all of its projects.

Costs incurred from work performed and transferred to customer, but not yet invoiced, are activated as contract assets and included in the balance sheet line item "Work in progress". Contract assets are transferred to Trade payables upon invoicing. Invoices are most typically payable within 30 days. Payments received from customers in advance of work being transferred are recorded as contract liabilities in the balance sheet line item "Advance payments". These amounts are recognized as revenue as the work is being transferred to the customer.

Government grants

Government grants that are intended to compensate costs are recognized as income over the same period as the related costs are recognized.

2.18 Interest and dividend income

Interest income is recognized using the effective interest method. When a 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 receivables is recognized using the original effective interest rate. Dividend income is recognized when the shareholder gains the right to receive payment.

2.19 Lease agreements

The Group leases various properties, equipment, software and cars. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options as described below.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Lease liabilities (note 27) include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's weighted average incremental borrowing rate. Generally, the Group uses its weighted average incremental borrowing rate as the discount rate.

Right-of-use assets (notes 19 and 20) are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

After the commencement date the right-of-use asset is measured at amortized cost less impairment. It is adjusted with certain remeasurements of the lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The right-of-use asset is tested for impairment, when necessary, and the possible impairment is recognized through profit or loss.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and items of office furniture (note 12).

Extension options are included in several of the Group's office premises rental agreements. These terms are used to maximize operational flexibility in terms of managing contracts. The Group's management uses judgment when determining the extent to which the extension options are used. The Group's management has determined the available extension options to be used in such a way that extension options are used up to 18 months in lease agreements with non-cancellable term of under 18 months and for lease agreements with non-cancellable term of 18 months or more no extension options are used, which the management believes to give the most accurate view of the Group's total lease liability.

2.20 Non-recurring items

Non-recurring 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. Non-recurring items can include, among other things, costs and income related to business combinations as well as certain reorganization costs.

3 CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

When preparing the Consolidated Financial Statements, estimates and assessments must be made concerning the future. These may affect assets and liabilities at the time of balance sheet preparation, as well as income and expenses in the reporting period. Actual figures may differ from those used in the financial statements. The Group's management may have to make judgment based decisions relating to the choice and application of accounting policies for the financial statements. This particularly concerns the cases when effective IFRSs allow alternative valuation, recording and presenting manners. The Group's management has exercised judgment in implementing the new IFRS 16 standard effective in 2019. Management judgment is exercised, among other things, in determining the extent to which extension options included in lease agreements are used.

Judgments and estimates made in the preparation of the financial statements are based on the management's best judgment on the closing date. They are based on previous experience and future expectations considered to be most likely on the closing date. These include, in particular, factors related to the Group's financial operating environment affecting sales and the cost level. The Group monitors the realization of these estimates and assumptions. The effects of any changes in estimates and assumptions are recognized in the period in which they have been detected.

The 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 at the end of the financial year were EUR 83,685 thousand (2019: EUR 79,044 thousand). Additional information on the sensitivity of the recoverable amounts to changes in assumptions used is disclosed in Note 22 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 recognition

Revenue recognized over time is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The percentage of completion is measured as the costs of the project realized as a proportion to the total expected costs of the project. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change, and at each reporting date. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that trigger the revision become known by management.

Impacts of the COVID-19 pandemic on Etteplan's operations

The weakening of demand caused by the COVID-19 pandemic affected Etteplan's business during the year. However, profitability was at an excellent level due to the improvement of the demand situation in the latter part of the year, excellent operational efficiency as well as adaptation and cost saving measures. The result was also affected by COVID-19 support measures by various governments.

Etteplan reacted quickly and successfully to the changed operating environment and nearly 85 per cent of Etteplan's employees quickly moved to remote work in the middle of March.

The declining demand among customers directly affects Etteplan. Consequently, Etteplan implemented temporary layoffs in 2020 in Finland, Sweden and Germany. In Poland and the Netherlands, the local legislation does not permit temporary layoffs. At most 402 employees were temporarily laid off during the year. A large proportion of the temporary layoffs were implemented as part-time layoffs. When the demand situation improved toward the end of the year, we called temporarily laid off employees back to work. At the end of December, a total of 165 employees were temporarily laid off.

Etteplan has assessed the effects of the COVID-19 pandemic on assets and liabilities. The assessment did not indicate differences compared to the situation at the end of the previous year.

4 MANAGEMENT OF FINANCIAL RISKS

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

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 profitability 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. The main risk is with goodwill booked in Swedish Krona (SEK). The goodwill booked in SEK at the end of the financial year was EUR 27,229 thousand (2019: EUR 26,154 thousand).

A sensitivity analysis of 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 rates has been estimated to be +/- 10 per cent from reporting date, and other factors are estimated to remain unchanged.

EUR 1,000	Effect in profit for the financial year	Effect in other equity items	Effect in goodwill
2020			
EUR/SEK 10% increase	-171	-901	-2,475
EUR/SEK 10% decrease	209	1,102	3,025
EUR/PLN 10% increase	-20	-173	0
EUR/PLN 10% decrease	25	212	0
EUR/CNY 10% increase	-21	-111	-166
EUR/CNY 10% decrease	25	136	203
2019			
EUR/SEK 10% increase	-231	-694	-2,378
EUR/SEK 10% decrease	282	848	2,906
EUR/PLN 10% increase	16	-164	0
EUR/PLN 10% decrease	-19	201	0
EUR/CNY 10% increase	14	-93	-170
EUR/CNY 10% decrease	-17	114	208

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. 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 lease liabilities was EUR 40,483 thousand (2019: EUR 40,657 thousand) covered with contracts in which the interest range is between 0.65 and 2.0 per cent (2019: between 0.65 and 2.0 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 yearly interest expenses. Interest bearing loans from financial institutions excluding 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 271 thousand (2019: EUR 333 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 16,534 thousand (2019: EUR 15,959 thousand) of available credit limits, of which EUR 0 thousand (2019: EUR 1,799) was in use. Refinancing risk is attempted to be minimized by applying a balanced maturity schedule to the 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 financier has the right to demand immediate payment of all the Group's loans. According to Consolidated Financial Statements in 2020, the terms of these covenants were 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.

Maturity analysis of financial liabilities

EUR 1,000	Less than 1 year	1-5 years
2020		
Borrowings	27,583	12,900
Lease liabilities	15,883	8,608
Interest payments	217	103
Liabilities from acquisitions	132	0
Trade and other payables	11,938	20
Financial liabilities, total	55,753	21,631
2019		
Borrowings	15,757	24,900
Lease liabilities	7,381	8,216
Interest payments	273	239
Liabilities from acquisitions	2,430	0
Trade and other payables	14,070	20
Financial liabilities, total	39,912	33,375

Non-monetary changes in interest-bearing liabilities

EUR 1,000	2020	2019
Interest-bearing liabilities Jan 1	56,255	36,252
Financing cash flow	-13,346	-2,544
Non-monetary changes		
IFRS 16 implementation	0	12,337
New leases and use of extension options	22,001	10,238
Lease disposals	-949	-494
Liabilities assumed in acquisitions	1,095	314
Translation differences	-81	153
Non-monetary changes, total	22,065	22,547
Interest-bearing liabilities Dec 31	64,974	56,255

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. The maximum customer credit risk exposure at the end of the financial year is the book value of accounts receivable.

To measure expected credit losses the Group applies the IFRS 9 simplified approach which uses a lifetime expected loss allowance for all trade receivables and contract assets ("Work in progress") including amounts not due. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The measurement of the expected credit losses includes forward-looking information in the form of the estimated growth of the EU gross domestic product.

In addition, the Group's management also estimates expected credit losses case-by-case according to management judgment. Generally, the Group recognizes a 50 per cent allowance for receivables that are more than 60 days past due and a 100 per cent reservation for receivables that are more than 90 days past due.

EUR 1,000	Not due	Past due				Total
		1-30 d	31-60 d	61-90 d	> 90 d	
2020						
Expected loss rate	0.1%	0.1%	3.9%	10.3%	9.1%	
Trade receivables	29,277	2,716	1,045	443	1,149	34,631
Work in progress	17,764	0	0	0	0	17,764
Lifetime expected credit loss allowance	47	3	41	46	105	241
Case-by-case credit loss allowance					123	123
Expected credit loss allowance recognized						364
2019						
Expected loss rate	0.1%	0.1%	3.1%	7.2%	5.9%	
Trade receivables	30,197	3,725	745	79	1,261	36,008
Work in progress	22,498	0	0	0	0	22,498
Lifetime expected credit loss allowance	53	4	23	6	74	160
Case-by-case credit loss allowance					254	254
Expected credit loss allowance recognized						413

Movements of the allowance for impairment:

EUR 1,000	2020	2019
Loss allowance recognized Jan 1	-413	-312
Payments received	44	0
Loss allowance in acquirees	-12	-105
Provision for impairment of receivables, decrease (+) / increase (-)	17	4
Loss allowance recognized Dec 31	-364	-413

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

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 other companies 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 30-100%. The following table sets out the Group's net gearing ratio:

EUR 1,000	2020	2019
Gross interest-bearing debt	64,974	56,255
Less: cash and cash equivalents	-24,407	-15,878
Net debt	40,567	40,377
Total equity	87,074	76,740
Net gearing ratio	46.6%	52.6%

5 BUSINESS COMBINATIONS

Tegema

Etteplan strengthened its production related competences and know-how by acquiring Tegema from the Netherlands on September 9, 2020. Tegema provides production solutions, production cells and equipment for customers in the field of semiconductors, electronics, mobility, photonics and medical. Tegema is a production system integrator specializing in customized precision mechanics and mechatronics. It combines this experience with the latest robotics, software and assembly technologies. 100 experts work for Tegema in Eindhoven and Arnhem. In 2019 the company's revenue was approximately EUR 11 million.

The acquisition is another step in Etteplan's international growth and also marks the start for engineering services in the Netherlands. Previously Etteplan was offering services for technical documentation in the country.

The acquisition consideration recognized at the time of the acquisition, paid in cash, was EUR 4,730 thousand in total.

The provisional goodwill of EUR 3,613 thousand arising from the acquisition is attributable to the technical know-how of the acquiree's personnel, and the company's operating model. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the provisional values of acquisition consideration, assets acquired and liabilities assumed for the acquisition.

	EUR 1,000
Consideration transferred:	
Cash payment	4,730
Total consideration transferred	4,730
Assets and liabilities	
Tangible assets	2,682
Intangible assets	255
Customer relationships (intangible assets)	1,750
Contractual intangible assets	220
Trade and other receivables	1,710
Cash and cash equivalents	492
Total assets	7,108
Non-current liabilities	3,171
Current liabilities	2,328
Deferred tax liability	492
Total liabilities	5,991
Total identifiable net assets	1,117
Formation of Goodwill:	
Consideration transferred	4,730
Total identifiable net assets	-1,117
Goodwill	3,613

Trade and other receivables comprise gross contractual amounts of EUR 1,710 thousand, none of which was expected to be uncollectible at time of acquisition.

Costs related to acquisition, EUR 148 thousand, are included in other operating expenses in the consolidated statement of comprehensive income.

The revenue included in the income statement contributed by the acquired company was EUR 3,450 thousand and profit for the financial year EUR 191 thousand. Had the company been consolidated from January 1, 2020, the income statement would show revenue of EUR 266,114 thousand and profit for the financial year of EUR 17,237 thousand.

Changes in contingent considerations

A profit of EUR 652 thousand in total was recognized in the income statement from premeasurements of contingent considerations related to previous acquisitions.

6 SEGMENT REPORTING

The Group has three reportable segments, the revenue of which consist mainly of rendering of services.

Engineering Solutions refer to the innovation, engineering and calculations of the technical attributes of machinery or equipment for the purpose of product development and manufacturing. Assignments are typically product development projects for a new product, plant engineering projects or Engineering-to-Order projects, involving the customization of the product in accordance with end customer requirements and the market area's legislation.

Software and Embedded Solutions refers to product development services and technology solutions that allow the controlling of machines and equipment and enable their digital connectivity as part of the Internet of Things.

Technical Documentation Solutions refers to the documentation of a product's technical attributes, such as manuals and service instructions for the users of a product, as well as related content management and distribution in print or digital form.

EUR 1,000	Engineering Solutions	Software and Embedded Solutions	Technical Documentation Solutions	Reportable segments total	Eliminations and other	Total
2020						
External revenue	148,884	63,694	46,531	259,110	593	259,702
Operating profit (EBITA)	14,679	7,101	4,583	26,363	-192	26,172
Personnel at end of the period	1,922	628	616	3,166	101	3,267
2019						
External revenue	147,037	67,481	48,218	262,736	555	263,292
Operating profit (EBITA)	14,464	6,263	4,093	24,820	1,144	25,964
Personnel at end of the period	2,046*	662*	651	3,359	88	3,447

* Comparison period updated to comparable number after integration of Devex AB into Etteplan Sweden AB Jan 1, 2020.

Reconciliation of Operating profit (EBITA) and Profit before taxes

EUR 1,000	2020	2019
Operating profit (EBITA)	26,172	25,964
Amortization on fair value adjustments at acquisitions	-3,791	-3,146
Operating profit (EBIT)	22,380	22,819
Financial income	422	695
Financial expenses	-1,722	-1,590
Profit before taxes	21,080	21,924

Segments' non-current assets

Segments' non-current assets exclude financial instruments and deferred tax assets. Non-current assets are presented according to the location of the asset, because the Group's chief operating decision-maker follows asset items at country level.

EUR 1,000	2020	2019
Finland	66,989	63,498
Sweden	34,185	32,805
China	2,565	2,386
Central Europe	31,710	25,145
Total	135,449	123,834

Disaggregation of revenue by geographical area is presented in note 7.

7 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

The table below presents the disaggregation of revenue by geographical area and timing of revenue recognition. The external revenue of each geographical area is presented according to the location of the seller. The Group's operations in China sell their services both locally and through other Group companies, thus this revenue is partly included in the revenue from other areas. Revenue by service area is presented in note 6.

EUR 1,000	2020	2019
Primary geographical location		
Finland	159,277	173,789
Sweden	57,519	57,123
China	7,201	7,116
Central Europe	35,705	25,264
Total	259,702	263,292

EUR 1,000	2020	2019
Timing of revenue recognition		
Transferred at a point in time	2,044	2,339
Transferred over time	257,658	260,953
Total	259,702	263,292

Assets and liabilities related to contracts with customers

The Group recognized the following contract assets and liabilities related to contracts with customers. For details on impairment loss allowance, please see note 4.1.4.

Trade receivables are specified in note 24.

EUR 1,000	2020	2019
Contract assets (Work in progress)		
Work in progress Jan 1	22,498	20,503
Business combinations	425	1,828
Additions	238,754	247,163
Invoicing	-242,592	-248,056
Netting work in progress and advances received	-1,528	935
Other changes	208	125
Contract assets Dec 31	17,764	22,498
Contract liabilities (Advances received)		
Advances received Jan 1	5,378	3,064
Additions	23,434	22,281
Revenue recognized that was included in the contract liability at the beginning of the period	-24,690	-20,963
Netting work in progress and advances received	-1,528	935
Other changes	177	61
Contract liabilities Dec 31	2,770	5,378

8 OTHER OPERATING INCOME

EUR 1,000	2020	2019
Premeasurement of contingent considerations in business combinations	652	1,636
COVID compensations received (part included in other operating income)*	1,613	0
Insurance compensations received	177	127
Other compensations received	187	306
Other operating income	994	513
Total	3,622	2,582

* Direct COVID compensations are included in other operating income and cost support type compensations in staff costs (note 11).

9 NON-RECURRING ITEMS

Items that are material either because of their size or their nature, and that are non-recurring are considered as non-recurring 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. Non-recurring items relate to premeasurements of contingent considerations, acquisitions and restructuring.

EUR 1,000	2020	2019
Other operating income	652	1,636
Staff costs and other operating expenses	-1,568	-539
Operating profit (EBIT)	-916	1,097

10 MATERIALS AND SERVICES

EUR 1,000	2020	2019
Materials	6,494	8,466
Services from others	16,823	18,084
Total	23,317	26,550

11 NUMBER OF PERSONNEL AND STAFF COSTS

	2020	2019
Personnel		
Personnel at year-end	3,267	3,447
Personnel, average	3,320	3,305
Personnel by category		
Design personnel	3,099	3,313
Administrative personnel	168	134
Total	3,267	3,447

EUR 1,000	2020	2019
Staff costs*		
Wages and salaries	144,598	139,098
Pension costs - defined contribution plans	17,920	19,222
Other indirect employee costs	14,783	14,200
Total	177,301	172,520

* COVID compensations are partly included in other operating income (note 8) and partly in staff costs. COVID compensations included in staff costs in the financial year 2020 were EUR 709 thousand in total.

Compensation of the Board of Directors and top management are disclosed in note 32 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 2019 in Sweden was EUR 1,276 thousand (2019: EUR 1,113 thousand) and in the Netherlands EUR 645 thousand (2019: EUR 510 thousand).

12 OTHER OPERATING EXPENSES

EUR 1,000	2020	2019
Software and telecommunication expenses	8,236	8,291
Travel expenses	4,080	7,422
Premises expenses	417	1,144
Expenses related to leases of low-value assets	862	900
Voluntary personnel expenses	4,098	5,679
Change in credit loss allowance	151	-4
Loss on disposals of fixed assets	362	17
Other expenses	4,095	5,825
Total	22,300	29,273

13 AUDIT FEES

EUR 1,000	2020	2019
Auditing, KPMG-network	95	102
Auditor's statements based on laws and regulations, KPMG Oy Ab	2	3
Other services (tax services), KPMG Oy Ab	51	26
Other services (other services), KPMG-network	51	183
Total	199	314

14 FINANCIAL INCOME

EUR 1,000	2020	2019
Dividend income from investments	9	11
Interest income from loans and other receivables	70	152
Foreign exchange gain	343	532
Total	422	695

15 FINANCIAL EXPENSES

EUR 1,000	2020	2019
Interest on borrowings	853	695
Leasing interest expenses	134	196
Foreign exchange loss	577	502
Other financial expenses	158	196
Total	1,722	1,590

16 TRANSLATION DIFFERENCES RECOGNIZED IN INCOME STATEMENT

EUR 1,000	2020	2019
Foreign exchange gain included in financial income	343	532
Foreign exchange loss included in financial expenses	-577	-502
Total	-234	30

17 INCOME TAXES

EUR 1,000	2020	2019
Tax on income from operations	-4,814	-5,048
Tax corrections for previous accounting periods	109	-19
Change in deferred tax asset	159	98
Change in deferred tax liability	541	432
Total	-4,003	-4,536

Reconciliation between income taxes in the income statement and the theoretical amount of tax that would arise using the Group's domestic tax rate (2020: 20.0%, 2019: 20.0%)

EUR 1,000	2020	2019
Accounting profit before tax	21,080	21,924
Income tax expense		
Mathematical tax based on parent company's tax rate	-4,216	-4,385
Differences (net)		
Effect of different tax rates in Group companies	73	-136
Calculated tax based on non-deductible items on unit's tax rate	-356	-341
Calculated tax based on non-taxable items on unit's tax rate	254	543
Tax corrections for previous accounting periods	109	19
Use of previously unrecognized tax on confirmed losses	62	40
Use of recognized tax on confirmed losses	15	0
Unrecognized tax on loss for the period	27	-300
Other tax difference	28	24
Income tax expense	-4,003	-4,536

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

EUR 1,000	Before tax	Tax charge / credit	After tax
2020			
Change in fair value of equity investments at fair value through other comprehensive income	-8	1	-7
Currency translation differences	1,415	0	1,415
Other comprehensive income for the year, net of tax	1,407	1	1,409
2019			
Change in fair value of equity investments at fair value through other comprehensive income	-93	19	-75
Currency translation differences	-398	0	-398
Other comprehensive income for the year, net of tax	-491	19	-473

18 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.

	2020	2019
Profit attributable to equity holders of the Parent Company (EUR 1,000)	17,077	17,387
Issue adjusted weighted average number of shares (1,000 pcs)	24,862	24,832
Basic earnings per share (EUR/share)	0.69	0.70
The diluted weighted average number of shares for the calculation of earnings per share (1,000 pcs)	24,862	24,832
Diluted earnings per share (EUR/share)	0.69	0.70

19 INTANGIBLE ASSETS

Goodwill

EUR 1,000	2020	2019
Acquisition cost Jan 1	79,044	65,165
Translation difference	1,028	-344
Acquisition of subsidiaries (note 5)	3,613	14,224
Book value Dec 31	83,685	79,044

Other intangible assets

EUR 1,000	Intangible rights	Internally created intangible assets	Fair value adjustments in acquisitions	Intangible right-of-use assets	Advance payments	Total
2020						
Acquisition cost Jan 1	11,460	2,858	36,210	4,818	113	55,460
Translation difference	-21	0	182	14	0	174
Acquisition of subsidiaries	601	298	1,970	0	0	2,869
Additions	401	87	0	1,828	51	2,368
Disposals	-435	-861	0	0	0	-1,296
Reclassifications between items	109	562	0	0	-35	637
Acquisition cost Dec 31	12,114	2,945	38,362	6,661	129	60,211
Cumulative amortization Jan 1						
	-9,440	-2,110	-12,454	-3,985	0	-27,988
Translation difference	21	0	-60	-13	0	-52
Cumulative amortization on acquisitions	-599	-45	0	0	0	-644
Cumulative amortization on disposals	435	522	0	0	0	957
Cumulative amortization on reclassifications	0	-562	0	0	0	-562
Amortization for the financial year	-835	-308	-3,791	-977	0	-5,911
Cumulative amortization Dec 31	-10,417	-2,504	-16,306	-4,974	0	-34,200
Book value Dec 31, 2020	1,697	442	22,056	1,687	129	26,011
2019						
Acquisition cost Jan 1	10,992	2,265	26,419	3,966	657	44,299
Translation difference	2	0	2	-5	0	-1
Acquisition of subsidiaries	12	0	9,790	0	0	9,802
Additions	836	49	0	857	37	1,778
Disposals	-489	-36	0	0	0	-525
Reclassifications between items	107	581	0	0	-581	107
Acquisition cost Dec 31	11,460	2,858	36,210	4,818	113	55,460
Cumulative amortization Jan 1						
	-9,079	-1,834	-9,314	-3,216	0	-23,443
Translation difference	0	0	6	5	0	10
Cumulative amortization on disposals and reclassifications	489	33	0	0	0	522
Amortization for the financial year	-849	-309	-3,146	-773	0	-5,077
Cumulative amortization Dec 31	-9,440	-2,110	-12,454	-3,985	0	-27,988
Book value Dec 31, 2019	2,020	749	23,756	834	113	27,472

20 TANGIBLE ASSETS

EUR 1,000	Land and water	Buildings	Machinery and equipment	Other tangible assets	Right-of-use assets		Total
					Machinery and equipment	Premises	
2020							
Acquisition cost Jan 1	19	495	12,426	979	15,855	16,017	45,792
Translation difference	0	0	-2	0	82	0	80
Acquisition of subsidiaries	0	0	1,145	211	495	1,968	3,819
Additions	0	0	1,030	70	2,442	15,267	18,809
Disposals	0	0	-211	0	-251	-698	-1,161
Acquisition cost Dec 31	19	495	14,386	1,261	18,623	32,554	67,339
Cumulative depreciation Jan 1	0	0	-10,496	-878	-11,321	-5,833	-28,528
Translation difference	0	0	13	1	-62	0	-47
Cumulative depreciation on acquisitions	0	0	-966	-171	0	0	-1,137
Cumulative depreciation on disposals	0	0	186	0	0	0	186
Depreciation for the financial year	0	-11	-826	-63	-3,053	-8,162	-12,115
Cumulative depreciation Dec 31	0	-11	-12,089	-1,110	-14,436	-13,995	-41,641
Book value Dec 31, 2020	19	484	2,297	150	4,187	18,559	25,698
2019							
Acquisition cost Dec 31, 2018	19	0	13,580	923	10,673	0	25,196
IFRS 16 implementation	0	0	0	0	1,835	10,502	12,337
Acquisition cost Jan 1	19	0	13,580	923	12,508	10,502	37,532
Translation difference	0	0	-53	0	-24	0	-78
Acquisition of subsidiaries	0	501	185	0	686	1,470	2,842
Additions	0	0	1,011	54	2,873	4,352	8,290
Disposals	0	-5	-2,216	-48	-188	-306	-2,763
Reclassifications between items	0	0	-81	50	0	0	-31
Acquisition cost Dec 31	19	495	12,426	979	15,855	16,017	45,792
Cumulative depreciation Jan 1	0	0	-11,841	-832	-8,457	0	-21,131
Translation difference	0	0	57	0	16	0	72
Cumulative depreciation on acquisitions	0	0	-28	0	0	0	-28
Cumulative depreciation on disposals and reclassifications	0	0	2,194	0	0	0	2,194
Depreciation for the financial year	0	0	-877	-45	-2,880	-5,833	-9,635
Cumulative depreciation Dec 31	0	0	-10,496	-878	-11,321	-5,833	-28,528
Book value Dec 31, 2019	19	495	1,930	101	4,534	10,184	17,264

Tangible and intangible right-of-use assets in total

EUR 1,000	2020	2019
Book value Jan 1	15,552	15,302
Translation difference	22	-8
Acquisition of subsidiaries	2,463	2,156
Additions	19,538	8,082
Disposals and reclassifications	-949	-494
Depreciation for the financial year	-12,192	-9,486
Book value Dec 31	24,434	15,552

The total cash outflow for leases in financial year 2020 was EUR 13,078 thousand (2019: EUR 9,063 thousand). Additional information on right-of-use assets and lease liabilities in notes 2.1.1 and 2.19.

21 FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

Financial assets 2020

EUR 1,000	Note	Amortized cost	Fair value through OCI	Book value total	Fair value
Quoted and unquoted shares	21		378	378	378
Trade and other receivables	24	35,226		35,226	35,226
Cash and cash equivalents		24,407		24,407	24,407
Financial assets Dec 31		59,633	378	60,011	60,011

Financial liabilities 2020

EUR 1,000	Note	Amortized cost	Fair value through profit and loss	Book value total	Fair value
Loans from financial institutions	27	40,483		40,483	40,483
Lease liabilities	27	24,491		24,491	24,491
Liabilities from acquisitions	5, 29		132	132	132
Trade and other payables	29	11,958		11,958	11,958
Financial liabilities Dec 31		76,932	132	77,064	77,064

Financial assets 2019

EUR 1,000	Note	Amortized cost	Fair value through OCI	Book value total	Fair value
Quoted and unquoted shares	21		387	387	387
Trade and other receivables	24	36,176		36,176	36,176
Cash and cash equivalents		15,878		15,878	15,878
Financial assets Dec 31		52,053	387	52,440	52,440

Financial liabilities 2019

EUR 1,000	Note	Amortized cost	Fair value through profit and loss	Book value total	Fair value
Loans from financial institutions	27	40,657		40,657	40,657
Lease liabilities	27	15,597		15,597	15,597
Liabilities from acquisitions	5, 29		2,430	2,430	2,430
Trade and other payables	29	14,090		14,090	14,090
Financial liabilities Dec 31		70,344	2,430	72,774	72,774

Fair value hierarchy

The tables below analyze financial instruments carried at fair value, by valuation method. The different levels are 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 as prices or indirectly, derived from prices.
- Level 3: Unobservable inputs that are not based on observable market data.

Financial assets recognized at fair value through OCI

EUR 1,000	Quoted shares (Level 1)	Premises shares (Level 2)	Unquoted shares (Level 3)	Total
2020				
Opening balance at Jan 1	237	120	30	387
Gain/loss recognized in other comprehensive income	-5	0	-3	-8
Reclassification (stock listing)	3	0	-3	0
Closing balance Dec 31	235	120	24	378
2019				
Opening balance at Jan 1	185	480	30	695
Gain/loss recognized in other comprehensive income	52	-145	0	-93
Disposals	0	-215	0	-215
Closing balance Dec 31	237	120	30	387

Financial liabilities recognized at fair value through profit or loss

Contingent liability in acquisitions (Level 3)

EUR 1,000	2020	2019
Opening balance at Jan 1	2,430	2,860
Additions	0	2,030
Revaluation	-652	-1,636
Payment	-1,646	-824
Closing balance Dec 31	132	2,430

Additional information regarding contingent liabilities in acquisitions is provided in note 5 Business combinations.

22 IMPAIRMENT TESTING

Goodwill is allocated to cash-generating units (CGUs) for determination of impairment. In impairment testing, the recoverable amount is defined as value-in-use. Value in use is defined as the discounted estimated future net cash flows generated by the asset or cash-generating unit.

The Group's management has in 2020 redefined the CGUs to be the three service areas in which the Group's operations are organized. Previously, goodwill was allocated to country level for impairment testing. Comparison figures are adjusted correspondingly.

The impairment test is done in the fourth quarter after budgets for the next year were done and it is based on goodwill as per September 30. Cash flows after tax are based on budget figures for year one and financials approved by management for the next five-year period. The management makes estimations on the market demand and market environment, which are examined against external information sources. When defining the cash flow, attention is paid on anticipated price and margin development as well as costs, net working capital and investment needs. The management determines these based on past performance and expectations for market development.

The discount rate applied to cash flow projections is determined based on the post-tax weighted average cost of capital (WACC) that depicts the overall costs of shareholders' equity and liabilities. The discount rate is based on the weighted average of 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.

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 or the comparison year.

	2020	2019
Book value Sep 30 (MEUR)		
Engineering Solutions	53.5	48.5
Software and Embedded Solutions	23.1	23.1
Technical Documentation Solutions	5.4	4.0
Total	82.0	75.7
Key assumptions used for value-in-use calculations		
Aggregate growth percentage year 2-5	1.0%	1.0%
Growth rate after 5 years	1.0%	1.0%
Discount rate before tax		
Engineering Solutions	9.4%	10.2%
Software and Embedded Solutions	10.2%	7.3%
Technical Documentation Solutions	9.6%	9.6%
Discount rate after tax		
Engineering Solutions	7.7%	6.6%
Software and Embedded Solutions	8.2%	7.4%
Technical Documentation Solutions	7.5%	8.1%
The recoverable amount exceeds the book value as follows (MEUR):		
Engineering Solutions	122.5	145.7
Software and Embedded Solutions	50.5	50.7
Technical Documentation Solutions	45.4	58.9
Total	218.4	255.3

Sensitivity analysis

In connection with impairment testing, sensitivity analyses were 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

According to management understanding realization of the variables used in the sensitivity analysis would not lead to impairment losses in cash-generating units.

23 INVENTORY

EUR 1,000	2020	2019
Inventory at the beginning of the financial year	313	362
Additions/Deductions	23	-48
Change in the value of inventory recorded in income statement	0	-1
Total	336	313

24 TRADE AND OTHER RECEIVABLES

EUR 1,000	2020	2019
Trade receivables	34,631	36,008
Credit loss allowance	-364	-413
Other receivables	904	527
Prepayments and accrued income	3,712	3,210
Total	38,883	39,332

Main items included in prepayments and accrued income

Accruals of personnel expenses	35	72
Prepaid rents	458	498
Other prepayments and accrued income on expenses	3,219	2,641
Total	3,712	3,210

Analysis of receivables by currency

EUR	26,203	24,834
SEK	9,277	11,002
CNY	2,664	1,979
PLN	554	1,104
Other currencies	185	414
Total	38,883	39,332

25 EQUITY

Shareholder's equity

Shareholders' equity consists of share capital, share premium account, unrestricted equity fund, own shares, cumulative translation adjustment, other reserves and retained earnings.

Share premium account contains the emission gain from original stock listing as well as funds raised in bonus issues.

Unrestricted equity fund includes funds raised in share issues and decided to be recorded in the Unrestricted equity fund.

Translation differences contains translation differences arising from the conversion of financial statements of foreign units and the foreign subsidiary net investment hedge. The aggregate amount of the net investment hedge (EUR 149 thousand) related to the Swedish unit is recorded in the profit and loss statement upon disposal of the unit.

Other reserves include the fair value reserve, which consists of fair value adjustments of investments at fair value through other comprehensive income amounting to EUR 101 thousand (2019: EUR 108 thousand). The aggregate amount of fair value adjustments are recorded in Retained earnings upon disposal of the investments.

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 the number of shares was 24,963,308 (2019: 24,963,308). No changes in share capital occurred during financial year. 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 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 79,046 (2019: 156,203).

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 0.34 to be paid for the financial year 2020.

26 SHARE-BASED PAYMENTS

Key personnel incentive plan 2017–2019

The Board of Directors of Etteplan Oyj resolved on May 31, 2017, to establish a share-based incentive plan for the Group's key personnel. The incentive plan included one earning period, comprising calendar years 2017-2019. The earnings criteria were the Group's revenue increase and the development of Total Shareholder Return (TSR). Etteplan's Board of Directors resolved on February 11, 2020 on a payment of 84,124 shares to the key personnel from the shares held by the Company. The share rewards were paid on April 15, 2020. In addition, Etteplan paid in cash a proportion to cover taxes and tax-related costs arising from the reward to the some 20 people belong to the target group of the incentive plan.

Key personnel incentive plan 2020–2022

The Board of Directors of Etteplan Oyj resolved on February 5, 2020 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 2020-2022. The earning period covers the same years as Etteplan's strategy update published in December 2019. The Plan is in line with Etteplan's strategy and supports the achievement of the company's financial targets. The earnings criteria are the Group's revenue increase and the development of Total Shareholder Return (TSR). The potential reward will be paid partly in the Company's shares and partly in cash after the end of the earning period. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel. Approximately 25 people belong to the Plan, including the Management Group of Etteplan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 390,000 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, and therefore the incentive plan will have no diluting effect on the share value.

The number of shares expected to be granted to the key personnel at measurement date was 141,885. The fair value of the services provided by the key personnel are determined indirectly from the fair value of the Company's share. The fair value at measurement date was EUR 15.00. Expected dividends or any other features of the shares are excluded from the calculation of fair value.

Staff costs include share-based payments related to the key personnel incentive plans:

EUR 1,000	2020	2019
To be settled in equity in future financial periods	558	271
To be settled in cash in future financial periods	778	463
Total	1,336	734

27 INTEREST-BEARING LIABILITIES

Analysis by currency

EUR 1,000	2020	2019
Non-current loans from financial institutions		
EUR	12,900	24,900
Total	12,900	24,900
Non-current lease liabilities		
EUR	6,016	6,148
SEK	1,783	1,270
CNY	421	118
PLN	388	679
Total	8,608	8,216
Current loans from financial institutions		
EUR	25,752	13,059
CNY	1,831	2,699
Total	27,583	15,757
Current lease liabilities		
EUR	13,682	5,320
SEK	1,608	1,486
CNY	214	225
PLN	380	350
Total	15,883	7,381

28 OTHER NON-CURRENT LIABILITIES

EUR 1,000	2020	2019
Pension liabilities	7	7
Other non-current liabilities	20	20
Total	27	27

29 TRADE AND OTHER PAYABLES

EUR 1,000	2020	2019
Trade payables	11,938	14,070
Accrued expenses	29,420	26,150
Tax payables	13,065	12,912
Liability from acquisitions	132	2,430
Other payables	36	26
Total	54,592	55,588
Main items included in accrued expenses		
Interest liabilities	117	92
Accrued employee expenses	27,406	23,895
Other accrued expenses	1,898	2,163
Total	29,420	26,150
Analysis by currency		
EUR	42,434	43,909
SEK	9,649	9,760
CNY	1,648	827
PLN	813	795
Other	48	297
Total	54,592	55,588

30 DEFERRED TAXES

Deferred taxes 2020

EUR 1,000	Jan 1, 2020	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2020
Deferred tax assets						
Confirmed loss	0	0	-43	0	75	32
Leases	9	0	2	0	0	12
Share-based incentive plan	250	0	-38	0	0	211
Other timing differences	0	0	238	0	0	238
Total	259	0	159	0	75	493
Deferred tax liabilities						
Discretionary provisions	898	46	260	0	0	1,205
Fair value adjustments in acquisitions	5,125	26	-767	0	492	4,876
Other timing differences	458	0	-35	-2	0	422
Total	6,481	72	-541	-2	492	6,502

Deferred taxes 2019

EUR 1,000	Jan 1, 2019	Translation difference	In income statement	In equity	Acquisitions	Dec 31, 2019
Deferred tax assets						
Leases	8	0	1	0	0	9
Share-based incentive plan	152	0	97	0	0	250
Total	161	0	98	0	0	259
Deferred tax liabilities						
Discretionary provisions	630	-9	184	0	93	898
Fair value adjustments in acquisitions	3,375	-8	-592	0	2,350	5,125
Other timing differences	514	0	-25	-31	0	458
Total	4,518	-17	-432	-31	2,443	6,481

At the end of the financial year the Group had gross losses carried forward of EUR 1,817 thousand (2019: EUR 1,739 thousand) of which a deferred tax asset has not been recognized. These losses are usable to offset future taxable gains a minimum of five years.

31 PLEDGES, MORTGAGES AND GUARANTEES

EUR 1,000	2020	2019
Business mortgages	320	320
Pledged shares	120	120
Other contingencies	379	591
Total	818	1,031

32 RELATED-PARTY TRANSACTIONS

The Group's related party includes such persons that have control, joint control or significant influence over the Group. Also, the Group's key management personnel is included in the related party. Key management personnel refers to persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Spouses, wards and 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 purchase conditions, which are equivalent to those that prevail in arm's length transactions.

Group companies Dec 31, 2020

Company	Domicile	Group's / Parent company's holding
Parent company Etteplan Oyj	Vantaa, Finland	
EMP Planungsgesellschaft für Prozessautomation mbH	Leverkusen, Germany	100% / 100%
EMP-B Planungsgesellschaft für Prozessautomation mbH	Berlin, Germany	100% / 100%
EMP Prozessautomation GmbH	Frankfurt am Main, Germany	100% / 100%
Etteplan Finland Oy	Hollola, Finland	100% / 100%
Etteplan Embedded Finland Oy	Espoo, Finland	100% / 100%
Etteplan Poland sp.z.o.o.	Wroclaw, Poland	100% / 0%
Etteplan MORE Oy	Tampere, Finland	100% / 100%
Etteplan Sweden AB	Västerås, Sweden	100% / 100%
Etteplan Technology Center Ltd.	Kunshan, China	100% / 0%
Etteplan Consulting (Shanghai) Co., Ltd.	Shanghai, China	100% / 100%
Etteplan B.V.	Eindhoven, the Netherlands	100% / 100%
Etteplan Netherlands B.V.	Eindhoven, the Netherlands	100% / 0%
Etteplan Deutschland GmbH	Neukirchen-Vlyun, Germany	100% / 0%
Etteplan USA Inc.	Austin (TX), USA	100% / 0%
Tegema Beheer B.V.	Eindhoven, the Netherlands	100% / 100%
Tegema Holding B.V.	Eindhoven, the Netherlands	100% / 0%
Tegema Engineering Services B.V.	Eindhoven, the Netherlands	100% / 0%
Tegema Arnhem B.V.	Arnhem, the Netherlands	100% / 0%
Tegema Eindhoven B.V.	Eindhoven, the Netherlands	100% / 0%
MA3 solutions B.V.	Eindhoven, the Netherlands	100% / 0%
Triview Technical Communication B.V.	Soesterberg, the Netherlands	100% / 100%

The following group companies have been merged in 2020:

	Domicile	Merged to
Devex Mekatronik AB	Stockholm, Sweden	Etteplan Sweden AB
Teknifo AB	Växjö, Sweden	Etteplan Sweden AB

The following transactions were carried out with related parties:

EUR 1,000	2020	2019
Sales and purchases of services and related receivables and payables		
Sales of services to other related parties	226	137
Purchases of services from other related parties	155	41
Trade receivables from other related parties	92	2
Trade payables to other related parties	0	11

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	2020	2019
Members of the Board		
Robert Ingman, Chairman of the Board	92	75
Cristina Andersson (until Apr 2, 2020)	11	37
Matti Huttunen	50	37
Päivi Lindqvist (Apr 2, 2020 onwards)	34	0
Leena Saarinen	59	39
Mikko Tepponen	46	37
Patrick von Essen (until Apr 4, 2019)	0	8
CEO and other members of the Management Group		
Juha Näkki, salaries and fees paid	805	476
Juha Näkki, statutory pension costs	74	81
Other members of the Management Group, salaries and fees paid	2,195	1,451
Other members of the Management Group, statutory pension costs	312	290
Management compensation total	3,679*	2,531

* Fees paid to management in 2020 include nonrecurring payments of rewards of share-based incentive plans accumulated over years 2017-2019.

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 2020.

33 EVENTS AFTER THE BALANCE SHEET DATE

After the end of the financial year, in January 2021, Etteplan expanded its business in the Nordic region and opened up a new country, Denmark, by acquiring TekPartner, an engineering and IT company that specializes in electronics and software. Founded in 2009, TekPartner covers development of all core disciplines within embedded software, intelligent electronics, FPGA (field-programmable gate array) and IoT (Internet of Things). In 2019, TekPartner's revenue amounted to approximately EUR 8 million. TekPartner delivers its services through a combination of its own team of 19 highly qualified engineering professionals and a network of partners.

34 KEY FIGURES FOR FINANCIAL TRENDS

EUR 1,000, financial period Jan 1–Dec 31,	2020	2019	2018
Revenue	259,702	263,292	236,477
Change in revenue, %	-1.4	11.3	10.1
Operating profit (EBITA)	26,172	25,964	22,555
% of revenue	10.1	9.9	9.5
Operating profit (EBIT)	22,380	22,819	20,184
% of revenue	8.6	8.7	8.5
Profit before taxes	21,080	21,924	19,396
% of revenue	8.1	8.3	8.2
Profit for the financial year	17,077	17,387	15,280
Return on equity, %	20.8	24.1	24.4
ROCE, %	16.0	19.9	21.3
Equity ratio, %	40.5	38.9	42.9
Gross investments	29,697	36,908	16,527
% of revenue	11.4	14.0	7.0
Net gearing, %	46.6	52.6	29.8
Personnel, average	3,320	3,305	2,995
Personnel at year end	3,267	3,447	3,055
Staff costs	177,301	172,520	156,183

35 KEY FIGURES FOR SHARES

Financial period Jan 1–Dec 31	2020	2019	2018
Earnings per share, EUR	0.69	0.70	0.62
Equity per share, EUR	3.50	3.09	2.72
Dividend per share, EUR (Proposal by the Board of Directors)	0.34	0.35	0.30
Dividend per earnings per share, %	49	50	48
Effective dividend return, %	2.6	3.4	3.8
P/E-ratio, EUR	18.8	14.5	12.8
Share price, EUR:			
lowest	6.50	7.46	7.04
highest	13.30	11.90	10.35
average for the year	9.46	8.99	8.44
closing	12.95	10.15	7.94
Market capitalization, EUR 1,000	322,251	251,792	197,455
Number of shares traded, 1,000 pcs	1,564	1,472	1,151
Percentage of shares traded	6	6	5
Adjusted average number of shares during the financial year, 1,000 pcs	24,862	24,832	24,818
Adjusted number of shares at year end, 1,000 pcs	24,884	24,807	24,963

FORMULAS FOR THE KEY FIGURES

IFRS KEY FIGURES

$$\text{Basic earnings per share} = \frac{\text{(Profit for the financial year attributable to equity holders of the parent company)}}{\text{Issue adjusted average number of shares during the financial year}} \times 100$$

$$\text{Diluted earnings per share} = \frac{\text{(Profit for the financial year attributable to equity holders of the parent company adjusted with dilutive effect)}}{\text{Issue adjusted average number of shares during the financial year adjusted with dilutive effect}} \times 100$$

NON-IFRS KEY FIGURES

$$\text{Operating profit (EBITA)} = \text{Operating profit (EBIT) + amortization on fair value adjustments in acquisitions}$$

$$\text{Organic growth} = \frac{\text{(Revenue current year - Revenue comparison year - Revenue from acquirees current year)}}{\text{Revenue comparison year}} \times 100$$

$$\text{Revenue growth from key accounts} = \frac{\text{(Revenue from key accounts current year - Revenue from key accounts comparison year)}}{\text{Revenue from key accounts comparison year}} \times 100$$

$$\text{The share of revenue represented by Managed Services} = \frac{\text{Revenue from Managed Services}}{\text{Revenue}} \times 100$$

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the financial year}}{\text{(Equity, total) average}} \times 100$$

$$\text{Return on capital employed (ROCE), before taxes, \%} = \frac{\text{(Profit before taxes + Financial expenses)}}{\text{(Total equity and liabilities - non-interest bearing liabilities) average}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity, total}}{\text{Total equity and liabilities - Advances received}} \times 100$$

$$\text{Gross investments} = \text{Total investments made to non-current assets including acquisitions and capitalized development costs}$$

$$\text{Net gearing, \%} = \frac{\text{(Interest-bearing liabilities - Cash and cash equivalents)}}{\text{Equity, total}} \times 100$$

$$\text{Equity per share} = \frac{\text{Equity, total}}{\text{Adjusted number of shares at the end of the year}} \times 100$$

$$\text{Market capitalization} = \text{Number of outstanding shares at the end of the year} \times \text{last traded share price of the year}$$

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

$$\text{Dividend as percentage of earnings} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share}}{\text{Adjusted last traded share price}} \times 100$$

$$\text{Price/earnings ratio (P/E)} = \frac{\text{Adjusted last traded share price}}{\text{Earnings per share}}$$

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

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

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

Parent Company's Financial Statements

PARENT COMPANY'S INCOME STATEMENT

EUR 1,000	Note	Jan 1–Dec 31, 2020 FAS	Jan 1–Dec 31, 2019 FAS
Revenue	1	15,228	14,231
Other operating income	2	46	34
Staff costs	3	-4,979	-4,933
Depreciation and amortization	10, 11	-523	-516
Other operating expenses	5	-7,256	-7,240
Operating profit/loss		2,517	1,575
Financial income and expenses	6, 7	26	4,725
Profit/loss before appropriations and taxes		2,543	6,299
Appropriations	8	10,987	13,007
Income taxes	9	-2,529	-3,030
Profit for the financial year		11,001	16,277

PARENT COMPANY'S BALANCE SHEET

EUR 1,000	Note	Dec 31, 2020 FAS	Dec 31, 2019 FAS
ASSETS			
Non-current assets			
Intangible assets	10	1,454	1,953
Tangible assets	11	131	19
Shares in group companies	12	125,110	120,883
Other investments	12	20	20
Non-current receivables	13	1,835	7,409
Non-current assets, total		128,550	130,284
Current assets			
Current receivables	14	22,535	22,723
Cash and cash equivalents	15	16,989	7,072
Current assets, total		39,524	29,795
TOTAL ASSETS		168,074	160,079

EUR 1,000	Note	Dec 31, 2020 FAS	Dec 31, 2019 FAS
EQUITY AND LIABILITIES			
Equity			
Share capital	16	5,000	5,000
Share premium account	16	6,701	6,701
Unrestricted equity fund	16	20,215	20,215
Own Shares	16	-682	-1,323
Retained earnings	16	23,261	15,712
Profit for the financial year	16	11,001	16,277
Equity, total		65,496	62,582
APPROPRIATIONS	17	261	249
Liabilities			
Non-current liabilities	18	12,500	24,500
Current liabilities	19	89,816	72,748
Liabilities, total		102,316	97,248
TOTAL EQUITY AND LIABILITIES		168,074	160,079

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1,000	Jan 1–Dec 31, 2020 FAS	Jan 1–Dec 31, 2019 FAS
OPERATING CASH FLOW		
Cash receipts from Group companies	15,530	12,071
Operating expenses paid	-11,871	-10,495
Operating cash flow before financial items and taxes	3,659	1,577
Interest and payment paid for financial expenses	-399	-266
Dividends and interest received	880	5,382
Income taxes paid	-2,957	-2,765
Operating cash flow (A)	1,183	3,928
INVESTING CASH FLOW		
Purchase of tangible and intangible assets	-165	-146
Acquisition of subsidiaries	-6,504	-22,661
Loans granted to Group companies	-635	-1,200
Repayment of loans granted to Group companies	6,209	0
Change of internal bank account receivables	-2,044	-1,748
Investing cash flow (B)	-3,140	-25,756
FINANCING CASH FLOW		
Purchase of own shares	0	-519
Issue of new current loans	10,000	1,196
Repayments of current loans	-8,696	-6,000
Change of internal bank account liabilities	6,635	5,763
Issue of new non-current loans	0	13,500
Dividend paid	-8,682	-7,454
Group contribution	13,000	12,000
Financing cash flow (C)	12,256	18,487
Variation in cash (A+B+C) increase (+) / decrease (-)	10,299	-3,341
Assets at the beginning of the period	7,072	10,358
Exchange gains or losses on cash and cash equivalents	-383	55
Assets at the end of the period	16,989	7,072

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).

Etteplan Oyj's revenue consists of software and management fees from Group companies.

Activated development costs

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company 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.

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 to 10 years
renovation of premises	5 years
goodwill	5 to 10 years
internally created software	3 to 5 years

Maintenance and repair costs are expensed. Major basic improvement investments are capitalized and depreciated 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 other operating 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

There were no postponed depreciations of machinery and equipment at the end of the financial year.

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	2020	2019
Finland	15,228	14,231

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

2 OTHER OPERATING INCOME

EUR 1,000	2020	2019
Other operating income	46	34
Total	46	34

3 NUMBER OF PERSONNEL AND STAFF COSTS

	2020	2019
Personnel		
Personnel at year-end	56	52
Personnel, average	57	51
Personnel by category		
Administration personnel	56	52
Total	56	52

EUR 1,000	2020	2019
Staff costs		
Wages and salaries	4,309	4,322
Pension costs - defined contribution plans	573	536
Other indirect employee costs	97	75
Total	4,979	4,933

Employee benefits of the Board of Directors and top management are disclosed in point 32 "Related party transactions" of the notes to the consolidated financial statements.

4 AUDIT FEES

EUR 1,000	2020	2019
Auditing, KPMG Oy Ab	34	31
Auditor's statements based on laws and regulations, KPMG Oy Ab	2	0
Other services (tax services), KPMG Oy Ab	51	26
Other services (other services), KPMG Oy Ab	2	183
Total	90	240

5 OTHER OPERATING EXPENSES

EUR 1,000	2020	2019
Leasing and rents	1,514	998
IT costs	3,411	3,571
Services from Group companies	511	506
Other operating expenses	1,820	2,164
Total	7,256	7,240

6 FINANCIAL INCOME

EUR 1,000	2020	2019
Intra-Group dividend income	700	4,880
Dividend income from others	7	8
Interest and other financial income, Intra-Group	85	94
Foreign exchange gain	14	58
Total	806	5,040

7 FINANCIAL EXPENSES

EUR 1,000	2020	2019
Interest on borrowings from others	375	297
Foreign exchange loss	404	7
Other financial expenses	0	11
Total	779	315

8 APPROPRIATIONS

EUR 1,000	2020	2019
Group contributions received	11,000	13,000
Increase (-) / decrease (+) in depreciation in excess of plan	-13	7
Total	10,987	13,007

9 INCOME TAXES

EUR 1,000	2020	2019
Tax on income from operations	2,599	3,027
Tax corrections for previous accounting periods	-70	3
Total	2,529	3,030

NOTES TO THE BALANCE SHEET, PARENT COMPANY

10 INTANGIBLE ASSETS, PARENT COMPANY

EUR 1,000	Intangible rights	Internally created intangible assets	Other intangible assets	Advance payments	Goodwill	Total
2020						
Acquisition cost Jan 1	5,451	84	153	28	2,500	8,217
Additions	28	0	0	6	0	35
Disposals	0	-84	0	0	0	-84
Reclassifications between items	35	0	0	-35	0	0
Acquisition cost Dec 31	5,514	0	153	0	2,500	8,167
Cumulative amortization Jan 1	-4,768	-28	-153	0	-1,314	-6,263
Cumulative amortization on disposals	0	56	0	0	0	56
Amortization for the financial year	-266	-28	0	0	-212	-506
Cumulative amortization Dec 31	-5,033	0	-153	0	-1,527	-6,713
Book value Dec 31, 2020	481	0	0	0	973	1,454

EUR 1,000	Intangible rights	Internally created intangible assets	Other intangible assets	Advance payments	Goodwill	Total
2019						
Acquisition cost Jan 1	5,347	0	153	84	2,500	8,084
Additions	105	0	0	28	0	133
Reclassifications between items	0	84	0	-84	0	0
Acquisition cost Dec 31	5,451	84	153	28	2,500	8,217
Cumulative amortization Jan 1	-4,500	0	-153	0	-1,102	-5,756
Amortization for the financial year	-268	-28	0	0	-212	-508
Cumulative amortization Dec 31	-4,768	-28	-153	0	-1,314	-6,263
Book value Dec 31, 2019	684	56	0	28	1,185	1,953

11 TANGIBLE ASSETS, PARENT COMPANY

EUR 1,000	Machinery and equipment	Other tangible assets	Total
2020			
Acquisition cost Jan 1	1,161	55	1,217
Additions	127	3	130
Acquisition cost Dec 31	1,288	59	1,347
Cumulative depreciation Jan 1	-1,143	-55	-1,198
Depreciation for the financial year	-17	0	-17
Cumulative depreciation Dec 31	-1,160	-55	-1,215
Book value Dec 31, 2020	128	3	131
2019			
Acquisition cost Jan 1	1,148	55	1,203
Additions	13	0	13
Acquisition cost Dec 31	1,161	55	1,217
Cumulative depreciation Jan 1	-1,135	-55	-1,190
Depreciation for the financial year	-8	0	-8
Cumulative depreciation Dec 31	-1,143	-55	-1,198
Book value Dec 31, 2019	19	0	19

12 INVESTMENTS, PARENT COMPANY

EUR 1,000	Shares in Group companies	Other investments	Total
2020			
Acquisition cost Jan 1	120,883	20	120,903
Increases	4,878	0	4,878
Decreases	-652	0	-652
Acquisition cost Dec 31	125,110	20	125,129
Book value Dec 31, 2020	125,110	20	125,129
2019			
Acquisition cost Jan 1	98,672	19	98,691
Increases	23,848	1	23,848
Decreases	-1,636	0	-1,636
Acquisition cost Dec 31	120,883	20	120,903
Book value Dec 31, 2019	120,883	20	120,903

The parent company's direct holdings in Group companies are listed in point 32 "Related-party transactions" of the notes to the consolidated financial statements.

13 NON-CURRENT RECEIVABLES

EUR 1,000	2020	2019
Non-current receivables from Group companies		
Loan receivables	1,835	7,409
Non-current receivables, total	1,835	7,409

14 CURRENT RECEIVABLES

EUR 1,000	2020	2019
Current receivables from Group companies		
Trade receivables	2,323	2,969
Internal bank account receivables	6,675	4,631
Group contribution receivables	11,000	13,000
Other receivables	1,487	1,178
Current receivables from others		
Current prepayments and accrued income	1,043	931
Other short-term receivables	8	14
Current receivables, total	22,535	22,723
Main items included in prepayments and accrued income		
Prepayments of IT costs	830	750
Other prepayments and accrued income on expenses	213	181
Total	1,043	931

15 CASH AND CASH EQUIVALENTS

EUR 1,000	2020	2019
Bank accounts and cash	16,989	7,072
Total	16,989	7,072

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

16 EQUITY

EUR 1,000	2020	2019
Restricted equity		
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
Restricted equity, total	11,701	11,701
Unrestricted equity		
Unrestricted equity fund Jan 1	20,215	20,215
Unrestricted equity fund Dec 31	20,215	20,215
Treasury shares Jan 1	-1,323	-804
Additions/disposals	641	-519
Treasury shares Dec 31	-682	-1,323
Retained earnings Jan 1	31,989	23,166
Dividends paid	-8,682	-7,454
Share-based payments	-45	0
Retained earnings Dec 31	23,261	15,712
Profit for the financial year	11,001	16,277
Unrestricted equity total	53,795	50,881
Shareholders' equity, total	65,496	62,582
Distributable funds Dec 31		
Retained earnings	23,261	15,712
Treasury shares	-682	-1,323
Unrestricted equity fund	20,215	20,215
Profit for the financial year	11,001	16,277
Activated development costs	0	-56
Distributable funds Dec 31	53,795	50,824
Number of shares Jan 1 (1,000 pcs)	24,963	24,963
Number of shares Dec 31 (1,000 pcs)	24,963	24,963

Additional information regarding the shares is presented in point 25 "Shares and share capital" of the notes to the consolidated financial statements.

17 ACCUMULATED APPROPRIATIONS

EUR 1,000	2020	2019
Depreciation in excess of plan	261	249
Total	261	249

18 NON-CURRENT LIABILITIES

EUR 1,000	2020	2019
Loans from financial institutions	12,500	24,500
Total	12,500	24,500

19 CURRENT LIABILITIES

EUR 1,000	2020	2019
Current liabilities to group companies		
Trade payables	85	363
Other payables	15	1
Internal bank account liabilities	58,538	51,903
Current liabilities to others		
Trade payables	1,712	1,775
Other liabilities	340	280
Accrued expenses	3,005	2,902
Income tax liability	489	917
Accrued liability on acquisitions	132	2,410
Loans from financial institutions	25,500	12,196
Current liabilities total	89,816	72,748
Main items included in accrued expenses		
Interest liabilities	63	79
Accrued employee expenses	2,514	2,434
Other accrued expenses	428	389
Total	3,005	2,902

20 PLEDGES, MORTGAGES AND GUARANTEES

EUR 1,000	2020	2019
Guarantees given		
Other contingencies	320	320
Guarantees for Group companies	91	3,791
Finance Lease liabilities		
For payment in next financial year	2,736	2,807
For payment later	2,317	3,112
Operating Lease liabilities		
For payment in next financial year	444	57
For payment later	1,148	6
Credit limits		
Total credit limit available	8,491	8,393
Pledges, mortgages and guarantees total	15,547	18,485

Guarantees given for Group companies' loans

EUR 1,000	Guarantee	In use
Etteplan Technology Center Ltd	447	0
Etteplan Consulting (Shanghai) Co., Ltd.	57	0
Etteplan B.V.	570	0
Etteplan Deutschland GmbH	4,000	1
Etteplan Poland sp.z.o.o.	669	0
Total	5,742	1

Shares and shareholders

SHARE CAPITAL AND SHARES

On December 31, 2020, 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 24,963,308. 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 Mid Cap market capitalization group in the Industrials sector under the ETTE ticker (FI0009008650). Etteplan moved from the Small Cap group to the Mid Cap group on January 1, 2019.

SHARE PRICE TREND AND TURNOVER

The number of Etteplan Oyj shares traded in 2020 was 1,564,244 (2019: 1,471,517), for a total value of EUR 14.80 (13.23) million. The share price low was EUR 6.50, the high EUR 13.30, the average EUR 9.46 and the closing price EUR 12.95. Market capitalization on December 31, 2020, was EUR 322.25 (251.79) million.

Etteplan Oyj and Lago Kapital Ltd signed a market making agreement in compliance with the Liquidity Providing (LP) requirements issued by Nasdaq Helsinki Ltd, under which the market making began on February 17, 2020. According to the agreement, Lago Kapital Ltd will provide Etteplan Oyj's share with bids and offers so that the maximum spread is 4%, calculated from the bid quotation. Both bid and offer side shall include a number of shares corresponding to the value of at least EUR 3,000. Lago Kapital Ltd undertakes to submit bids and offers for the share of Etteplan Oyj on the trading system maintained by Nasdaq Helsinki Ltd on each trading day for at least 85 per cent of the time of continuous trading. The market making agreement aims at increasing the share's liquidity and decreasing the share price volatility, thus facilitating trading for private investors in particular.

SHAREHOLDERS

At the end of 2020, the Company had 3,323 (2,914) registered shareholders. In total, 423,925 shares, or 1.70 (1.97) per cent of all shares, were nominee-registered.

FLAGGING

Etteplan Oyj received no flagging notices during year 2020.

TREASURY SHARES

The Company held 79,046 of its own shares on December 31, 2020 (December 31, 2019: 156,203), which corresponds to 0.32 per cent of all shares and voting rights. The Company does not have a share repurchase program in effect.

BOARD AUTHORIZATIONS

The Annual General Meeting 2020 authorized the Board of Directors to resolve on the repurchase of the Company's own shares in one or more tranches using the Company's unrestricted equity. A maximum of 2,000,000 shares in the Company may be repurchased. The Company may deviate from the obligation to repurchase shares in proportion to the shareholders' current holdings, i.e. the Board has the right to decide on a directed repurchase of the Company's own shares. The authorization includes the right for the Board to resolve on the repurchase of the Company's own shares through a tender offer made to all shareholders on equal terms and conditions and at the price determined by the Board, or in public trading organized by the Nasdaq Helsinki Ltd at the market price valid at any given time, so that the Company's total holding of its 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 2, 2020, and ending on October 2, 2021. The authorization replaces the corresponding previous authorization. The Annual General Meeting 2019 decided to authorize the Board of Directors to resolve on the issuance of a maximum of 2,500,000 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 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, Article 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 conferring entitlement to shares. The authorization also includes the right to decide on all the terms of share issue, option rights or other special rights conferring entitlement 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 Unrestricted equity fund. The authorization is valid for two (2) years from the date of the resolution of the Annual General Meeting, starting on April 4, 2019, and ending on April 4, 2021.

OPTION RIGHTS

The Company does not currently have a share option program.

Etteplan Oyj's incentive plan for key personnel 2020–2022

On February 5, 2020, Etteplan's Board of Directors resolved 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 comprises calendar years 2020–2022. The earning period covers the same years as Etteplan's strategy update published in December 2019. The plan is in line with Etteplan's strategy and supports the achievement of the Company's financial targets. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). The potential reward will be paid partly in the Company's shares and partly in cash after the end of the earning period. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel. Approximately 25 people belong to the plan, including the Management Group of Etteplan. The rewards to be paid on the basis of the plan will correspond to the value of an approximate maximum total of 390,000 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, and therefore the incentive plan will have no diluting effect on the share value.

Payment of the share rewards based on the share-based incentive program 2017–2019 intended for the key personnel

On February 11, 2020, Etteplan's Board of Directors confirmed the maximum number of shares, 84,124, earned based on the earning period 2017–2019 of the share-based incentive program for the Company's key personnel, and resolved on the payment of the share rewards from the shares held by the Company. In addition, Etteplan paid in cash a proportion to cover taxes and tax-related costs arising from the reward to some 20 people belonging to the target group of the incentive plan. The share rewards were paid on April 15, 2020. Etteplan Oyj announced the establishment of this share-based incentive program with a Stock Exchange Release published on May 31, 2017: "The Board of Directors of Etteplan Oyj decided on May 31, 2017, to establish a new share-based incentive plan for the Group's key personnel. The incentive plan includes one earning period comprising the calendar years 2017–2019. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). 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. Approximately 20 people belong to the target group of the incentive plan. The rewards to be paid on the basis of the Plan will correspond to the value of an approximate maximum total of 260,000 Etteplan Oyj shares (including 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 and, therefore, the incentive plan will have no diluting effect on the value of the share." On April 15, 2020, Etteplan Oyj transferred a total of 77,157 of its own shares to Group key personnel in accordance with the terms of the share-based incentive plan for the Group key personnel, and the decision made by the Board of Directors on February 11, 2020. The amount of shares differs from the previously communicated amount due to a change in Etteplan's Management Group. After the transfer, Etteplan holds a total of 79,046 of its own shares.

MAJOR SHAREHOLDERS, DECEMBER 31, 2020

Name	Number of shares	Proportion of shares and votes, %
Ingman Group Oy Ab	16,500,000	66.10
Oy Fincorp Ab	2,498,000	10.01
Varma Mutual Pension Insurance Company	985,593	3.95
SEB Gyllenberg Finland Small Cap Fund	478,000	1.91
Tuori Klaus Tapani	399,134	1.60
Taalarihdas Mikro Markka Fund	339,048	1.36
Tuori Aino	308,275	1.23
VAS Invest Oy	233,778	0.94
OP-Finland Micro Cap	155,486	0.62
Näkki Juha Antti Ilmari	125,848	0.50
Etteplan Oyj	79,046	0.32
Kempe Anna Carita	74,987	0.30
Mandatum Life Insurance Company Ltd.	62,583	0.25
Kokkonen Toni	58,818	0.24
Kopponen Antti Tapani	58,818	0.24
Mäkelä Esa Tapio	58,818	0.24
Kylänpää Osmo Olavi	53,200	0.21
Kempe Pia Paulina	52,000	0.21
Ingman Carl Robert	50,000	0.20
Säästöpankki Small Cap Mutual Fund	49,241	0.20
Other shareholders	1,918,710	7.69
Nominee-registered shares	423,925	1.70
Total	24,963,308	100.00

BREAKDOWN OF SHAREHOLDINGS BY SIZE CLASS, DECEMBER 31, 2020

Number of shares, pcs	Number of shareholders	Proportion of shareholders, %	Number of shares	Proportion of shares and votes, %
1-100	1,404	42.25	57,582	0.23
101-1,000	1,538	46.28	597,808	2.39
1,001-10,000	336	10.11	904,697	3.62
10,001-100,000	34	1.02	1,154,797	4.63
100,001-1,000,000	9	0.27	3,250,424	13.02
> 1,000,000	2	0.06	18,998,000	76.10
Total	3,323	100.00	24,963,308	100.00

BREAKDOWN OF SHAREHOLDINGS BY OWNER GROUP, DECEMBER 31, 2020

Name of the sector	Number of shareholders	Number of shares	Proportion of shares and votes, %
National economy total (domestic sector)			
Companies	113	17,038,651	68.25
Financial and insurance institutions	20	3,580,185	14.34
Public sector entities	3	989,306	3.96
Households	3,155	2,885,588	11.56
Non-profit institutions	11	21,571	0.09
Foreigners	21	24,082	0.10
Nominee-registered shares		423,925	1.70
Total	3,323	24,963,308	100.00

Board of Directors' dividend proposal

At December 31, 2020, the parent company's distributable shareholders' equity amounted to EUR 53.8 million, of which the net profit for the financial year was EUR 11.0 million.

The Board of Directors proposes that from the distributable funds at the disposal of the Annual General Meeting, a dividend of EUR 0.34 per share be paid on the Company's externally owned shares, for a total amount of EUR 8.5 million at most. Dividend will not be paid out to shares that are company-held on the record date of dividend payout, April 12, 2021.

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 19, 2021.

Vantaa, February 11, 2021

Robert Ingman
Chairman of the Board

Matti Huttunen
Member of the Board

Päivi Lindqvist
Member of the Board

Leena Saarinen
Member of the Board

Mikko Tepponen
Member of the Board

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Etteplan Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Etteplan Oyj (business identity code 0545456-2) for the year ended December 31, 2020. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows 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 financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

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 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 13 to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements

that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of goodwill – Accounting Policies and Note 22 to the Consolidated Financial Statements	
<ul style="list-style-type: none">• Goodwill, totaling EUR 83,7 million, has increased by EUR 4,7 million during the financial period as a result of acquisitions, and is a significant individual item in the consolidated balance sheet.• Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount using a discounted cash flow model. Estimating future cash flows underlying the impairment tests involves a significant element of management judgment, particularly in respect of growth in net sales, profitability and discount rates.• Valuation of goodwill is considered a key audit matter due to the significant carrying value and high level of management judgement involved.	<ul style="list-style-type: none">• We critically analyzed the management's assumptions that form the basis on which the cash flow projections for future years are prepared.• We involved KPMG valuation specialists to assess the appropriateness of the discount rate used and the technical integrity of calculations as well as for comparison of the assumptions used to the market and industry-specific data.• In addition, we assessed the adequacy of the sensitivity analyses and the appropriate presentation of notes related to impairment tests in the consolidated financial statements.

THE KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Revenue Recognition – Accounting Policies and Note 7 to the Consolidated Financial Statements

- | | |
|---|--|
| <ul style="list-style-type: none">• Revenue recognition consists mainly of revenue from rendering of services. Total revenue amounted to EUR 259,7 million.• Revenue recognition is a key audit matter due to the significance of revenue when assessing the size of business, growth and profitability of Etteplan. Revenue recognition involves a risk of revenue being recognized in the incorrect period and at inaccurate amount due to related management estimates and large volumes of transaction data.• For projects, where either a fixed price or a target price has been determined, revenue is recognized over time based on the percentage of completion method. The percentage of completion is determined as the proportion of actual costs to the total estimated project costs. Inaccurate cost estimates lead to erroneous revenue recognition. | <ul style="list-style-type: none">• We evaluated the company's revenue recognition and accounting policies by reference to the principles of revenue recognition determined under IFRS.• We tested the effectiveness of key internal controls in place over the completeness and accuracy of revenue. We also assessed the operative effectiveness of relevant IT systems for financial reporting purposes.• We compared total revenue estimates to customer contracts for projects where revenue is recognized over time based on the project's percentage of completion. In addition, we analyzed working hours recorded for work in progress projects in comparison to total hours estimated by the management. We also considered the appropriateness of the process for updating estimated project costs and percentages of completion.• In addition, we performed substantive audit procedures to evaluate the completeness and accuracy of revenue recorded and assessed the effect of other events which require management judgment. |
|---|--|

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 a 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 about 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 the financial statements.

As part of an audit in accordance with 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.

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 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

Information on our audit engagement

KPMG Oy Ab was first appointed as auditors by the Annual General Meeting on April 4, 2017, and our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. 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 and 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, February 26, 2021

KPMG OY AB

Kim Järvi

Authorized Public Accountant, KHT

Investor information

Etteplan's shares are listed in Nasdaq Helsinki Ltd's Mid Cap market capitalization group in the Industrials sector under the ETTE ticker. Etteplan moved from the Small Cap group to the Mid Cap group on January 1, 2019.

ETTEPLAN'S INVESTOR RELATIONS PRINCIPLES

According to the Disclosure Policy approved by Etteplan's Board of Directors, Etteplan is committed to active and open communication with all parties, regardless of whether the information in question is positive or negative for the Company. The Company's communications are transparent, credible, proactive and consistent under all circumstances. The principle is to be open, truthful and quick in all communications. The aim is to provide truthful, sufficient and up-to-date information on the Company's strategy, businesses, markets and financial situation to provide the capital markets with relevant information on Etteplan as an investment. Etteplan's Disclosure Policy is available on the Company's website at www.etteplan.com.

Investor relations are always part of the Company's other communications. Investor relations are based on the same core messages and values as the Company's other operations and communications. In all of its communications, Etteplan emphasizes consistency and a high standard of ethics and complies with the guidelines and regulations concerning listed companies.

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 2, 2020 resolved, in accordance with the proposal of the Board of Directors, to pay a dividend of EUR 0.35 per share for the financial year 2019. The remaining funds were to be left in unrestricted equity. The dividend was paid to the shareholders registered on the record date, April 6, 2020, in the shareholders' register maintained by Euroclear Finland Ltd. The dividend was paid on April 15, 2020.

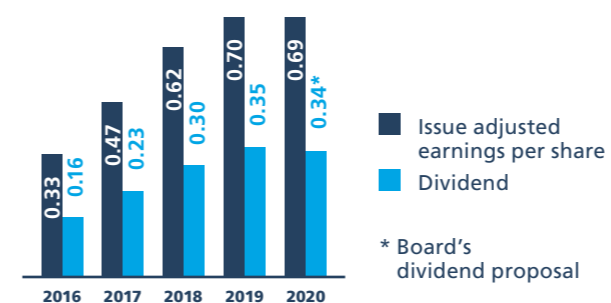
The Board of Directors proposes to the Annual General Meeting of April 8, 2021 that a dividend of EUR 0.34 per share be paid for the financial year 2020. If the Annual General Meeting approves the Board's proposal on the payment of dividend, the dividend shall be paid to the shareholders registered on the record date of the payment of dividend, April 12, 2021, in the shareholders' register maintained by Euroclear Finland Ltd. The dividend payment date proposed by the Board of Directors is April 19, 2021.

OUTLOOK

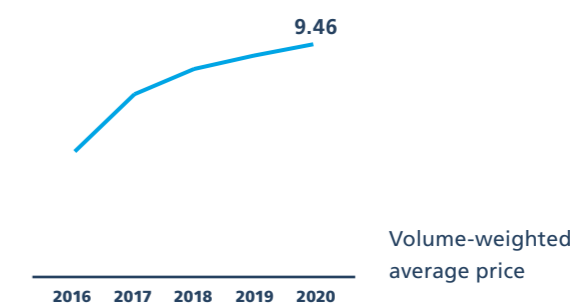
Etteplan may issue estimates of its market outlook and the development of the Company's revenue and result in its Financial Statement Review, Half Year Financial Report and Interim Reports. Outlook statements are approved by Etteplan's Board of Directors. Etteplan does not publish quarterly forecasts.

Future outlook statements and result estimates may be numerical or verbal and they may concern the development of revenue, the result, the balance sheet or cash flow. The estimates published by the Company are based on the views of future development at the time of publication and they are generally issued for the current financial year.

Earnings per share and Dividend



Share price development



PERIODIC FLUCTUATION

Etteplan's business is subject to periodic fluctuation due to the number of working days, holiday seasons and the timing of product development and investment projects in customer companies, which mainly take place in the spring and the latter part of the year. 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.

SILENT PERIOD

Etteplan observes a silent period of 30 days prior to the announcement of financial results. During this period, the Company's representatives do not meet or otherwise make contact with shareholders, investors, analysts, other market participants or the financial media. The Company's representatives do not comment on financial development, the market situation or the future outlook during the silent period. At other times, we are pleased to respond to inquiries and arrange meetings.

ANALYSTS FOLLOWING ETTEPLAN

Evli Bank Plc, Jerker Salokivi, tel. +358 9 4766 9149

Inderes Oy, Juha Kinnunen, tel. +358 40 778 1368

Nordea Bank Plc, Pasi Väisänen, tel. +358 9 5300 5192

Upon request, the Company 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 Company. Etteplan does not comment on or take any responsibility for estimates or forecasts published by capital market representatives.

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

IMPORTANT DATES IN 2021:

Financial Statement Review: February 11, 2021

Record date for participation in the General Meeting: March 25, 2021

Annual Review: week 11/2021

Deadline for registration for the General Meeting: April 1, 2021 at 10 a.m.

General Meeting: April 8, 2021 at 10 a.m.

Record date for the payment of dividend: April 12, 2021

Dividend payment date: April 19, 2021

Interim Report 1–3/2021: Wednesday, May 5, 2021

Half Year Financial Report 1–6/2021: Wednesday, August 11, 2021

Interim Report 1–9/2021: Thursday, October 28, 2021

Etteplan Oyj publishes its Annual Review and other financial reports and stock exchange releases in Finnish and English. Financial reports, webcasts of the announcement of financial results and releases are made available at www.etteplan.com immediately after their publication.

GENERAL MEETING OF SHAREHOLDERS

Etteplan Oyj's Annual General Meeting will be held on Thursday, April 8, 2021, starting at 10 a.m. at the Company's premises in Espoo, Finland at Tekniikantie 4, 02150 Espoo. The invitation to the General Meeting of Shareholders will 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 25, 2021, is registered in the shareholder's register 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 April 1, 2021 either by e-mail to registration@etteplan.com or by telephone on +358 10 307 3222. Shareholders may also register by sending a registration letter to Etteplan Oyj, Yhtiökokous 2021, Tekniikantie 4, 02150 Espoo, 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.

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.

Etteplan as an investment

1

The ability to react quickly to changes in the market and produce good profitability even in exceptional circumstances.

More information is provided in the President and CEO's review on pages 6–7 of the Essential impact annual review and in the Board of Directors' review on pages 3–7 of the Financial Review.

2

Etteplan's service solutions and wide expertise make it a forerunner in the engineering industry

More information is provided in the Essential impact annual review.

3

We made progress in many areas in implementing our strategy in 2020

More information is provided on pages 6–7 and 18–19 in the Essential impact annual review.

4

Etteplan's Board of Directors proposes that a dividend of EUR 0.34 per share be distributed, corresponding to 50 per cent of earnings per share

Read more in the Board of Directors' review on page 6 in the Financial Review.