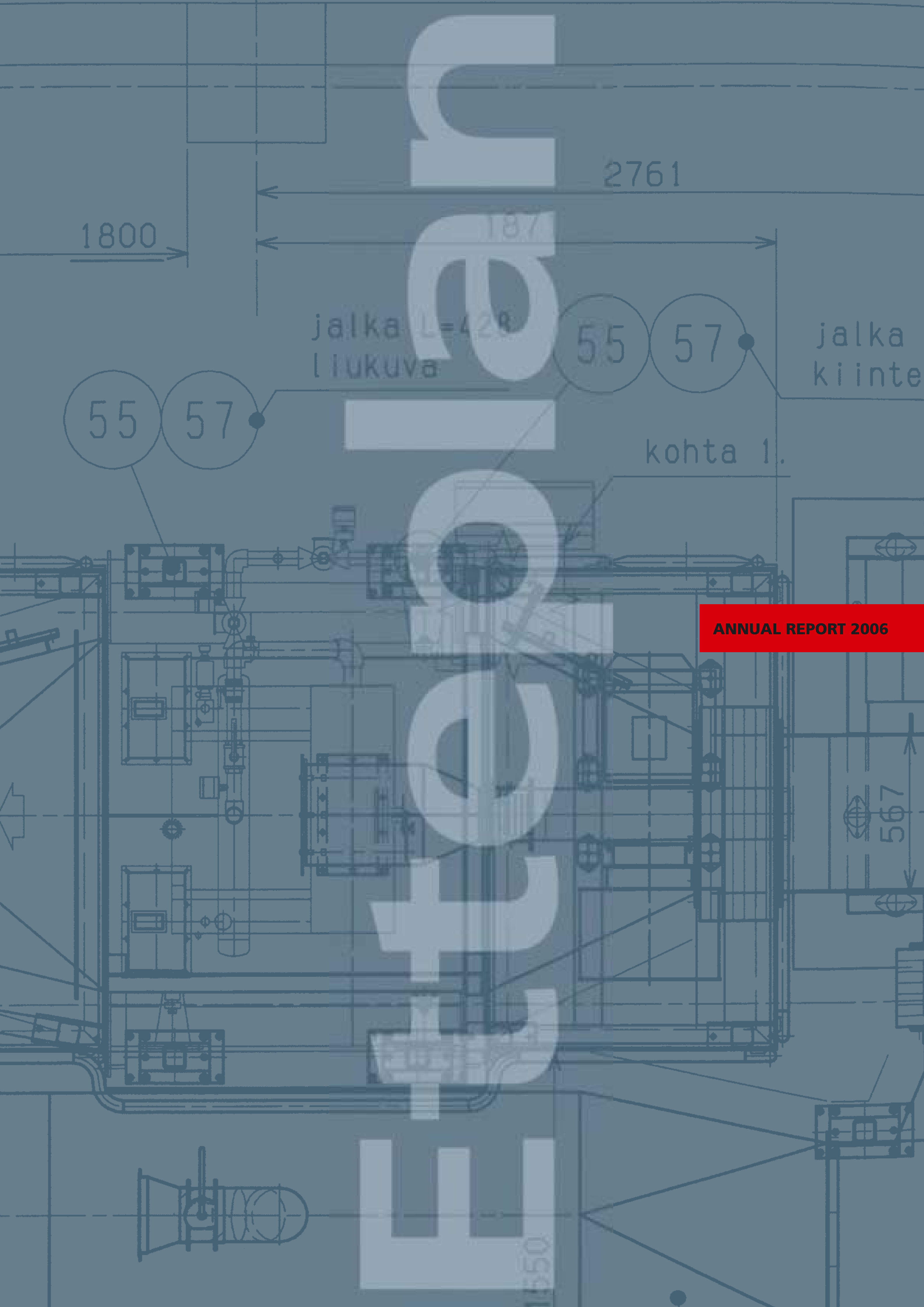



# ANNUAL REPORT 2006

## Contents

# ETTEPLAN IN BRIEF

Etteplan Oyj provides high-quality industrial technology design services for large and medium-large international industrial companies. Its business operations are divided into the Product Development and Delivery Design segments.

The company's services are mechanical design, electronics and embedded systems design, automation and electrical design as well as product information content production. Etteplan's customers use these services to construct such things as production facilities, paper machines, hoists, lifts, materials handling equipment and vehicles.

The company's primary market areas are the Nordic countries and Central Europe; China and Russia are up and coming market areas.

Etteplan's strengths lie in its skilled personnel, long-term customer relationships based on partnership, sound experience in decentralized business operations and continual development. Partners who are successful in their own fields of business are an important part of our success.

"We respond faster"

## MISSION

Etteplan provides high-quality industrial technology design services for its customers' product development and delivery design projects.

## VISION

Etteplan will be the leading company in its field of business in the Nordic countries and a significant actor in Central Europe.

Profitable growth will continue.

## STRATEGY

The main objective of Etteplan is to expand in a profitable manner. This objective is reached through organic growth and acquisitions.

Etteplan shall respond faster than its competitors to changes in the market and customers.

The company shall generate added value for its customers by acting fast, committed and trustworthly.

## VALUES

- Customer satisfaction
- Personnel well-being
- Professional ways of working

Etteplan is a company of service-minded, enthusiastic, well-conducted professionals.

# ETTEPLAN IN 2006

## March

Etteplan acquired Integrated e-Solutions Finland and strengthened its software design services for the electronics and telecommunications sector.

The Annual General Meeting approved the proposal of the Board of Directors to pay a dividend of EUR 0.20 per share, or a total of EUR 1,922,586, for the 2005 financial year.

The Annual General Meeting authorized the Board of Directors to decide to take one or more convertible bonds and/or issue option rights and/or increase the share capital through a rights issue.

The Annual General Meeting authorized the Board of Directors to acquire and convey the company's own shares to a maximum of ten (10) per cent of the company's share capital and the aggregate number of voting rights attached to the shares.

## May

Etteplan acquired the entire share capital of ABA TeknikPartner AB. The company, which was chosen as the best design service provider for Volvo cars, offers product development services primarily for the Swedish automobile industry. The company's name was changed to Etteplan TeknikPartner AB.

## June

Etteplan raised its 75 per cent ownership in Etteplan Technical Systems AB to 100 per cent.

In order to streamline its corporate image, the subsidiary EPE Design Oy was transferred to come under the Etteplan name and its operations as an independent company were discontinued.

## September

Etteplan acquired the shares outstanding in Etteplan Design Center Oy by purchasing the remaining 19 per cent shareholding from Kone Corporation.

Etteplan acquired a minority interest in Etteplan Consulting (Shanghai) Co., Ltd., increasing its 80% holding to 100%.

## October

Etteplan and Larox Corporation signed a letter of intent concerning the expansion of the design cooperation that has already been ongoing for some 20 years. Some of Larox's employees in Finland transferred to Etteplan on 1 January 2007 under their current terms of employment.

## November

Etteplan increased its shareholding in Etteplan Industriteknik AB to 100 per cent.

## December

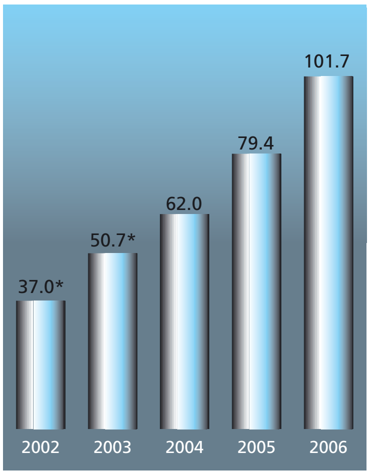
Konette GmbH's name was changed to Etteplan Engineering GmbH in order to streamline its corporate image.

DokuMentori Oy, which is part of the Etteplan Group, entered into a framework agreement with John Deere Forestry Oy concerning the transfer of product information content production to DokuMentori Oy.

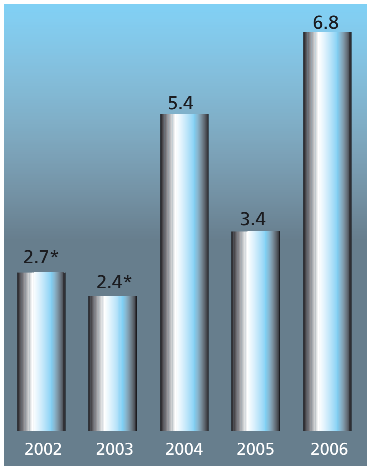
**Key Figures**

| EUR million | 2006 | 2005 | Change % |
|---|---|---|---|
| Revenue | 101.7 | 79.4 | 28 |
| Operating profit | 6.8 | 3.4 | 100 |
| Earnings per share | 0.43 | 0.25 | 72 |
| Return on investment % | 24.6 | 18.2 | |
| Gross investments | 12.5 | 8.3 | 51 |
| Average personnel | 1 501 | 1 230 | 22 |

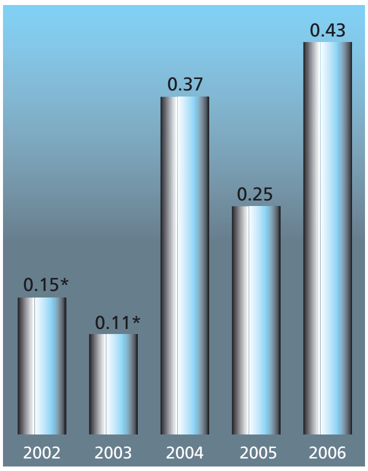
**Revenue 2002–2006**
*(EUR million)*



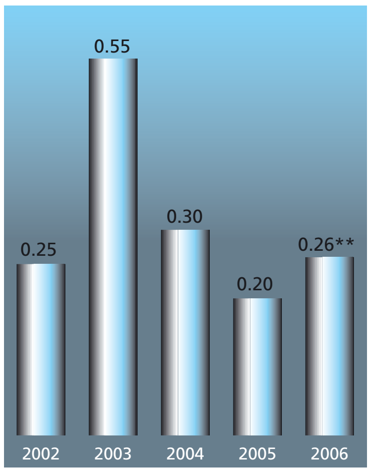

**Operating profit 2002–2006**
*(EUR million)*




**Earnings per share 2002–2006**
*(EUR)*




**Dividends 2002–2006**
*(EUR/share)*




** Comparison figures are according to FAS*
*** Proposal by the Board of Directors*

# CEO'S REVIEW

Etteplan has grown profitably for a number of years now, and this momentum was kept up in 2006. Growth exceeded our strategic target, and profitability improved substantially at the same time. Overall demand in the industrial design field grew. In the Nordic countries, major M&A arrangements were carried out, which contributed to the process of consolidation in the sector.

The general economic situation moved in a direction favourable to us. Large production investments in the emerging economies led to increased demand for capital goods, particularly among manufacturers of transport, lifting and hoisting equipment. We benefited from the market situation, because most of our customers operate as manufacturers of capital goods.

We grew both organically and via acquisitions. Of our total increase in sales volumes of about 28%, organic growth made up more than 7%. This significant trend was driven by the good demand situation and stepped-up internal operational efficiency. The price benefits deriving from the general trend in the industry were only modest, because the long-term cooperation that we carry on with our main customers kept our price level stable.

A good example of a succesful acquisition is Etteplan's purchase of ABA TeknikPartner AB. The transaction brought an expansion of our customer base and reduced our exposure to business cycles. Concurrently, it further strengthened our position within the vehicle manufacturing industry, especially in the Nordic countries.

During the past year, we launched an internal Profile Raising programme aiming at setting ourselves apart from competitors and showing our customers why it pays to use Etteplan's services. We honour our customer promise by responding quickly to changes in the market and in customers' businesses and by demonstrating strong commitment and reliability. Our corporate image is gaining a sharper focus as our subsidiaries increasingly go over to using the Etteplan name.

Etteplan pushed ahead with building an international presence. The inputs into operations in China and Russia led to landing important orders and assignments. The axis of the geographical distribution of our personnel shifted to the international market. At the end of the report period, nearly half of our employees were already working outside Finland's borders.

In a year of strong growth, we also acted as a responsible corporate citizen. Because our operations are underpinned by skilled and motivated staff, we offer our employees varied and challenging assignments along with training and support for leisure time activities. We assess environmental affairs internally according to our certified quality system. Attending to financial obligations in an examplary fashion is one of our company's cardinal principles.

During the report period we achieved the most important objectives in line with our strategy. We diversified our customer base, continued to go global and beat our growth targets, whilst concurrently improving profitability. The company's key objective in 2007 is to continue profitable growth organically and by means of M&A arrangements. The market situation at the start of the year makes us well placed to achieve this and our other set objectives.

In 2006, we had a good year of profitable growth. Our main financial indicators (net revenue, operating profit and earnings per share) were the best in the company's recent history. Our experienced staff "stretched themselves," performing at peak levels, and the new colleagues who joined us via acquisitions took a positive attitude towards the change of employer.

I wish to warmly thank all of our staff at Etteplan for your solid commitment to the company and to achieving our objectives. My thanks go to our customers and shareholders for your confidence in our company. Buoyed by the good market situation in 2007 and with the job contribution of our skilled and motivated employees, the fundamentals are in place for increasing shareholder value.

*Heikki Hornborg*
*CEO*

# OPERATING ENVIRONMENT

Etteplan operates in the industrial design sector, where demand is primarily influenced by the ongoing trend in customer industries. Development in the sector is also shaped by changing operating models as well as by corporate restructuring.

The sector benefited during the past year from cyclical upturns in several industrial sectors, and investments in product development and production rose in the Nordic countries.

## Growth determines development

The industrial design sector grew by almost 10 per cent during the report period, and demand from Etteplan's customers rose more or less accordingly.

Large production investments in emerging economies led to an increased volume of goods and material transfers in particular as well as to rising prices for raw materials and consequently to growing demand for investments. The paper and pulp, base metals, energy and transport sectors were among those industries that underwent vigorous growth whereas growth in information technology and the automobile industry was more moderate.

Due to flexibility in design resources, the sector was able to respond to demand. This partially explained why the markets witnessed no significant price rises. Long-term framework agreements with major customers also bolstered price stability. However, demand exceeded supply in some sectors and resources had to be sought from elsewhere, such as from countries with lower production costs.

A shortage of personnel in Finland and Sweden became apparent in some specialist areas. Consequently, larger staff turnover raised costs somewhat.

The internationalization of the sector increased competition. From Etteplan's perspective, this apparently favourable trend lies in preserving the strong position of product development both in Finland

and in Sweden. The trend in transferring production to countries with lower production costs looks set to continue. There was an increase to some degree in design subcontracting, particularly in former East European countries, India and the Far East.

The demand for large design projects grew in neighbouring areas, and the demand for product information content production rose in line with expectations. The provision of services by the Product Development segment continued on a strong footing in Finland and Sweden.

Acquisitions in customer sectors shaped the field of activities for industrial design in, for instance, wood processing and the cable machine industry. The internal trend towards consolidation continued.

## Good outlook in the Nordic countries

The outlook for industrial design is good at present, although growth in the world economy is expected to slow down to some degree towards the end of the current year. The Nordic countries – principally Finland and Sweden – will maintain their competitiveness and forge ahead in their development.

The threats in the near future include the increasing gravity of conflicts, terrorism and currency fluctuations that may hold back investments and inputs into product development. Although China and Russia are key markets of growth, they also constitute significant areas of risk. Their fast-developing social systems have not yet achieved stability.

The political climate in the world has changed and raised the importance of energy dependency as one of the crucial factors affecting the future.

*Besides working with traditional energy sources, Etteplan also played a role during the past year in developing new energy sources, such as wind power.*

# PRODUCT DEVELOPMENT

**The Product Development segment provides integrated design and specialist services for product development.**

The segment offers multi-sector design, implementation and measurement services for product development as well as services for product information content production. Etteplan's customers use these services to manufacture such things as lifts, materials handling equipment, hoists and vehicles.

These solutions, which enhance the competitiveness of customers, are grounded in sound expertize in industrial technology design and product development processes as well as in the company's ability to respond quickly to changes in customers and the market.

## A rise in order backlog and integrated deliveries

Demand and order backlog for the segment's services rose briskly in the period under review, which was attributable to the healthy economic trend in the company's customer segments.

The area of priority in the provision of design services continued to shift from individual projects to integrated deliveries, and the focus of demand fluctuated within the segment.

The demand for design assignments requiring innovations and high product development expertize centred on the Nordic countries and Central Europe.

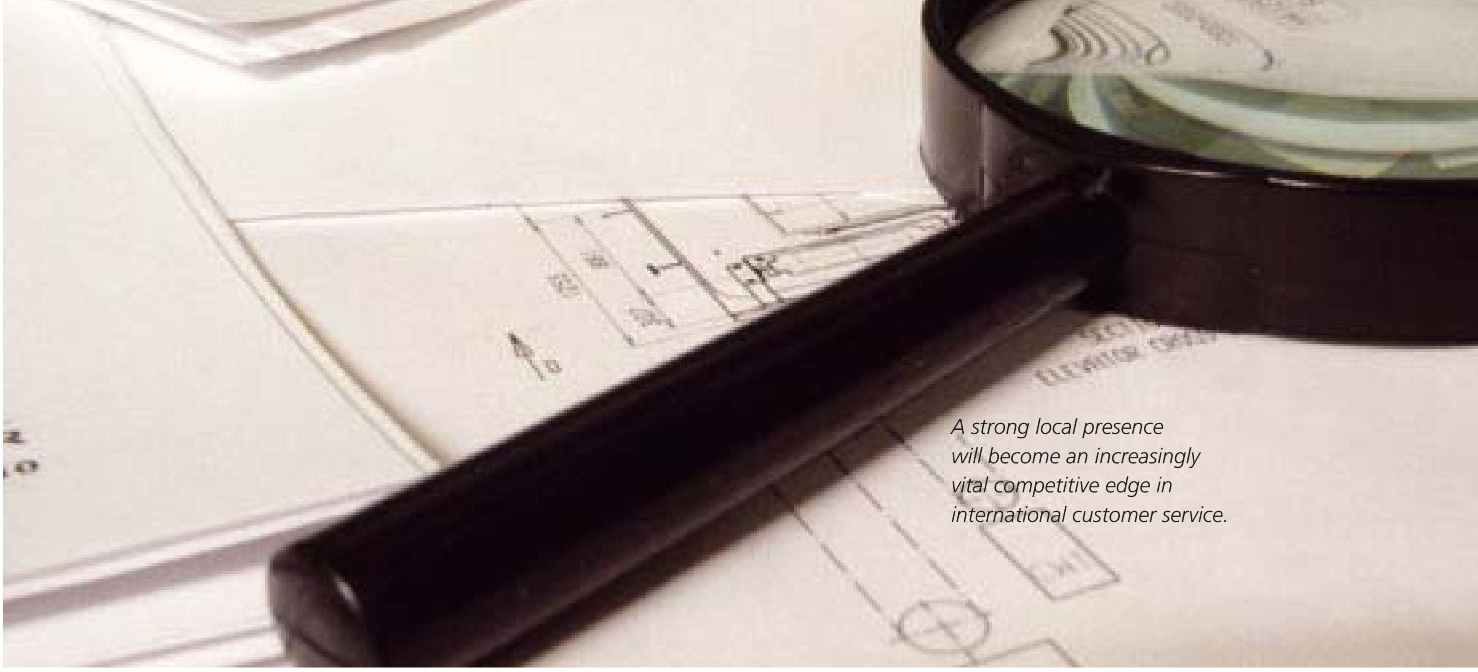
The product development business performed particularly well in Germany where cooperation between different areas of design reached new heights. This trend in integration generated even better opportunities for Etteplan to serve its customers.

Product information content production played an increasingly stronger role as part of the segment's total offerings. This was due primarily to sound expertize in developing product information content production and its associated products and services as well as to making optimum use of synergy benefits.

The company consolidated its position as a software designer for information systems in the pharmaceutical industry and boosted its market share in this particular business area.

Product development services performed well in Sweden and exceeded expectations. The company is confident that this favourable trend will continue for the foreseeable future.

To give a further boost to its areas of expertize and customer service, the com-



*A strong local presence will become an increasingly vital competitive edge in international customer service.*

pany devoted considerable effort to recruiting new specialists.

## Demand set to strengthen

The future for the segment looks bright. The sound economic trend among customers has given rise to positive expectations, especially for 2007. For instance, the industrial, telecommunications and health care sectors are expected to perform well.

The significance of a local presence is the keynote to international customer service. Etteplan's role as a local partner is gaining strength because the company supplies high-quality consultation and solutions to the unique challenges that its customers encounter. It also generates good growth potential for Etteplan.

The demand for product information content production is on the rise. The commercialization of a service based on high specialist skills and the multichannel production of information are vital factors for growth. This will contribute towards an increase in the number of integrated deliveries, and the company is confident that their relative proportion will rise.

The company believes that design assignments requiring innovations and high product development expertize will continue to centre on the Nordic countries and Central Europe.

Etteplan intends to take its customer relations to even deeper levels. Local cooperation based on partnership is a vital competitive factor, and the company aims to be the first viable alternative for customers.

## TeknikPartner comes under Etteplan

In May 2006 Etteplan acquired the Swedish ABA TeknikPartner AB. Established in 1995, the company provides product development services primarily for the automobile industry in Sweden.

TeknikPartner's revenue in 2005 amounted to just over EUR 14 million, and it had 225 employees. The company operates out of three locations in Sweden: Gothenburg, Stockholm and Trollhättan.

*The acquisition of the Swedish company that now bears the name Etteplan TeknikPartner AB was Etteplan's breakthrough into the automobile and truck industry in the Nordic countries.*

TeknikPartner, which has undergone rapid and profitable growth in recent years, was a breakthrough for Etteplan, enabling it to become a significant supplier for the automobile and truck industry in the Nordic countries. The acquisition of the company supported Etteplan's growth strategy by expanding its operations to the automobile industry, which in Europe is the largest sector to use industrial technology design services.

The outcome of the transaction means that Etteplan can offer even more extensive services to its customers in the automobile industry, especially in Sweden and Finland. The transaction also consolidated Etteplan's position as a major player in the industrial technology design sector in Sweden.

TeknikPartner also benefited from the transaction. As part of Etteplan, a leading group in the design sector in the Nordic countries, the company will gain even better opportunities to develop and step up its operations as well as enlarge its customer base. In the future, TeknikPartner will be able to provide its customers with improved flexibility, a more extensive sphere of expertize and additional resources.

# DELIVERY DESIGN

**The Delivery Design segment provides services for the design of production facilities and the machinery and equipment in them.**

The segment offers wide-ranging design services as well as associated commissioning, site supervision and training services. These enable customers to construct such things as paper machines, materials handling equipment and to carry out production facility investments.

The services that support the competitiveness of customers vary from designing individual pieces of equipment to extensive, internationally decentralized integrated deliveries. Due to standardized and efficient design processes, specialists from several fields can be designated to customer projects.

## Increased demand and intensified operations

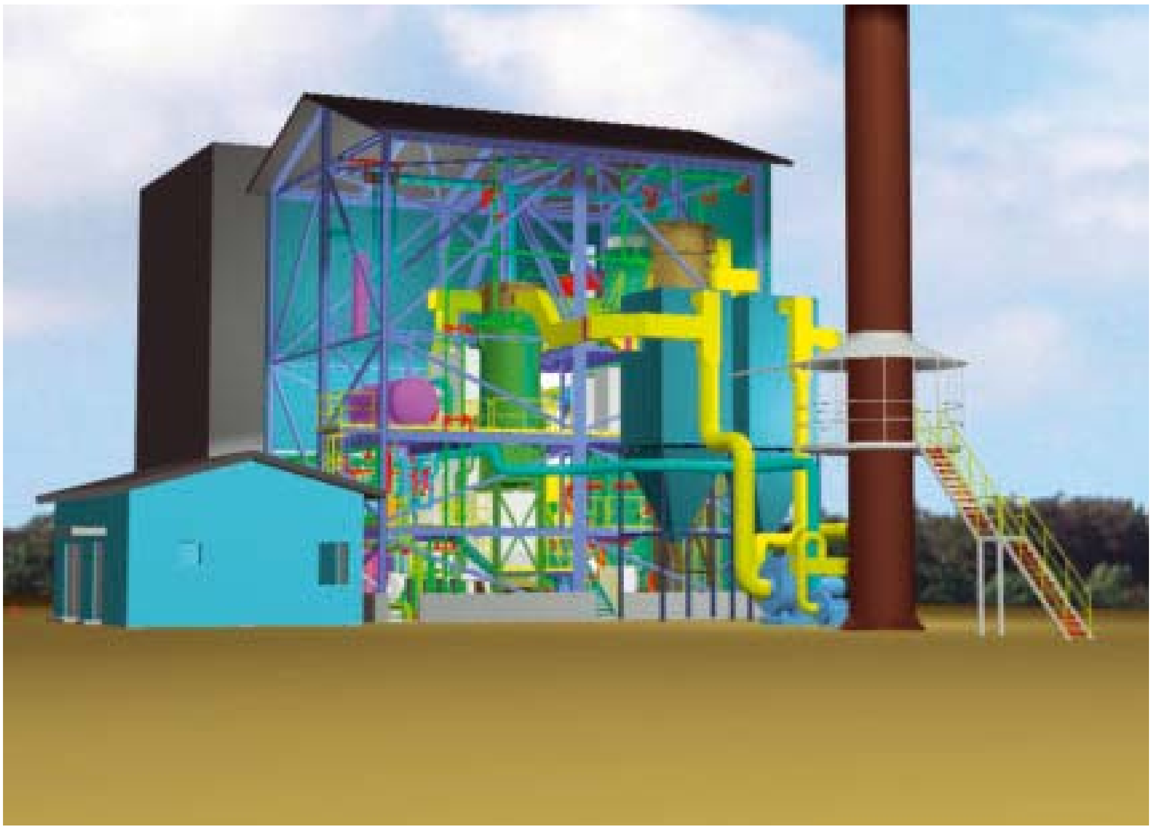
Demand rose during the period under review, and the demand and order backlog showed vigorous growth particularly in the latter half of the year. The background to this trend was attributable to the sound economic trend in customer sectors.

Strategic partnerships with customers gained further strength. This trend benefited both Etteplan and its customers because deeper cooperation enabled both parties to make even greater and more efficient use of available resources.

Besides actively maintaining customer relations, Etteplan successfully landed new customers. The new partnerships served to increase the order backlog, which chalked up robust overall growth during the review period.

The segment showed profitable growth, which was primarily attributable to several successful integrated deliveries to key customers. The relative proportion of integrated deliveries also continued to rise, and customer satisfaction, as measured by our quality system, indicated an improvement. This was reflected in the new agreements forged between Etteplan and its customers as well as the general increase in the number of projects.

The past year was characterized by a shift in the focus of demand within the segment; the relative proportion of services for the telecommunications sector



*The relative proportion of integrated deliveries within Delivery Design continued to rise, and the scope of projects is expected to increase still further.*

declined in comparison with services for traditional industry.

## Integrated deliveries poised to increase

Strengthened customer relations in the period under review have generated positive expectations for the future. In contrast with individual deliveries, the number of large design projects makes up an increasing amount of the workload, and projects are expected to further increase in magnitude.

In addition to traditional design assignments, the company has also supplied integrated deliveries for automation on the turnkey principle. These projects frequently include maintenance and servicing for an agreed period.

Besides assignments to construct traditional nuclear power and hydropower plants, the company has also worked on new energy sources, such as wind power.

Overall, demand looks good. The order backlog from principal customer groups – the mechanical engineering and automobile industries and machine and equipment manufacturers – is on a firm footing, which is evidenced by the healthy demand for industrial technology at Etteplan. As for investments in production facilities, prospects for the St Petersburg region in particular look promising.

As competition at the international level stiffens, the company will continue to give increasing consideration to cost effectiveness. The company has also devoted substantial effort to enhancing its competitive edge in a number of ways.

## Etteplan and Larox expand cooperation

Etteplan and Larox Corporation expanded their cooperation of some twenty years in the fields of design and documentation for delivery product and project maintenance.

This closer cooperation with Larox puts Etteplan's strategy into effect. According to the strategy, the company shall operate as a partner to its global customers by providing them with high-quality industrial technology design services, thus enabling them to concentrate on developing their core business areas. This expanded cooperation will further boost Etteplan's position as a leading design company in the Nordic countries.

The enhanced cooperation assures Larox the proficient and flexible availability of design services. As part of the agreement, ten employees from Larox's Lappeenranta location transferred to Etteplan under their current terms of employment.

Larox is a leading mechanical engineering company in its sector, and it is responsible for developing, designing and manufacturing industrial filters as well as for their after sales services. The company is a full-service solution provider for separating solids from liquids by filtration. Larox technology is used worldwide, primarily in applications for the mining, metallurgy and chemical processing industries.

*Deepening its partnership with Larox, which manufactures industrial filters, promoted Etteplan's opportunities as a strategic partner for its customers.*

Larox operates in more than 40 countries, and it employs over 440 people. The company's main office is in Lappeenranta, and it has production facilities in Lappeenranta and Utrecht, the Netherlands. Net sales in 2006 came to EUR 122.8 million, of which more than 95 per cent were generated outside Finland.

# PERSONNEL

**Etteplan is a service-minded, well-managed company of enthusiastic professionals.**

Etteplan has undergone vigorous expansion in recent years, so there has been a significant rise in the number of personnel working at the company. This trend continued in a similar vein during the period under review and by the end of the year, the company employed 1,568 specialists. A major aspect was a shift in the geographic distribution of personnel towards the international markets. At the end of 2006 almost half of all employees were working outside Finland.

Etteplan's asset is its specialist competence in product development and delivery design processes for industrial design, which is based on customer needs. Thus, the prime factor behind the success of the company is its competent personnel who are committed to providing customer service.

## New personnel policy

With respect to demanding design projects, the company's internal activities underwent development during the review period with the aim of meeting the needs of old and new employees as well as those of customers. Since Etteplan's objective is to respond faster than its competitors to changes in the market and customers, working conditions need to be in good shape.

In order to take working conditions to an even higher level, the company developed a new personnel policy for the Group. The policy is the means for establishing a common approach to all personnel matters. The personnel policy serves to make day-to-day work more effective, reinforces corporate identity and the company's distinctive characteristics, and it strengthens commitment to the company. Similarly, it enhances internal transparency, which is vital in a time of vigorous growth.

The new policy provides enhanced opportunities for employees to develop in tune with the company because it was born out of their needs. It indicates the nature of good management and operations within the company. Moreover, the policy matches the internal expectations of employees and management. Working practices in the various Group companies and universal human resource management models were used as the basis for the preparatory work.

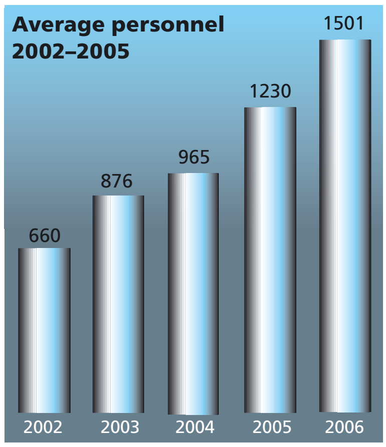
The groundwork for developing a new intranet got underway during the review period. An intranet is already up and running, but work is ongoing to take it a stage further. It will be fine-tuned to become a source of information for all activities as well as a tool for personnel to turn to when working on challenging design projects.

## Profiling programme and brand management

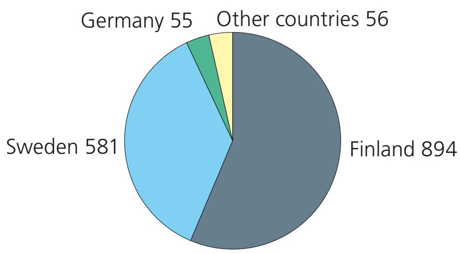
The main implementation of the internal Profile Raising programme, which started last July, is scheduled for 2007. The company's new brand management guide will also be published during the course of the current year, and increased effort will be made into entrenching the company's values. These measures will sharpen the company's competitive edge and augment personnel commitment.

It is important for the company to know that each individual employee can be proud of having the opportunity to work at Etteplan. The Etteplan Business Academy, which will refine management and sales skills, will be launched in 2007. At the same time, work will start on drawing up a training programme for specialists to further their career development goals.

Responsible corporate citizenship involves management development and investing in personnel. Etteplan aims to implement this by offering engrossing and challenging tasks as well as by supporting on-the-job development and recreational activities. In turn, these measures will foster commitment to customer service, which will be manifested by the company's ability to respond faster than its competitors to changes in the market and customers.




**Personnel of the Group per country**
**31 December 2006**



# INFORMATION FOR SHAREHOLDERS

## Annual General Meeting

Etteplan Oyj's Annual General Meeting will be held on 29 March 2007 beginning at 1.00 p.m. at the Sibelius Hall in Lahti. All shareholders who have been entered, no later than on 19 March 2007, as shareholders in the Shareholder Register maintained by Finnish Central Securities Depository Ltd (APK) are entitled to participate in the Annual General Meeting.

A shareholder who wishes to participate in the Annual General Meeting must register with the company by 4.00 p.m. on 22 March 2007 either by email to info@ette.com or by telephone on +358 10 307 2006. Registration may also be made in writing to Etteplan Oyj, Yhtiökokous (Annual General Meeting), Terveystie 18, 15860 Hollola, Finland. When registering by mail, the letter must reach the company before the close of the registration period.

Proxies authorizing a representative to vote on behalf of a shareholder at the meeting should be delivered to the company before the close of the registration period.

## Dividend payout

The Board of Directors is proposing to the Annual General Meeting that a dividend of EUR 0.26 per share be paid for the 2006 financial year. If the Annual General Meeting approves the Board of Directors' proposal on the dividend payout, the dividends will be paid to shareholders who are registered on the record date, 3 April 2007, in the Shareholder Register that is kept by Finnish Central Securities Depository Ltd (APK). The dividend payout date proposed by the Board of Directors is 12 April 2007.

## Basic information about the share

The Etteplan share has been quoted under the trading code of ETT1V in the Industrials sector within the Small Cap segment of the Nordic Exchange as from 2 October 2006. The total number of shares on 31 December 2006 was 9,772,930. The company's share was previously listed on the Main List of the Helsinki Stock Exchange.

## Financial information

Etteplan Oyj will publish three Interim Reports in 2007 as follows:

Interim Report January-March 2007
27 April 2007
Interim Report January-June 2007
8 August 2007
Interim Report January-September 2007
26 October 2007

Immediately following their publication, the Interim Reports will be available on, and can be printed out from, the company's website at www.etteplan.com. The Interim Reports are published in Finnish and English.

## Annual reports

The Annual Report will be mailed to all shareholders. Finnish and English versions of the Annual Report and Interim Reports can be ordered from Etteplan Oyj, Terveystie 18, 15860 Hollola, Finland, tel. +358 10 307 1010, fax +358 10 307 1012, or email: info@ette.com. The Annual Report, Interim Reports, stock exchange releases and other information on Etteplan Oyj are available at www.etteplan.com.

Shareholders are requested to report changes of address to the party (bank or stockbroker) where the shareholder's book-entry account is kept.

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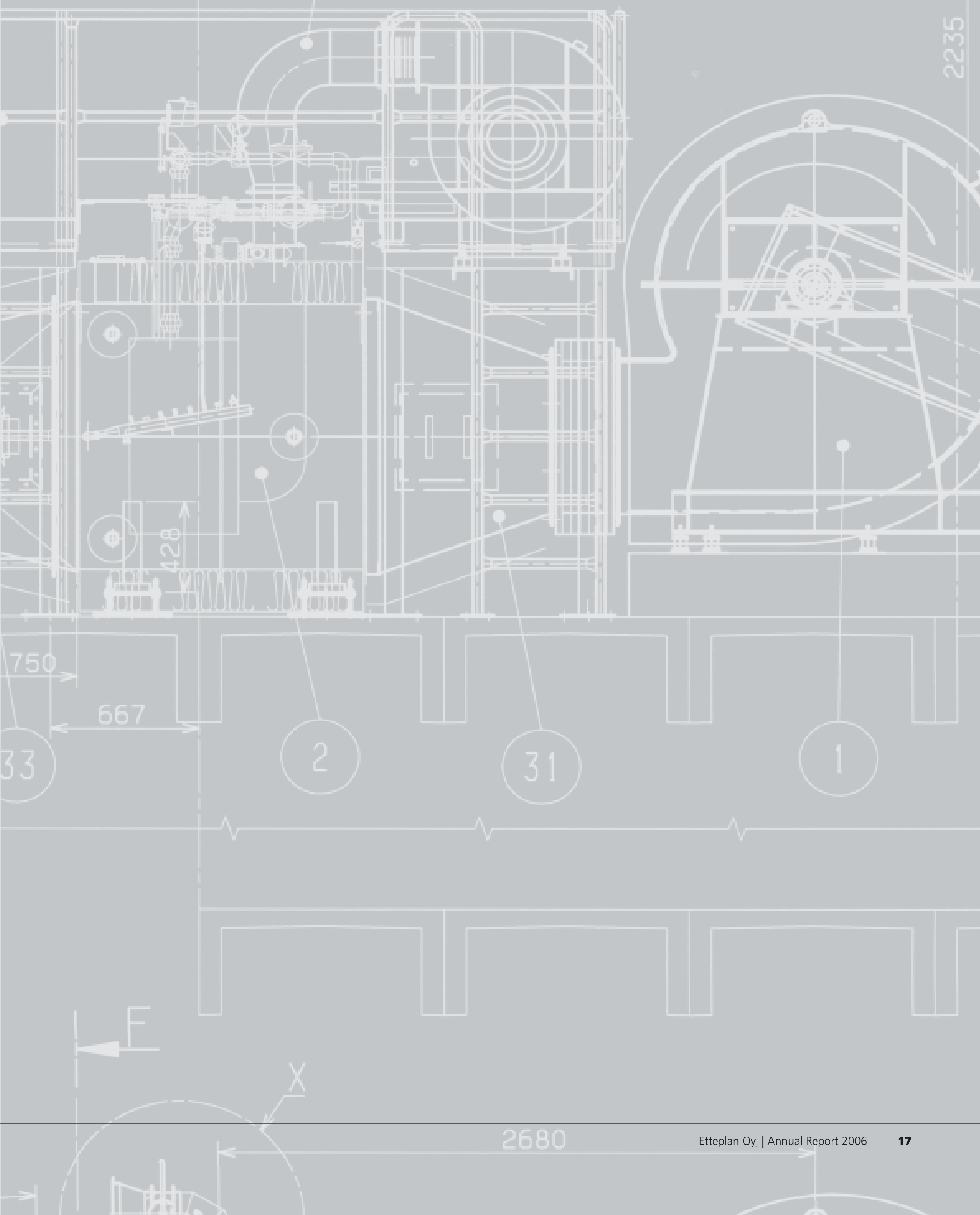
# FINANCIAL STATEMENTS



# REVIEW BY THE BOARD OF DIRECTORS 1 JANUARY– 31 DECEMBER 2006

During 2006, Etteplan grew, went international and cemented its position as one of the leading industrial technology design companies in the Nordic countries. In May, the company acquired the entire share capital of ABA Teknikpartner AB, thereby becoming a major player in the automotive industry. In line with its strategy, Etteplan has also grown through closer cooperation with customers by taking on outsourced design services. Examples of this include the agreements with John Deere Forestry Oy and Larox Corporation. Systematic strengthening of customer relationships in all main business areas has forged a foundation for organic growth.

As a result of solid demand and enhanced internal procedures, the company's operating profit has doubled and units that were in the red last year have noticeably improved their results. The company's profitability has risen, especially during the second half of last year, with the fourth quarter result being the year's best.

During 2006 Etteplan acquired the entire share capital of its formerly subsidiary companies Etteplan Design Center Oy, Etteplan Technical Systems AB and Etteplan Consulting (Shanghai) Co., Ltd.

**Revenue and result**

The Etteplan Group's revenue increased significantly compared to the previous year. Revenue grew by 28.1% to EUR 101.7 million (EUR 79.4 million in 2005). Growth was attributable to the acquisition of the entire share capital of ABA Teknikpartner AB, as well as to organic growth, which accounted for 7.3%.

Operating profit amounted to EUR 6.8 million (EUR 3.4 million), or 6.7% of revenue (4.3%). Operating profit rose by 100.0% on the previous year. Profit for the financial year before taxes and minority interest totalled EUR 6.7 million (EUR 3.4 million). Net profit for the financial year amounted to EUR 4.2 million (EUR 2.2 million).

Earnings per share were EUR 0.43 (EUR 0.25). Equity per share was EUR 2.31 (EUR 1.99). The return on investment increased to 24.6% (18.2%) and the return on equity to 20.9% (12.8%).

**Business operations**

Etteplan operates as a partner to large and medium-sized internationally operating industrial companies, providing industrial technology design services. The Group's design services are divided into two segments: Delivery Design and Product Development.

The Delivery Design segment provides services for the design of machinery and devices, as well as production facilities. Mechanical, electrical, automation and plant design and commissioning services are provided for project and equipment suppliers as well as for plant owners and operators. The Product Development segment provides design services for product development. The services are based on long-term partnerships with customers and are aimed to ensure the customer's competitiveness in the future. In addition, the company has an accredited laboratory that is specialized in electromagnetic disturbance measurements. Etteplan's customer base comprises equipment manufacturers and end-users in the wood-processing industry as well as the process, automotive, lifting and hoisting equipment and electronics industries.

The Product Development segment's revenue has almost doubled as a result of acquisitions made and accounts for close to half of the Group's revenue. Demand grew steadily towards the end of the year and the segment's profitability showed a notable improvement.

Vigorous growth in the Delivery Design segment was seen in Sweden in particular, where organic growth amounted to 15%. In Finland, organic growth reached a level of about 10%. The good level of demand that began in the spring has led to a shortage of resources in certain areas. The segment's profitability improved on the previous year.

**Major events in 2006**

In March, Etteplan Oyj strengthened its operations in software design services for the electronics and telecommunications sector. The company entered into an agreement with Integrated e-Solutions Finland under the terms of which the business operations of the company were integrated into Etteplan.

Also in March, Etteplan Oyj's Annual General Meeting decided to follow the Board of Director's proposal and distribute a dividend of EUR 0.20 per share for 2005. It also granted the Board of Directors the authorization to take convertible loans, issue option rights, increase share capital with a rights issue, and buy back and transfer the company's own shares.

Etteplan acquired the entire share capital of the Swedish company ABA Teknik-Partner AB in May. The company was established in 1995 and offers product development services, primarily to the Swedish automotive industry. The acquisition strengthened Etteplan's position as a notable player in the industrial technology design sector in Sweden. The number of people working for the Etteplan Group in Sweden rose to almost 600 as a result of the transaction.

In June, the company increased its 75% holding in Etteplan Technical Systems AB to 100%. The 100% holding is expected to bolster synergies between the Group's Swedish companies.

In order to clarify the company's corporate image, the business and personnel of the Group's subsidiary EPE Design Oy were transferred to Etteplan Oyj in June, and EPE Design Oy's operations as a separate company were discontinued.

Etteplan acquired a 19% holding in Etteplan Design Center Oy from KONE Corporation in September and completed the planned increase of its 81% holding to 100%.

Also in September, Etteplan acquired a minority interest in Etteplan Consulting (Shanghai) Co., Ltd., increasing its 80% holding to 100%.

In October, Etteplan and Larox Corporation signed a letter of intent to broaden their two decades of design cooperation. As part of the agreement, 10 salaried employees working on delivery project and product maintenance design and documentation tasks at Larox's Finnish locations transferred to Etteplan as existing employees as of 1 January 2007.

In November Etteplan increased its shareholding in Etteplan Industriteknik AB to 100 per cent.

In December, Etteplan Group company DokuMentori Oy signed a framework agreement with John Deere Forestry Oy concerning the transfer of its technical documentation to DokuMentori Oy. As part of the agreement, 10 of John Deere Forestry's documentation employees transferred to DokuMentori as existing employees on 1 December 2006.

In order to clarify Etteplan's corporate image, Konette GmbH changed its name to Etteplan Engineering GmbH in December.

**Personnel**

The Etteplan Group's operations and number of personnel have grown steadily. During the financial year, the Group employed an average of 1,501 people (1,230), an increase of 22.0%. At the end of the period on 31 December 2006, the payroll numbered 1,586 employees (1,294). The increases in staff were mainly due to acquisitions and to organic growth attributable to outsourcing by key customers. At the end of the period, the Group employed 894 people in Finland, 581 in Sweden, 55 in Germany and 56 in other countries.

**Capital expenditures**

The Group's total capital expenditures increased by 51% to EUR 12.5 million (EUR 8.3 million). The largest single investment was the acquisition of the entire share capital of ABA TeknikPartner AB. Other capital expenditures were earmarked for the implementation and development of business operations.

**Risks and risk management**

Risk management within the Group encompasses corporate governance within the Group as well as the management of operational and financial risks. The Group's corporate governance guidelines and quality system are the means used for the supervision of administrative risk within the Group. The risks are itemized in the Notes to the financial statements.

Owing to their nature, the company's business operations involve no significant credit, environmental or foreign currency risks.

**Financial position**

Etteplan's financial structure has changed as a result of the acquisitions made by the company and their financing arrangements. Total assets at 31 December 2006 increased by 46.9% to EUR 55.2 million (EUR 37.6 million). Balance sheet goodwill rose to EUR 16.6 million (EUR 8.9 million). The Group's cash and cash equivalents as well as marketable securities rose to EUR 6.2 million (EUR 4.9 million). The Group's interest-bearing liabilities increased as a result of the acquisitions and stood at EUR 10.8 million (EUR 2.2 million) at the end of the period. The equity ratio was 42.6% (54.7%). Liquidity remained good throughout the period.

**Shares, share price trend and share buy-back**

The Etteplan Oyj share (ETTIV) has been quoted in the Nordic Exchange's Small Cap market capitalization group in the Industrials sector as of 2 October 2006. Previously, the company's share was listed on the Main List of the Helsinki Stock Exchange.

The company's share capital at 31 December 2006 was EUR 2,443,232.50 and the number of shares outstanding was 9,772,930. The company has one series of shares and the accounting countervalue of a share is EUR 0.25. All shares confer an equal right to a dividend and the company's funds.

The number of Etteplan Oyj shares traded during the financial year was 4,469,523, to a total value of EUR 26.5 million. The share price low was EUR 4.78, the average EUR 5.93 and the closing price EUR 6.90. Market capitalization at 31 December 2006 was EUR 67.5 million and it had 1,792 shareholders.

Etteplan increased its share capital by 159,800 shares and EUR 39,950 by means of a directed share issue in June. The new shares were used as payment in a share swap to raise the company's holding in Etteplan Technical Systems AB. The increase in share capital was reported in a stock exchange release dated 19 June 2006. The new shares became subject to public trading on the Helsinki Stock Exchange on 20 June 2006.

Also in June, the company transferred 200 of its own shares as payment in a share swap, which was reported in a stock exchange release dated 19 June 2006.

During the financial year, the company bought back 63,022 of its own shares. The shares were used as consideration in the purchase of 5,882 ProTang AB series B shares owned by ProTang personnel. These B shares originated from a rights issues arising out of ProTang's convertible loan program and were directed at the company's personnel. A consideration of EUR 410,273.22 was paid, which was reported in a stock exchange release dated 29 November 2006.

The company did not hold any of its own shares on 31 December 2006.

In accordance with the Securities Market Act, Chapter 2, Article 9, Etteplan Oyj issued five notifications of changes in shareholding during the financial year. Stock exchange releases were issued on 4 January 2006, 8 March 2006, 19 June 2006 and 6 September 2006 (two announcements).

### Share issue authorizations, the exercise of authorizations and the option programme

The Annual General Meeting held on 29 March 2006 granted the Board of Directors the authorization to:

- decide, within one year from the date of the Annual General Meeting to take one or more convertible bonds and/or issue option rights and/or decide to increase the share capital in one or more lots by using new issue so that when issuing convertible bonds or option rights or new issues together, the Board of Directors' unexercised, valid authorizations shall, however, with regard to the total amount of increase and the total number of voting rights attached to the shares to be issued, correspond to no more than one-fifth of the registered share capital and the aggregate number of voting rights attached to the shares at the date of the resolution of the General Meeting of Shareholders concerning the authorization and the decision of the Board of Directors to increase the share capital. Pursuant to the authorization the company's share capital may be increased by a maximum of EUR 480,656.50.

- decide to acquire the company's own shares in one or more lots to the effect that the company may use funds distributable as profit otherwise than in proportion to the holdings of the shareholders. The authorization includes the right to acquire the company's shares in public trade at the applicable quoted price to the effect that the total accounting par value and the voting rights attached to the acquired shares shall be no more than ten (10) per cent of the company's share capital and the aggregate number of voting rights after the acquisition of the shares.

- decide to convey, in one or more lots, the company's own shares acquired pursuant to the authorization set forth. The authorization to the Board of Directors includes the right to convey to the effect that the aggregate accounting par value and the voting rights attached to the shares shall be no more than ten (10) per cent of the company's share capital and the aggregate number of voting rights attached to the shares at the time of the conveyance.

The authorizations to increase the share capital, to take convertible loans and/or issue option rights, and buy back and transfer own shares (granted to the Board of Directors at the Annual General Meeting held on 29 March 2006) that were not exercised during the report period remain valid. The authorizations exercised during the report period are detailed above. The authorizations granted to the Board of Directors are presented in detail in a stock exchange release dated 29 March 2006.

The company does not currently have a share option programme.

### Board of Directors, CEO and auditors

The members of Etteplan Oyj's Board of Directors during the report period were Tapani Mönkkönen, Chairman, and Tapio Hakakari, Heikki Hornborg, Pertti Nupponen and Matti Virtaala. Board members Tapio Hakakari, Pertti Nupponen and Matti Virtaala were independent of the company in 2006.

The company's Chief Executive Officer was Heikki Hornborg, M. Sc. (Tech.).

The company's auditor was PricewaterhouseCoopers Oy, a firm of authorized public accountants, with Mika Kaarisalo APA acting as chief auditor.

As of 1 January 2006, the company has complied with the amended Insider Guidelines issued by the Helsinki Stock Exchange. Etteplan's statutory insiders include the members of the Board of Directors, the CEO, the Executive Vice President and the auditor. Furthermore, the members of the Management Group are considered as Etteplan's public insiders.

### Board of Directors' proposal for the disposal of profits

The parent company's distributable shareholders' equity according to the balance sheet at 31 December 2006 is EUR 10.1 million.

The Board of Directors is proposing to the Annual General Meeting, which will convene on 29 March 2007, that on the dividend payout date a dividend of EUR 0.26 per share be paid on the company's externally owned shares and that the remainder be transferred to retained earnings. In accordance with the Board of Directors' proposal, the record date for the dividend payout is 3 April 2007 and the dividend will be paid on 12 April 2007.

No substantial changes to the company's financial position have occurred after the end of the financial year. The company's liquidity is good and in the view of the Board of Directors the proposed dividend payout does not jeopardize the company's solvency.

### Major events after the close of the financial year

In January, Etteplan Oyj acquired the entire share capital of the Kouvola-based company LCA Engineering Oy. The company was established in 1993 and offers process and plant design services to industrial companies and machinery and equipment manufacturers, primarily those in the wood processing industry. The agreement will bolster Etteplan's position in wood processing industry projects in particular, as well as in investment projects in Russia.

Etteplan increased its share capital by EUR 49,086.75 in February with a directed share issue of 196,347 shares. The shares were used as payment in the acquisition of LCA Engineering Oy. The new shares were registered in the Trade Register on 7 February 2007 and became subject to trade on the stock exchange together with the old shares on 8 February 2007. After the issue, share capital amounted to EUR 2,492,319.25 and the total number of shares to 9,969,277. The increase in share capital was reported in a stock exchange release dated 7 February 2007.

### Outlook for the future

The company has set internationalization and profitable growth as its main objectives. A solid level of demand for industrial technology design services continues in the company's main market areas. The company estimates that in 2007 the revenue will increase and the operating profit will improve. Growth is achieved both through acquisitions and organically.

Hollola, 9 February 2007

Etteplan Oyj

Board of Directors

## CONSOLIDATED INCOME STATEMENT

| 1 000 EUR | Note | 1.1.–31.12.2006 | | 1.1.–31.12.2005 | |
|---|---|---|---|---|---|
| **Revenue** | 3 | **101 698** | | **79 365** | |
| Other operating income | 4 | 219 | | 98 | |
| Materials and services | 5 | -6 728 | | -2 920 | |
| Staff costs | 6 | -71 111 | | -58 072 | |
| Other operating expenses | | -15 213 | | -13 129 | |
| Depreciation and amortisation | 7 | -2 042 | | -1 930 | |
| **Operating profit** | | **6 823** | **6.7%** | **3 411** | **4.3%** |
| Financial income | 8 | 172 | | 120 | |
| Financial expenses | 9 | -299 | | -103 | |
| **Profit before taxes** | | **6 695** | | **3 429** | |
| Income taxes | 10 | -2 096 | | -1 167 | |
| **Profit for the financial year** | | **4 599** | | **2 262** | |
| Net profit for the financial year attributable to minority interest | | -427 | | -17 | |
| **Net profit for the financial year attributable to equity holders of the Company** | | **4 172** | **4.1%** | **2 244** | **2.8%** |
| Basic earnings per share, EUR | 11 | 0.43 | | 0.25 | |
| Diluted earnings per share, EUR | 11 | 0.43 | | 0.25 | |

## CONSOLIDATED BALANCE SHEET

| 1 000 EUR | Note | 31.12.2006 | | 31.12.2005 | |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | 2 759 | | 3 491 | |
| Goodwill | 13 | 18 580 | | 8 921 | |
| Other intangible assets | 14 | 2 124 | | 1 953 | |
| Investments available for sales | 15 | 425 | | 465 | |
| Other long-term receivables | 17 | 852 | | 0 | |
| Deferred tax assets | 23 | 88 | | 96 | |
| **Non-current assets, total** | | | **24 829** | | **14 926** |
| **Current assets** | | | | | |
| Stocks | 16 | 0 | | 25 | |
| Trade and other receivables | 17 | 24 191 | | 17 676 | |
| Financial assets at fair value through income statement | 18 | 0 | | 475 | |
| Current tax assets | 17 | 28 | | 35 | |
| Cash and cash equivalents | 19 | 6 174 | | 4 445 | |
| **Current assets, total** | | | **30 393** | | **22 657** |
| **TOTAL ASSETS** | | | **55 222** | | **37 582** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital attributable to equity holders** | 20 | | | | |
| Share capital | | 2 443 | | 2 403 | |
| Share premium account | | 9 179 | | 8 269 | |
| Cumulative translation adjustment | | 43 | | -252 | |
| Retained earnings | | 6 759 | | 6 439 | |
| Net profit for the financial year | | 4 172 | | 2 244 | |
| Capital attributable to equity holders, total | | 22 596 | | 19 104 | |
| Minority interest | | 872 | | 1 360 | |
| **Equity, total** | | | **23 468** | | **20 463** |
| **Non-current liabilities** | | | | | |
| Deferred tax liability | 23 | 1 046 | | 193 | |
| Non-current interest-bearing liabilities | 21 | 8 967 | | 1 414 | |
| **Non-current liabilities, total** | | | **10 013** | | **1 606** |
| **Current liabilities** | | | | | |
| Current interest-bearing liabilities | 21 | 1 837 | | 766 | |
| Trade and other payables | 22 | 19 904 | | 14 746 | |
| **Current liabilities, total** | | | **21 741** | | **15 512** |
| **Liabilities, total** | | | **31 754** | | **17 119** |
| **TOTAL EQUITY AND LIABILITIES** | | | **55 222** | | **37 582** |

## CONSOLIDATED CASH FLOW STATEMENT

| 1 000 EUR | 1.1.–31.12.2006 | 1.1.–31.12.2005 |
|---|---|---|
| **Operating cash flow** | | |
| Cash receipts from customers | 99 290 | 73 864 |
| Cash receipts from other operating income | 194 | 78 |
| Operating expenses paid | 90 851 | 72 836 |
| Operating cash flow before financial items and taxes | 8 633 | 1 106 |
| | | |
| Interest and payment paid for financial expenses | 249 | 103 |
| Interest received | 172 | 120 |
| Income taxes paid | 1 782 | 980 |
| **Operating cash flow ( A )** | **6 773** | **144** |
| | | |
| **Investing cash flow** | | |
| Purchase of tangible and intangible assets | 1 612 | 1 614 |
| Acquisition of subsidiaries | 9 952 | 672 |
| Proceeds from sale of tangible and intangible assets | 212 | 295 |
| Purchase of other investment | 476 | 845 |
| Proceeds from sale of investmenst | 464 | 0 |
| **Investment cash flow ( B )** | **-11 363** | **-2 836** |
| | | |
| **Financing cash flow** | | |
| Proceeds from issuance of share capital | 0 | 317 |
| Short-term loans, increase | 1 332 | 0 |
| Short-term loans, decrease | 1 332 | 28 |
| Long-term loans, increase | 11 335 | 1 423 |
| Long-term loans, decrease | 3 108 | 0 |
| Dividend paid and other profit distribution | 1 923 | 1 305 |
| **Financing cash flow ( C )** | **6 305** | **409** |
| | | |
| **Variation in working capital ( A + B + C ) increase ( + ) / decrease ( - )** | **1 715** | **-2 284** |
| | | |
| Assets in the beginning of the period | 4 445 | 6 601 |
| Exchange gains or losses on cash and bank equivalents | -14 | -128 |
| Assets at the end of the period | 6 174 | 4 445 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| 1 000 EUR | Share capital | Share premium account | Cumulative translation adjustment | Retained earnings | Minority interest | Total |
|---|---|---|---|---|---|---|
| **Equity 1.1.2005** | **434** | **5 434** | **-19** | **7 743** | **1 208** | **14 800** |
| Dividends | | | | -1 305 | -213 | **-1 518** |
| Share issue | 1 969 | 2 835 | | | | **4 804** |
| Changes in ownership | | | | | 348 | **348** |
| Net profit for the financial period | | | | 2 244 | 17 | **2 261** |
| Translation adjustment | | | -232 | | | **-232** |
| **Equity 31.12.2005** | **2 403** | **8 269** | **-251** | **8 682** | **1 360** | **20 463** |

| 1000 EUR | Share Capital | Share Premium Account | Cumulative translation adjustment | Retained earnings | Minority interest | Total |
|---|---|---|---|---|---|---|
| **Equity 1.1.2006** | **2 403** | **8 269** | **-251** | **8 682** | **1 360** | **20 463** |
| Dividends | | | | -1 923 | -184 | **-2 107** |
| Share issue | 40 | 910 | | | | **950** |
| Changes in ownership intr | | | | | -731 | **-731** |
| Net profit for the financial period | | | | 4 172 | 427 | **4 599** |
| Translation adjustment | | | 294 | | | **294** |
| **Equity 31.12.2006** | **2 443** | **9 179** | **43** | **10 931** | **872** | **23 468** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## COMPANY PROFILE

The parent company of the Etteplan Group is Etteplan Oyj. Etteplan Oyj (the Company) is a Finnish public limited company that has been established under Finnish law. The Company is domiciled in Hollola. The Company's shares are listed on the Nordic Exchange List.

Etteplan Oyj and its subsidiaries provide high-quality industrial technology design services. The business is divided into two segments: Product Development and Delivery Design. The Other Operations segment consists of administration. The Group's main market area is Europe. In respect of our core customers, Etteplan's service extends worldwide.

A copy of the consolidated financial statements can be obtained from our website at www.etteplan.com or from the Head Office of the Group's parent company at the address Terveystie 18, 15860 Hollola.

Etteplan Oyj's Board of Directors approved these financial statements for publication at its meeting on 8 February 2007.

## ACCOUNTING POLICY APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

### BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the international accounting standards (IAS/IFRS) in force at 31 December 2006 as well as the interpretations of the International Financial Reporting Interpretations Committee (SIC and IFRIC). In the Finnish Accounting Act and the regulations based on it, International Financial Reporting Standards refer to the standards and the interpretations that are issued regarding them that have been approved for application within the EU in accordance with the procedure prescribed in EU regulation (EC) 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation.

The consolidated financial statements have been prepared based on historical cost, except for financial assets and liabilities that are measured at fair value through profit or loss. For business combinations prior to 2004, the carrying amount of goodwill has been treated according to previous accounting policies and that amount has been used as the deemed cost of goodwill in accordance with IFRS. Figures in the financial statement are presented in thousands of euros.

Standards and interpretations that came into force in 2006 did not have an effect on the Group's result of operations or balance sheet position.

The following standards and interpretations have been published and are in force in the financial year beginning on 1 January 2007. In the view of the company's management, they do not have a significant effect on the Group's result or balance sheet position:

- IFRIC 8, Scope of IFRS 2. The interpretation provides guidance on the application of IFRS 2 when the fair value of the services received differs from that of the equity instruments.
- IFRIC 10, Interim Financial Reporting and Impairment. The interpretation forbids the reversal of impairment losses recognized in an interim report at a later date during the financial year.
- IFRS 7, Financial Instruments: Disclosures. Increased the amount of disclosures of financial instruments required in the notes to the financial statements.

As regards the published standard IFRS 8, Operating Segments, the company's management has not as yet evaluated the effects of the standard on segment reporting. The standard includes provisions on the definition of operating segments and their disclosure in segment reporting. The standard must be complied with in the financial periods beginning on 1 January 2009 or thereafter.

In preparing the consolidated financial statements in accordance with IFRS, the Company's management must make estimates and assumptions that have an effect on the amounts of assets and liabilities in the balance sheet as well as on income and expenses for the financial year. The estimates are based on management's current best knowledge and it is therefore possible that the outcomes may deviate from these estimates. Information about the matters in which management has exercised judgment in the application of the Group accounting principles, and which have the greatest impact on the figures disclosed in the financial statements, is presented under "Critical accounting judgements and key sources of uncertainty".

### SUBSIDIARIES

The consolidated financial statements include the financial statement information of Etteplan Oyj and subsidiaries belonging to the Group, from which all intra-Group transactions, internal receivables and liabilities as well as internal distribution of profit have been eliminated. The accounting policies applied in the financial statements of the subsidiaries have been adjusted, as necessary, in accordance with the accounting policies of Etteplan Oyj. Subsidiaries are companies in which the Group has a controlling interest. Control means the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Etteplan Oyj does not have associates or joint ventures.

Intra-Group share ownership has been eliminated using the acquisition cost method. Subsidiaries acquired during the financial year have been included in the consolidated financial statements from the time when the Group has obtained control. The transferred assets and direct costs originating from the acquisition are measured at fair value at the time of the acquisition and included in the acquisition cost. Identifiable assets and liabilities of the acquired business operations have been measured at fair value. The portion of the acquisition cost that exceeds the fair value of the net assets of acquired business operations has been recorded in the balance sheet as goodwill. If the fair value of the acquired net assets is higher than their acquisition cost, the difference has been recorded in the income statement.

In the consolidated financial statements, the minority interest in subsidiaries has been stated as a separate item. The allocation of profit for the financial year to equity holders of the parent and to minority interest is presented in the income statement, and the minority interest is shown in the consolidated balance sheet in equity, separately from the parent shareholders' equity.

### FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in euros, which is the currency of the business environment and the presentation currency of the Group's parent company. Foreign currency transactions have been translated into the functional currency at the exchange rate on the date of the transaction. Foreign currency-denominated receivables and liabilities in the balance sheet at the balance sheet date have been translated into euros at the exchange rate at the balance sheet date. Exchange differences resulting from transactions denominated in a foreign currency are recorded in the corresponding accounts in the income statement above operating profit. Exchange differences on financing transactions are recorded in financial income and expenses.

The balance sheet items of subsidiaries outside the euro zone have been translated into euros at the exchange rate at the balance sheet date and their income statement items at the average exchange rate during the month in question. The average exchange rate for the month of each transaction has been calculated as the average of the rate on the last day of the previous month and the last day of the transaction month. Translating the profit for the financial year using different rates in the income statement and the balance sheet leads to a translation difference that is recorded in equity. Cumulative translation differences on post-acquisition equity items, which have arisen on the elimination of the acquisition cost of foreign subsidiaries, are recorded in equity.

Goodwill arising from the acquisition of foreign operations after 1 January 2004 and the fair value adjustments to the carrying amounts of the assets and liabilities of said foreign operations, which are made in connection with the acquisition, are treated as the assets and liabilities of said foreign operations and translated into euros using the exchange rates at the balance sheet date. The goodwill amounts of acquisitions prior to 1 January 2004 and their fair value adjustments have been recorded in euro amounts.

#### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment have been measured in the balance sheet at cost less accumulated depreciation and impairment. Assets are depreciated on a straight-line basis over their estimated useful life. Land areas are not depreciated because they are not considered to have a carrying period. The useful lives of property, plant and equipment are:

| | |
|---|---|
| Computers | 3 years |
| Vehicles | 5 years |
| Office furniture and fixtures | 5 years |
| Renovations of premises | 5/7 years |

Maintenance and repair costs are expensed when they are incurred. Major basic improvement investments are capitalized and depreciated in the income statement over their useful lives. The useful lives of assets are checked in each financial statement. Capital gains and losses from the retirement and sale of property, plant and equipment are included in either other operating income or expenses.

Assets leased under agreements that are classified as finance leases have been capitalized under property, plant and equipment in the consolidated balance sheet at the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower. Lease obligations arising from finance lease agreements are presented in interest-bearing non-current and current liabilities. Finance leases lead to depreciation and interest expenses on assets that are capitalized during the relevant financial periods. Assets acquired under a finance lease agreement are depreciated over their useful life. If the Group does not assume ownership of the asset at the end of the lease period, depreciation is recorded over the lease period or the useful life, whichever is shorter.

#### COSTS OF DEBT

Costs of debt are expensed in the financial period in which they were incurred.

#### PUBLIC GRANTS

Grants received as compensation for expenses incurred are recognized as revenue in the income statement while the expenses in question are expensed. Such grants are disclosed under other operating income.

### INTANGIBLE ASSETS

#### GOODWILL

Goodwill corresponds to that part of the acquisition cost which exceeds the Group's share of the fair value, at the date of purchase, of the net asset value of an acquiree. The goodwill arising from the combination of businesses prior to 1 January 2004 corresponds to the carrying amount according to the previous FAS, which has been used as the deemed cost. Neither the classification of these acquisitions nor their treatment in the financial statements has been adjusted in preparing the Group's opening IFRS balance sheet. Goodwill is measured at historical cost less impairment. Goodwill is not amortized but is tested for impairment annually and always if 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.

#### OTHER INTANGIBLE ASSETS

Intangible assets include software licences and intangible rights. 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 depreciation periods of other intangible assets are:

| | |
|---|---|
| Software | 3-7 years |

#### IMPAIRMENT OF ASSETS

Goodwill is not amortized but is tested for impairment annually and always if there is objective evidence of goodwill impairment. If there is objective evidence of goodwill impairment, the recoverable amount is determined for that cash-generating unit to which the goodwill relates. The cash-generating unit is the smallest possible independent cash-generating group of assets. The recoverable amount is the utility value of capital. The utility value is the estimated future net cash flow discounted to present value from the cash-generating unit in question. The essential assumptions for impairment tests are presented in Note 13 to the financial statements: Goodwill. Material acquisitions of companies and goodwill arising from them are presented in Note 2: Acquired businesses.

The assets from which amortizations have been recognized are always tested for impairment if there is objective evidence of goodwill impairment. On each balance sheet day, it is evaluated whether there is objective evidence of goodwill impairment in the financial assets recognized in the balance sheet. The recoverable amount for financial assets is either their fair value or the present value of future cash flows.

### INVENTORIES

On 31 December 2005, inventories consist of purchases of materials and prototype parts that are required for projects and have been inventoried at the balance sheet date, and they are measured at the lower of cost or the repurchase price.

### LEASE AGREEMENTS

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

Leases that transfer substantially all the risks and rewards incident to ownership are classified as finance leases. The fair value of leased assets is recorded, at the inception of the lease, under assets in the balance sheet and as a finance lease liability on the liabilities side. If the fair value cannot be determined, the value is calculated as the present value of minimum lease payments. In calculating the present value the discount rate applied is either the internal rate of return in the lease or, if it cannot be determined, the interest rate on incremental borrowing as determined by management. Assets acquired under finance leases are depreciated over their useful lives or the lease periods, whichever is shorter.

#### AVAILABLE-FOR-SALE INVESTMENTS

Marketable securities classified as available-for-sale investments are recorded at fair value at the balance sheet date.

#### RECEIVABLES

Receivables are entered in the balance sheet at cost or at lower fair value. Receivables are assessed regularly in respect of collectability and available collateral. If a credit loss is observed on a trade receivable, the credit loss is recorded in other operating expenses in the income statement.

### RECOGNITION OF INCOME

#### INCOME FROM SERVICES AND MATERIALS

Revenue includes income from design activities and sales of materials and supplies for projects, adjusted for indirect taxes, discounts and exchange differences on currency-denominated sales. As a rule, services are recognized when the service is rendered. Sales of materials are recognized when the risks and rewards incident to ownership have been transferred to the buyer. Generally this takes place on assignment of materials. Revenue from construction contracts is recognized according to the percentage of completion. Income from leases is recognized for the period of lease.

#### CONSTRUCTION CONTRACTS

Contracts whose outcome can be assessed reliably are recognized as income and expenses on the basis of the percentage of completion at the time of calculation. The basis for determining the percentage of completion has been changed. The percentage of completion of a contract is still evaluated on the basis of project progress, but instead of working hours completed, progress is calculated from the proportion of costs materialized to the estimated total cost of the contract. The change in the calculation of the percentage of completion has not been deemed to have a significant effect on the Group's revenue in the present or comparison periods. In the case of contracts whose outcome cannot be assessed reliably, project expenditure is expensed in the period in which it arises. Likewise, the amount of income recognized from a project does not exceed expenditure. The total loss on a contract that will probably result in a loss is expensed immediately.

#### INTEREST AND DIVIDENDS

Interest income has been recorded using the effective interest rate method. Dividend income has been recognized when the shareholder has gained the right to receive payment.

### EMPLOYEE BENEFITS

#### PENSION OBLIGATIONS

The Group's pension arrangements are defined contribution plans. In such plans, the Group makes fixed payments to an external insurance company. The Group does not have a legal or constructive obligation to make additional payments if the recipient cannot pay the pension benefits in question. The payments for defined contribution plans are expensed in the accounting period to which they are allocated.

Termination benefits are recorded as a liability and an expense when employment is terminated before the normal retirement of an employee or when an employee is paid compensation as a consequence of voluntary redundancy. Termination benefits are recorded when the Company is demonstrably committed to the termination of employment in accordance with a detailed formal plan or has made the employee a compensation proposal to promote voluntary redundancy. Benefits falling due later than 12 months from the balance sheet date are discounted to their present value.

#### SHARE-BASED PAYMENT

At the end of the 2006 financial year, there were no equity-based benefits. The Company's share option scheme ended on 31 January 2005.

### INCOME TAXES

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

Deferred taxes are recognized on all temporary differences between carrying amounts and their taxable values. The most significant temporary differences arise from the amortizations of property, plant and equipment, from lease agreements and the provisions of foreign subsidiaries. Deferred taxes are determined using the tax base in force at 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.

### SHAREHOLDERS' EQUITY

Shareholders' equity includes the share capital, the share premium fund and other equity items in accordance with the legislation of different countries. When Etteplan Oyj buys back its own shares, the compensation paid for the shares and the buyback costs reduce shareholders' equity. Etteplan Oyj has one series of shares.

### FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities are classified in the following categories in accordance with IAS 39 Financial Instruments: financial assets at fair value through profit or loss, other receivables, and cash and cash equivalents.

Financial assets at fair value through profit or loss include financial assets maturing within 12 months and they are measured at fair value on the basis of published price quotations in well-functioning markets. Both realized and unrealized profits and losses due to changes in fair value are recognized in the income statement in the financial year when they have arisen.

Other receivables are financial assets with fixed or measurable payments that are not quoted in well-functioning markets and are not held for trading. They are measured at the periodized cost and included under "Trade receivables and other receivables" in the balance sheet. If a receivable falls due no later than within 12 months, it is recorded in current financial assets, and if it is payable in over 12 months, it is recorded in non-current financial assets.

Available-for-sale financial assets are assets that have not been classified in another category. They are included in non-current assets unless the Company intends to hold them for less than 12 months from the balance sheet date, in which case they are presented in current assets. Available-for-sale financial assets comprise shares that are measured at cost because their fair value cannot be measured reliably.

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 substantially all the risks and rewards incident to ownership have been transferred from the Group.

Financial liabilities are booked at their fair value on the basis of the consideration received. Financial liabilities are included in current and non-current liabilities and may be either interest-bearing or non-interest-bearing.

On the balance sheet date, the Group evaluates where there is evidence for the impairment of a financial asset item or group. An impairment loss is recognized on trade receivables if there is evidence that the receivables cannot be recovered in full. No credit losses were recognized during the financial year.

### OPERATING PROFIT

Operating profit is an item in the income statement that is obtained by adding other operating income to revenue, and deducting operational expenses, depreciation and impairment losses. Operating profit includes exchange rate differences on items related to operations.

### CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINTY

Forward-looking estimates and assumptions are made while preparing the financial statements. The outcomes may deviate from these estimates and assumptions. In addition, judgement must be exercised in the application of the accounting policy. The estimates are based on management's best knowledge on the balance sheet date. Any changes to estimates and assumptions are entered in the accounts in the financial period when the estimate or assumption is amended.

The key assumptions concerning the future and uncertainties concerning the estimates made at the balance sheet date that cause a risk of changes in the carrying amounts of assets and liabilities during the next financial period are:

#### FAIR VALUE MEASUREMENT

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

#### CUSTOMER AGREEMENTS AND ACCOUNTS IN ACQUISITIONS

Acquirees in general have a limited number of major customer accounts and agreements. In management's view these customer accounts and agreements cannot as a rule be considered to constitute an asset item that is to be recorded in the balance sheet, because customer agreements are by their nature non-binding framework agreements and cannot thus be treated or sold separately. With respect to customer accounts and agreements, it must also be taken into account that they are valid for the time being and a probable useful life cannot be reliably set for them.

#### IMPAIRMENT TESTING

The Group tests goodwill and intangible assets with unlimited useful lives for impairment annually. Indications of impairment are evaluated as described above. The recoverable amounts of cash-generating units are based on value in use calculations. Estimates are required when making these calculations.

#### RECOGNITION OF INCOME

As presented in the section concerning the policy for recognition of income, the income and expenses of construction contracts are recognized on the basis of the percentage of completion when the end result of the contract can be reliably estimated. Percentage of completion recognition is based on the expected income and expenses of the contract and the measurement of project progress. If the estimates of the contract outcome change, the sales and profits recognized as income are amended in the financial period when the change first becomes known and can be evaluated. The expected loss on a contract is expensed immediately.

# RISK MANAGEMENT

The objective of risk management within the Group is to identify major risk factors as well as to manage and mitigate the detrimental impact of risks. Risk management encompasses corporate governance within the Group as well as the management of operational and financial risks. The Group's management and financial administration assess risks and take measures to avert them in cooperation with the Management Group and the management for corporate planning. Etteplan Oyj's Board of Directors defines the general principles of risk management, and it monitors the development of risks and risk concentrations.

## ADMINISTRATIVE RISK

The Group's corporate governance guidelines and quality system are the means used to supervise administrative risk within the Group.

## OPERATIONAL RISKS

The operational risks that have an effect on the profitability of the Group's business operations are general cyclical fluctuations in the economy, the level of industrial capital expenditure affecting design operations, assignment and customer relationship management, data security and securing the commitment of management and key personnel. The dispersion of operations in several different industrial segments evens out the impact of cyclical fluctuations within the various sectors. The Group's property and liability risks are duly covered with appropriate insurances and the Group has data security guidelines.

## FINANCIAL RISKS

Etteplan Oyj's business operations involve financial risks, such as foreign currency, interest, refinancing and liquidity risks and operational credit risks. The Group's financial risk management concentrates on minimizing the unfavourable impacts of changes within the financial markets on the Group's financial result.

## FOREIGN CURRENCY RISK

Etteplan operates in the international arena, and its business operations involve transaction and translation risks generated by fluctuations in exchange rates. The Group has no major transaction risks because business transactions are mainly handled in the currency of the project country of each Group company, primarily the euro and the Swedish Krona. The Group's translation risk refers to the impact of fluctuations in exchange rates from translating balance sheet items of subsidiaries into euros; the Group takes steps to minimize translation risk by financing the need for working capital in local currencies whenever this is feasible. No hedging measures have been taken with respect to the translation differences in goodwill involved in the Group's overseas company acquisitions and investment, but these levels are monitored in conjunction with impairment tests for goodwill.

## INTEREST RISK

The impacts from changes in interest rates on the value of interest-bearing receivables and liabilities in different currencies generate interest risk. The Group's cash assets are invested in risk-free, interest-bearing investments. Hedging interest is the means taken to manage the extent of interest risk on the fixed and fluctuating interest-bearing loans in its loan portfolio as well as on long-term credits.

## REFINANCING AND LIQUIDITY RISK

The Group has negotiated adequate credit facilities in order to minimize refinancing and liquidity risk and cover estimated financing needs.

## OPERATIONAL CREDIT RISKS

The Group has no noteworthy credit risk concentrations. A considerable proportion of business operations focus on large financially solid companies that operate internationally. Based on experience, credit losses are minimal. The Group has guidelines to ensure that services are sold only to customers who have a proper credit rating.

# 1. SEGMENT INFORMATION

Segment reporting is divided into business segments and geographical segments. Group's primary format for reporting segment information is business segments. Business segments are based on Group's internal organisation structure. Pricing of transactions between segments are entered at fair market price.

Segment assets are primarily tangible and intangible fixed assets, current assets, stocks, financial leasing objects and receivables. Segment liabilities are trade and other payables, accrued expenses and advance payments by the customers. Investments consist of the increase of tangible and intangible assets including acquisitions. Unallocated items include financial items. The segments follow the same calculation principles as the Group which have been discribed in  Notes to the Consolidated Financial Statements.

**Business segments**

Business segment is a business group which provides services and in which risks and profitability deviate from that of other business segments. The Group's business operations are divided into two segments: Product Development and Delivery Design. The Product Development segment provides design services in product development for its key customers. The Delivery Design segment provides services for the design of machines, equipment and production facilities. Other operations include non-allocated costs of the Group administration.

| **1.1.–31.12.2006**<br>**1 000 EUR** | **Product Development** | **Delivery Design** | **Other** | **Eliminations** | **Group total** |
|---|---|---|---|---|---|
| Sales to others | 46 526 | 57 015 | | -1 843 | 101 698 |
| Sales total | | | | | 101 698 |
| | | | | | |
| Operating profit of the segment | 2 460 | 5 105 | -742 | | 6 823 |
| Financial expenses - net | | | | | -127 |
| Profit before income taxes and minority interest | | | | | 6 695 |
| Income taxes | | | | | -2 096 |
| Minority interest | | | | | -427 |
| Profit for the financial year | | | | | 4 172 |
| | | | | | |
| Assets | 28 189 | 20 372 | 371 | | 48 932 |
| Unallocated assets | | | | | 6 290 |
| Assets, total | | | | | 55 222 |
| | | | | | |
| Liabilities | 8 863 | 10 833 | 208 | | 19 904 |
| Unallocated liabilities | | | | | 11 850 |
| Liabilities, total | | | | | 31 754 |
| | | | | | |
| Capital expenditure | 11 557 | 690 | 265 | | 12 512 |
| Depreciation and amortisation | 1 289 | 734 | 19 | | 2 042 |

# 1. SEGMENT INFORMATION

| 1.1.–31.12.2005<br>1 000 EUR | Product Development | Delivery Design | Other | Eliminations | Group total |
|---|---|---|---|---|---|
| Sales to others | 26 062 | 53 303 | | | 79 365 |
| Sales between business segments | 15 | 121 | | | 136 |
| Sales total | 26 077 | 53 424 | | -136 | 79 501 |
| | | | | | |
| Operating profit of the segment | 1 823 | 2 464 | -306 | -32 | 3 949 |
| Unallocated expenses | | | | | -538 |
| Operating profit | | | | | 3 411 |
| Financial expenses - net | | | | | 17 |
| Profit before income taxes and minority interest | | | | | 3 428 |
| Income taxes | | | | | -1 167 |
| Minority interest | | | | | -17 |
| Profit for the financial year | | | | | 2 244 |
| | | | | | |
| Assets | 12 723 | 19 320 | 1 283 | -794 | 32 532 |
| Unallocated assets | | | | | 4 955 |
| Assets, total | | | | | 37 487 |
| | | | | | |
| Liabilities | 5 895 | 8 582 | 155 | -307 | 14 325 |
| Unallocated liabilities | | | | | 2 600 |
| Liabilities, total | | | | | 16 925 |
| | | | | | |
| Capital expenditure | 3 788 | 4 306 | 217 | | 8 311 |
| Depreciation and amortisation | 880 | 1 000 | 50 | | 1 930 |

**Geographical segments**

A geographical segment is by geographical division defined business group in which services are provided in certain economical environment and in which risks and profitability deviate from parts operating in other economical environment. Parent company's state of origin is Finland. The parent company is similarly the company to run business. Italy and China are included in the group Others. Sales has been allocated to geographical area according to the location of the trading unit. Assets and capital expenditure have been allocated based on where they are located.

**1.1.–31.12.2006**

| 1 000 EUR | Finland | Sweden | Germany | Other | Group |
|---|---|---|---|---|---|
| Sales | 56 283 | 39 471 | 4 081 | 1 863 | 101 698 |
| Assets | 21 100 | 32 135 | 857 | 1 130 | 55 222 |
| Capital expenditure | 3 375 | 8 943 | 29 | 165 | 12 512 |

**1.1.–31.12.2005**

| 1 000 EUR | Finland | Sweden | Germany | Other | Group |
|---|---|---|---|---|---|
| Sales | 47 229 | 25 723 | 4 359 | 2 054 | 79 365 |
| Assets | 28 319 | 7 134 | 1 318 | 811 | 37 582 |
| Capital Expenditure | 5 378 | 2 733 | 99 | 102 | 8 312 |

## 2. BUSINESS COMBINATIONS

### 2.1. Etteplan TeknikPartner AB

On 31 May 2006 the Group acquired a 100 per cent stake in ABA TeknikPartner AB, a company that provides design services. The acquired business operation increased the Group's revenue in financial year 2006 by a total of EUR 10,756 thousand and operating profit by EUR 592 thousand. Company agreements and customerships are not recognized as an asset in connection with this acquisition as the customer agreements are non-binding outline agreements by nature and therefore cannot be separated or sold as such. According to Etteplan Oyj's management's opinion the cost of acquisition exceeding the net assets of the acquired company is goodwill by nature as it is related to competence of the management and personnel of the acquired company.

**Details of net assets acquired and goodwill are as follows:**

| 1 000 EUR | Fair value | Carrying amount |
|---|---|---|
| Purchase consideration: | | |
| - Cash paid | 8 956 | 8 956 |
| - Fair value of shares issued | 0 | 0 |
| Total purchase consideration | 8 956 | 8 956 |
| | | |
| Fair value of net assets acquired | 1 065 | 3 102 |
| | | |
| Goodwill | 7 890 | 5 854 |

**The assets and liabilities arising from the acquisition are as follows:**

| | | |
|---|---|---|
| Cash and cash equivalents | 531 | 531 |
| Intangible assets | 0 | 1 998 |
| Property, plant and equipment | 124 | 124 |
| Trade receivables | 4 343 | 4 343 |
| Other receivables | 556 | 556 |
| Current payables | -3 746 | -3 707 |
| Deferred tax income net | -743 | -743 |
| Net assets | 1 065 | 3 102 |
| Net assets acquired | 1 065 | 3 102 |
| | | |
| Purchase consideration settled in cash | 8 956 | 8 956 |
| Cash and cash equivalents in subsidiary acquired | 531 | 531 |
| Cash outflow on acquisition | 8 425 | 8 425 |

### 2.2. Integrated e-Solutions Finland

On 1 April 2006 Integrated e-Solutions Finland were combined into the parent company Etteplan Oyj. The amount of the business acquisition paid in cash was EUR 379 thousand. Intangible and tangible assets were not transfered in connection with this acquisition. According to Etteplan Oyj's management's opinion the cost of acquisition exceeding the net assets of the acquired company is goodwill by nature as it is related to the competence of the management and personnel and to the market position of the acquired business and to the targeted operational synergies.

# NOTES TO THE INCOME STATEMENT

**3. Revenue**

Turnover consists of design  business and the sales of materials related to projects adjusted with indirect taxes, discounts and differences in exchange rates. In Group's revenues EUR 4 425 thousand (EUR 3 643 thousand in 2005) has been recognized from the construction contracts. The Income statement included  EUR 493 thousand revenue from work in progress according to the percentage of completion and prepayments to the Balance Sheet EUR thousand (EUR 143 thousand in 2005).

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| **4. Other operating income** | | |
| Sales profit of tangible and intangible assets | 25 | 20 |
| Insurance compensation | 88 | 0 |
| Other operating income | 106 | 78 |
| Other operating income, total | 219 | 98 |
| **5. Materials and services** | | |
| Materials | 1 862 | 1 202 |
| Change in stocks | 25 | -25 |
| Services from Others | 4 840 | 1 744 |
| Materials and services, total | 6 728 | 2 920 |
| **6. Number of personnel and staff expenses** | | |
| Number of personnel | | |
| Personnel, average | 1 501 | 1 230 |
| At year-end | 1 586 | 1 294 |
| Of which | | |
| Design personnel | 1 511 | 1 242 |
| Administration personnel | 75 | 52 |
| Personnel, total | 1 586 | 1 294 |
| Staff costs | | |
| Wages and salaries | 54 142 | 44 576 |
| Pension costs - defined constribution plans | 7 166 | 6 618 |
| Other voluntary indirect employee costs | 9 803 | 6 878 |
| Staff costs, total | 71 111 | 58 072 |

Employee benefits of the CEO and Board of Directors are disclosed in item Related party transactions.

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| **7. Depreciation and amortisation** | | |
| Intangible assets | 726 | 615 |
| Property, plant and equipment | 1 316 | 1 315 |
| Depreciation and amortisation, total | 2 042 | 1 930 |
| **8. Financial income** | | |
| Dividend income from assets held for sale | 8 | 26 |
| Interest income | 76 | 77 |
| Capital gain from assets held for sale, net | 4 | 0 |
| Other finance income | 84 | 18 |
| Financial income,  total | 172 | 120 |
| **9. Financial expenses** | | |
| Interest expenses on loans from financial institutions | 280 | 54 |
| Other financial expenses | 20 | 49 |
| Financial expenses, total | 299 | 103 |
| **10. Income tax expenses** | | |
| Current income tax | 1 923 | 1 122 |
| Income tax from previous years | 19 | 52 |
| Deferred tax  (Note 23) | 154 | -7 |
| Total | 2 096 | 1 167 |

Reconcilation between the Income tax in Income Statement and the theoretical amount of tax that would arise using the Group's domestic tax rate (2006: 26%, 2005: 26%).

# NOTES TO THE INCOME STATEMENT

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| Profit before taxes | 6 695 | 3 429 |
| Income tax according to tax rate 26 % (2005: 26 %) | 1 741 | 891 |
| Effect of tax rates of external subsidiaries | 44 | 57 |
| Losses for which no deferred income tax asset was recognised | 179 | 142 |
| Expenses not deductible for tax purposes | 18 | 31 |
| Previous deferred tax assets change | 96 | 0 |
| Income tax from previous years | 19 | 52 |
| Income taxes in income statement | 2 096 | 1 174 |

The effective tax rate was 31% (2005: 33%). The decrease was caused by a change in the profitability of the Group's foreign subsidiaries.

**11. Earnings per share**

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

| | 2006 | 2005 |
|---|---|---|
| Profit attributable to equity holders (1 000 EUR) | 4 172 | 2 244 |
| Weighted average number of shares (1 000 pcs) | 9 699 | 8 957 |
| Basic earnings per share (EUR per share) | 0,43 | 0,25 |

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding the conversion of all ordinary shares with dilutive effect. The share options have a dilutive effect when the issue price of the share option is lower than the fair value of the share. The share options did not have dilutive effect on the weighted average number of shares at the year end.

| | 2006 | 2005 |
|---|---|---|
| Profit attributable to equity holders of the Company (1 000 EUR) | 4 172 | 2 244 |
| Profit used to determine diluted earnings per share (1 000 EUR) | 4 172 | 2 244 |
| Weighted average number of ordinary shares for diluted earnings per share (1 000 pcs) | 9 699 | 8 957 |
| Diluted earnings per share (EUR per share) | 0,43 | 0,25 |

# NOTES TO THE BALANCE SHEET

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| **12. Property, plant and equipment** | | |
| Land and water areas | | |
| Acquisition cost 1.1. | 19 | 19 |
| Book value 31.12. | 19 | 19 |
| Construction | | |
| Acquisition cost 1.1. | 594 | 541 |
| Increases 1.1.–31.12. | 19 | 53 |
| Decreases 1.1.–31.12. | 74 | 0 |
| Acquisition cost 31.12. | 540 | 594 |
| Accumulated depreciation 1.1. | 258 | 238 |
| Depreciation for the financial year | 31 | 20 |
| Accumulated depreciation 31.12. | 289 | 258 |
| Book value 31.12. | 251 | 336 |
| Machinery and equipment | | |
| Acquisition cost 1.1. | 10 276 | 9 058 |
| Increases 1.1.–31.12. | 997 | 1 551 |
| Decreases 1.1.–31.12. | 357 | 333 |
| Acquisition cost 31.12. | 10 916 | 10 276 |
| Accumulated depreciation 1.1. | 7 141 | 5 846 |
| Depreciation for the financial year | 1 286 | 1 295 |
| Accumulated depreciation 31.12. | 8 427 | 7 141 |
| Book value 31.12. | 2 489 | 3 135 |

**Finance leases**

Machinery and equipment includes assets purchased by finance lease:

| | 2006 | 2005 |
|---|---|---|
| Acquisition cost 1.1. | 584 | 89 |
| Increases 1.1.–31.12. | 439 | 495 |
| Decreases 1.1.–31.12. | 1 | 0 |
| Acquisition cost 31.12. | 1 022 | 584 |
| Accumulated depreciation 1.1. | 148 | 18 |
| Depreciation for the financial year | 274 | 130 |
| Accumulated depreciation 31.12. | 422 | 148 |
| Book value 31.12. | 600 | 436 |

**13. Goodwill**

| | 2006 | 2005 |
|---|---|---|
| Acquisition cost 1.1. | 8 921 | 3 743 |
| Increases 1.1.–31.12. | 1 724 | 0 |
| Business acquisitions 1.1.–31.12. | 7 891 | 5 279 |
| Exchange difference | 45 | -101 |
| Acquisition cost 31.12. | 18 580 | 8 921 |
| Book value 31.12. | 18 580 | 8 921 |

| Goodwill is allocated to business segments's cash-generating business units as follows: | Delivery Design 2006 | Product Development 2006 | Total 2006 |
|---|---|---|---|
| Finland | 402 | 3 545 | 3 947 |
| Sweden | 3 752 | 10 694 | 14 446 |
| Germany | 0 | 0 | 0 |
| Other | 187 | 0 | 187 |
| Total | 4 341 | 14 240 | 18 580 |

| Goodwill is allocated to business segments's cash-generating business units as follows: | Delivery Design 2005 | Product Development 2005 | Total 2005 |
|---|---|---|---|
| Finland | 402 | 2 968 | 3 370 |
| Sweden | 3 445 | 2 059 | 5 503 |
| Germany | 0 | 0 | 0 |
| Other | 47 | 0 | 47 |
| Total | 3 894 | 5 027 | 8 921 |

# NOTES TO THE BALANCE SHEET

Goodwill is allocated to cash-generating units for determination of impairement. The value-in-use calculation is based on financial estimates on income, cost and investments approved by management for a five year period. Cash flows beyond the time period are extrapolated based on a growth rate of 1%. The discount rate used in the calculation is 10% and is based on weighted average cost of capital before tax. An impairment is booked as cost in the statement of income if the discounted cash flow of the CGU is lower than it's goodwill and operating assets. No impairement has been booked during the fiscal year.

Sensitivity analysis on invoicing rate, sales margin, growth and change in discounting rate of +/-3% has been performed impairement in connection with the value-in-use calculations. Based on the sensitivity analysis no essential losses have been foreseen.

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| **14. Other intangible assets** | | |
| Acquisition cost 1.1. | 5 222 | 3 971 |
| Increases 1.1.–31.12. | 913 | 1 250 |
| Decreases 1.1.–31.12. | 16 | 0 |
| Acquisition cost 31.12. | 6 118 | 5 222 |
| | | |
| Accumulated depreciation 1.1. | 3 269 | 2 654 |
| Depreciation for the financial year | 726 | 615 |
| Accumulated depreciation 31.12. | 3 994 | 3 269 |
| | | |
| Book value 31.12. | 2 124 | 1 953 |
| | | |
| **15. Investments available for sale** | | |
| Acquisition cost 1.1. | 465 | 464 |
| Increases 1.1.–31.12. | 0 | 40 |
| Decreases 1.1.–31.12. | 40 | 39 |
| Acquisition cost 31.12. | 425 | 465 |

Investments available-for-sale comprise mainly marketable equity securities which are valued at their historical cost as shares are not intended to be actively traded on the active markets. Share amounts recognized in the balance sheet are minor and do not have essential effect on the consolidated balance sheet. Investments available-for-sale are classified as non-current assets unless they are expected to be realized during the next twelve months after the reporting date or unless selling them is necessary to acquire working capital.

| | | |
|---|---|---|
| **16. Investories** | | |
| Stocks | 0 | 25 |
| Total | 0 | 25 |
| | | |
| **17. Trade and other receivables** | | |
| Other long term receivables | 852 | 0 |
| Trade receivables | 22 801 | 16 293 |
| Other receivables | 476 | 194 |
| Accrued income | 943 | 1 224 |
| Total | 25 071 | 17 712 |
| | | |
| Main items included in accrued income | | |
| Prepaid leasing rents | 84 | 22 |
| Amortised tax | 28 | 35 |
| Prepaid office rents | 184 | 113 |
| Other | 646 | 1 054 |
| Main items included in accrued income, total | 943 | 1 224 |

Receivables do not contain essential cumulated credit risks.

| | | |
|---|---|---|
| **18. Financial assets at fair value throug income statement** | | |
| At the begining of financial year | 475 | 234 |
| Increase | 0 | 250 |
| Decrease | -475 | 0 |
| Increase/decrease (-) of revaluation | 0 | -9 |
| At the end of the financial year | 0 | 475 |
| | | |
| Short-term | 0 | 475 |

# NOTES TO THE BALANCE SHEET

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| **19. Cash and cash equivalents** | | |
| Cash in bank and in hand | 6 125 | 4 394 |
| Short-term bank deposits | 49 | 51 |
| Total | 6 174 | 4 445 |

Cash and cash equivalents in the balance sheet are corresponding with the financial assets in Cash flow statement. The effective interest rates on short-term bank deposits are on the average 2,6% and these deposits have an average maturity same as the common maturity level in current accounts.

| | | |
|---|---|---|
| **20. Changes in shareholders' equity** | | |
| Share capital 1.1. | 2 403 | 427 |
| Share issue | 40 | 1 976 |
| Share capital, total | 2 443 | 2 403 |
| | | |
| Share premium account | 5 058 | 5 058 |
| Share issue | 4 121 | 3 211 |
| Share premium account 31.12. | 9 179 | 8 269 |
| | | |
| Retained earnings 1.1. | 8 432 | 7 743 |
| Translation difference | 293 | -252 |
| Transfer from reserve of own shares | 0 | 0 |
| Dividends paid | -1 923 | -1 305 |
| Retained earnings 31.12. | 6 802 | 6 187 |
| | | |
| Profit for the financial year | 4 172 | 2 244 |
| | | |
| Minority interest | 872 | 1 360 |
| Shareholders' equity total | 23 468 | 20 463 |

**Dividends**

The Board of Directors has proposed a dividend of EUR 0.26 to be paid.

**Shares**

| 1 000 pcs | 2006 | 2006 |
|---|---|---|
| Number of shares 1.1. | 9 613 | 4 342 |
| Share issue | 160 | 5 271 |
| Shares total 31.12. | 9 773 | 9 613 |

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| **21. Interest-bearing loans** | | |
| Non-current interest bearing loans | | |
| Loans from financial institutions | 7 119 | 60 |
| Leasing liabilities | 323 | 295 |
| Pension loans | 1 524 | 1 059 |
| Non-current interest-bearing loans, total | 8 967 | 1 414 |
| | | |
| Current | | |
| Loans from financial institutions | 1 512 | 555 |
| Leasing liabilities | 325 | 183 |
| Pension loans | 0 | 29 |
| Current interest-bearing loans, loans | 1 837 | 766 |

Carrying value of the remaining interest bearing liabilities of the Group is considered to approximate their fair value. The repayment schedule of the long term bank loan is based on equal quartely installments up till 30.5.2013.

The average interest rate of the finance lease agreements in year 2006 is 4.23% (3.85% in year 2005). The interest of the long term bank loan is based on 3 month euribor, the interest risk is limited, through a collar agreement, within the range of 3.65%-4.45%.

# NOTES TO THE BALANCE SHEET

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| **Due dates of the financial leasing liabilities** | | |
| Finance lease obligation - minimum lease payments | | |
| For payment one year | 331 | 187 |
| Between 1 and 5 years | 314 | 252 |
| Over 5 years | 0 | 0 |
| Total | 645 | 439 |
| | | |
| Future financial expenses from leases | 23 | 18 |
| Present value of the finance lease is due as follows: | 0 | 0 |
| For one year | 325 | 175 |
| Between 1 and 5 years | 324 | 303 |
| Over 5 years | | |
| Total | 649 | 477 |
| | | |
| **22. Trade and other payables** | | |
| Prepayments | 114 | 151 |
| Accounts payable | 2 381 | 1 469 |
| Other liabilities | 6 316 | 4 917 |
| Accrued expenses | 11 093 | 8 208 |
| Trade and other payables, total | 19 904 | 14 746 |
| | | |
| Main items included in accrued expenses | | |
| Holiday pay debt | 5 728 | 4 044 |
| Accrued income tax | 382 | 229 |
| Accrued social security costs | 3 304 | 2 054 |
| Other | 1 679 | 1 882 |
| Main items included in accrued expenses | 11 093 | 8 208 |
| | | |
| **23. Deferred tax assets and liabilities** | | |
| Deferred tax asset | | |
| At the beginning of the financial year | 96 | 0 |
| Charge/credited to income statement | -83 | 96 |
| Business acquisitions, -sales and other | 75 | 0 |
| At the end of the financial year | 88 | 96 |
| | | |
| Deferred tax asset | | |
| Other temporary differences | 13 | 0 |
| Total | 13 | 0 |
| | | |
| Deferred tax liabilities | | |
| At the beginning of the financial year | 193 | 75 |
| Credited to the income statement | -13 | 2 |
| Credited to equity | 866 | 116 |
| At the end of the financial year | 1 046 | 193 |
| | | |
| Deferred tax liabilities | | |
| Appropriations | 50 | 25 |
| Other temporary differences | 118 | -32 |
| Total | 167 | -7 |
| | | |
| **24. Minority interest** | | |
| At the beginning of the financial year | 1 360 | 1 208 |
| Changes in ownership | -731 | 348 |
| Share of the profit of the subsidiary | 427 | 17 |
| Translation difference | 0 | 0 |
| Dividends paid | -184 | -213 |
| At the year end 31.12. | 872 | 1 360 |

# OTHER NOTES

### 25. Adjustments to the consolidated cash flows

Major non-cash transactions include an equity issue as consideration in acquisition of subsidiary

### 26. Other rental agreements

Group companies have rented the most of their office premises. Most of the rental agreements are made for the time being. Index and other clauses differ from one another. Office premises rents for 2006 were EUR 2 484 thousand.

### 27. Pledges, mortgages and guarantees

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| Liabilities for which have quaranteed by business mortage | | |
| Pension loans | 952 | 1 382 |
| Loans from financial institutions | 226 | 1 092 |
| Other debts | 0 | 6 |
| Business mortage | 546 | 1 430 |
| Book value of pledged shares | 0 | 215 |
| Other contingencies | | |
| Pension loans | 72 | 0 |
| Loans from financial institutions | 277 | 1 394 |
| Pledged invoices | 2 341 | 1 226 |
| Term deposits including interests | 23 | 47 |
| Leasing liabilites | | |
| For payment in next financial year | 890 | 470 |
| For payment later | 863 | 712 |
| Total | 6 190 | 7 974 |

### 28. Events occurring after the balance sheet date

In January, Etteplan Oyj acquired the entire share capital of the Kouvola-based company LCA Engineering Oy. LCA engineering Oy offers process and plant design services to industrial companies and machinery and equipment manufacturers, primarily those in the wood processing industry. The effect of acquisition of LCA Engineering Oy into the revenue is estimated to be EUR 2,7 million and into the net profit for the financial year EUR 0,4 million. LCA Engineering Oy shall be consolidated into the Group from the beginning of the acquisition month.

The increase in share capital was reported in a stock exchange release dated 7 February 2007. Etteplan increased its share capital by EUR 49 thousand in February with a directed share issue of 196,347 shares. The shares were used as payment in the acquisition of LCA Engineering Oy. The new shares were registered in the Trade Register on 7 February 2007 and became subject to trade on the stock exchange together with the old shares on 8 February 2007. After the issue, share capital amounted to EUR 2,492 thousand and the total number of shares to 9,969 thousand.

**Details of net assets acquired and goodwill are as follows:**

| 1 000 EUR | Fair value | Carrying amount |
|---|---|---|
| Purchase consideration: | | |
| - Cash paid | 887 | 887 |
| - Fair value of shares issued | 1 290 | 1 290 |
| Total purchase consideration | 2 177 | 2 177 |
| Fair value of net assets acquired | 508 | 508 |
| Goodwill | 1 669 | 1 669 |

**The assets and liabilities arising from the acquisition are as follows:**

| | | |
|---|---|---|
| Cash and cash equivalents | 548 | 548 |
| Intangible assets | 3 | 3 |
| Tangible asset | 18 | 18 |
| Trade receivables | 465 | 465 |
| Other receivables | 23 | 23 |
| Current liabilities | -550 | -550 |
| Net assets | 508 | 508 |
| Net assets acquired | 508 | 508 |
| Purchase consideration settled in cash | 887 | 887 |
| Cash and cash equivalents in subsidiary acquired | 548 | 548 |
| Cash outflow on acquisition | 339 | 339 |

### 29. Related-party transactions

The Group's related-party includes Board of Directors and CEO. As the transactions with related-party are recognized those business transactions which are not eliminated in consolidation.Related-party transactions are priced according to Group's normal pricing basis and sales conditions.

**Group relationships between parent and subsidiaries 31.12.2006**
The subsidiaries in Etteplan-Group are:

| Company | Domicile | Group's holding |
|---|---|---|
| Parent company Etteplan Oyj | Hollola | |
| Ette-Consulting Oy | Hollola | 100% |
| Ette-Engineering Oy | Pori | 100% |
| Ette-Ins Oy | Pori | 100% |
| Insinööritoimisto N.Liukkonen Oy | Hollola | 100% |
| Insinööritoimisto Raskon Oy | Hollola | 100% |
| Insinööritoimisto Keskilinja Oy | Jyväskylän mlk | 100% |
| Etteplan Metals Processing Oy | Hollola | 100% |
| NATLABS Oy | Hyvinkää | 100% |
| Etteplan Design Center Oy | Hyvinkää | 100% |
| Etteplan Engineering GmbH | Bochum | 100% |
| Etteplan Production Lines Oy | Hollola | 100% |
| EPE Design Oy | Hyvinkää | 100% |
| Etteplan Industriteknik Ab | Upplands Väsby | 100% |
| Etteplan Technical Systems AB | Alingsås | 100% |
| Prekam AB | Malmö | 80% |
| ProTang AB | Västerås | 73,16% |
| ProTang Teknikinformation Ab | Västerås | 100% |
| Di&Esse Etteplan Srl | Bernate Ticino | 93,75% |
| Etteplan Consulting (Shanghai) Co., Ltd. Shanghai | Shanghai | 100% |
| DokuMentori Oy | Tampere | 70% |
| Etteplan Teknikpartner Ab | Göteborg | 100% |

**The following transactions were carried out with related parties:**

| **1 000 EUR** | **2006** | **2005** |
|---|---|---|
| Sales of services | | |
| To other in related-party | 99 | 138 |
| Total | 99 | 138 |
| Purchase of goods and services | | |
| Office premises rents | | |
| Key management personnel | 92 | 92 |
| From other in related-party | 217 | 214 |
| Total | 309 | 306 |
| Receivables and payables year end balances arising from sales and purchase of goods and services | | |
| Receivables from related parties | | |
| From other in related-party | 15 | 3 |
| Total | 15 | 3 |

There were no loans to the related-party and from related-party at 31.12.2006 nor 31.12.2005. The company did not have loans from the related-party during the corresponding period.

**Employee benefits of the management**
The management of Etteplan Oyj includes the Board of Directors and Managing Director.

| Salaries and fees to Managing Directors and Board of Directors paid and recognized in income statement, EUR 1 000 | 2006 | 2005 |
|---|---|---|
| Board of Directors and CEO, total | 258 | 231 |

The annual emolument for an executive member of the Board of Directors passes by the Annual General Meeting. The company has taken out supplementary pension insurance for one member of the Board, which allows him to retire at the age of 60. According to the bonus system regulations that were approved by the Board of Directors, the CEO is paid a profit-related bonus the amount of which depends on the Group’s operating profit.

The company has taken out supplementary pension insurance for the CEO and to one Member of the Board of Directors, employed by the Group which allows them to retire at the age of 60.

Stock options have not been granted for the company's management during 2006. Etteplan Oyj's share option programme ended in 31. January 2005.

**Information on management holdings**

| **1 000 pcs** | **Shares 31.12.2006** |
|---|---|
| Hornborg Heikki, *Managing Director* | 573 |
| Mönkkönen Tapani, *chairman of the Board of Directors* | 2 038 |
| Hakakari Tapio, *member of the Board of Directors* | 100 |
| Nupponen Pertti, *member of the Board of Directors* | 1 |
| Total | 2 712 |

## PARENT COMPANY'S INCOME STATEMENT

| 1 000 EUR | Note | 1.1.–31.12.2006 FAS | | 1.1.–31.12.2005 FAS | |
|---|---|---|---|---|---|
| **Revenue** | 30 | **43 799** | | **36 780** | |
| Variation in work in progress | | 0 | | -503 | |
| Other operating income | 31 | 488 | | 542 | |
| Materials and services | 32 | -18 116 | | -13 253 | |
| Staff costs | 33 | -15 090 | | -13 277 | |
| Depreciation and amortisation expenses | 34 | -958 | | -849 | |
| Other operating expenses | | -6 509 | | -5 628 | |
| **Operating profit** | | **3 613** | **8.3 %** | **3 812** | **10.4 %** |
| Financial income and expenses | 35 | 1 813 | | 894 | |
| **Profit before extraordinary items** | | **5 426** | | **4 706** | |
| Extraordinary items | 36 | -462 | | -806 | |
| **Profit before appropriations and taxes** | | **4 964** | | **3 900** | |
| Appropriations | 37 | 167 | | 21 | |
| Income taxes | 38 | -856 | | -787 | |
| **Net profit for the financial year** | | **4 275** | **9.8 %** | **3 135** | **8.5 %** |

## PARENT COMPANY'S BALANCE SHEET

| 1 000 EUR | Note | 31.12.2006 FAS | 31.12.2005 FAS |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 39 | 1 539 | 1 256 |
| Tangible assets | 40 | 884 | 1 345 |
| Investments | 41 | | |
| Shares in group companies | | 25 591 | 13 965 |
| Other investments | | 27 | 67 |
| Investments, total | | 25 617 | 14 032 |
| **Non-current assets, total** | | **28 040** | **16 633** |
| | | | |
| **Current assets** | | | |
| Current receivables | 42 | 11 108 | 10 089 |
| Cash and cash equivalents | | 521 | 564 |
| **Current assets, total** | | **11 629** | **10 653** |
| **TOTAL ASSETS** | | **39 669** | **27 286** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 43 | | |
| Share capital | | 2 443 | 2 403 |
| Share premium account | | 9 179 | 8 269 |
| Retained earnings | | 5 783 | 4 570 |
| Net profit for the financial year | | 4 275 | 3 135 |
| **Equity, total** | | **21 680** | **18 378** |
| | | | |
| **Appropriations** | 44 | **186** | **353** |
| | | | |
| **Liabilities** | | | |
| Long-term liabilities | 45 | 7 071 | 341 |
| Current liabilities | 46 | 10 731 | 8 214 |
| **Liabilities, total** | | **17 803** | **8 555** |
| **TOTAL EQUITY AND LIABILITIES** | | **39 669** | **27 286** |

## PARENT COMPANY'S CASH FLOW STATEMENT

| 1 000 EUR | 1.1.–31.12.2006 | 1.1.–31.12.2005 |
|---|---|---|
| **Operating cash flow** | | |
| Cash receipts from customers | 44 351 | 32 186 |
| Cash receipts from other operating income | 465 | 533 |
| Operating expenses paid | 39 055 | 30 147 |
| Operating cash flow before financial items and taxes | 5 761 | 2 572 |
| | | |
| Interest and payment paid for financial expenses | 212 | 33 |
| Interest received | 51 | 38 |
| Income taxes paid | 996 | 991 |
| Cash flow from extraordinary items (net) | 0 | -250 |
| **Operating cash flow ( A )** | **4 602** | **1 337** |
| | | |
| **Investing cash flow** | | |
| Purchase of tangible and intangible assets | 904 | 1 526 |
| Acquisition of subsidiaries | 10 658 | 1 158 |
| Proceeds from sale of tangible and intangible assets | 104 | 80 |
| Purchase of other investment | 0 | 40 |
| Interest received | 33 | 38 |
| Dividend received | 712 | 888 |
| **Investment cash flow ( B )** | **-10 714** | **-1 718** |
| | | |
| **Financing cash flow** | | |
| Proceeds from issuance of share capital | 0 | 317 |
| Long-term loans, increase | 10 332 | 0 |
| Long-term loans, decrease | 2 341 | 28 |
| Dividend paid and other profit distribution | 1 923 | 1 305 |
| **Financing cash flow ( C )** | **6 068** | **-1 015** |
| | | |
| **Variation in working capital ( A + B + C ) increase ( + ) / decrease ( - )** | **-43** | **-1 395** |
| | | |
| Assets in the beginning of the period | 564 | 1 960 |
| Assets at the end of the period | 521 | 564 |

# NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

## PARENT COMPANY'S ACCOUNTING POLICIES

### BASIS OF PREPARATION
The financial statements of the parent company Etteplan Oyj have been prepared in accordance with Finnish accounting and company legislation (FAS).

### RECOGNITION OF INCOME AND CONSTRUCTION CONTRACTS
Revenue includes income from design activities and sales of materials and supplies for projects. The parent company's recognition of income and construction contracts accounting principles correspond to that of consolidated financial statements.

### RESEARCH AND DEVELOPMENT EXPENDITURE
Research and development expenditure has been recorded as an expense in the year in which it is incurred.

### MEASUREMENT OF PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment has been capitalized in the balance sheet at cost less depreciation according to plan and with possible impairment loss. Depreciation according to plan is based on the estimated useful life of the asset item. Land areas are not depreciated because they are not considered to have a carrying period.
The useful lives of other tangible assets are:

| | |
|---|---|
| Software | 5 years |
| Computers | 3 years |
| Vehicles | 5 years |
| Office furniture and fixtures | 5 years |
| Renovations of premises | 5 years |

Maintenance and repair costs are recognized as an expense as they are incurred. Major basic improvement investments are capitalized and depreciated in the income statement over their useful life. Capital gains and losses arising on the retirement and sale of property, plant and equipment are included either in other operating income or expenses.

### INCOME TAXES
Income taxes based on taxable earnings are periodized in the separate financial statements. Taxes in the income statement include taxes based on taxable earnings for the period as well as taxes for previous periods. Current tax is calculated on taxable income using the tax rate that is in force in each country.

### ACCUMULATED APPROPRIATIONS IN THE PARENT COMPANY
Accumulated appropriations for the parent company comprise the depreciation difference. The accumulated depreciation difference between depreciation according to plan and book depreciation totals EUR 8 thousand for machinery and equipment and EUR 179 for long-term expenditure. The associated tax liability for the depreciation difference is EUR 48 thousand, which is not recorded in the parent company's balance sheet.

### PENSION ARRANGEMENTS
Pension security for the employees of the parent company has been 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 entered as expenses in the income statement over the lease period.

# PARENT COMPANY'S NOTES TO THE INCOME STATEMENT

| 1 000 EUR | 2006 FAS | 2005 FAS |
|---|---|---|
| **30. Turnover by area** | | |
| Finland | 43 799 | 36 780 |
| | | |
| Turnover consists of design business. | | |
| | | |
| **31. Other operating income** | | |
| Sales profit of tangible and intangible assets | 23 | 9 |
| Insurance compensation | 77 | 0 |
| Other operating income | 387 | 533 |
| Other operating income, total | 488 | 542 |
| | | |
| **32. Materials and services** | | |
| Materials | 50 | 48 |
| Services from Others | 18 065 | 13 205 |
| Materials and services, total | 18 116 | 13 253 |
| | | |
| **33. Number of personnel and staff expenses** | | |
| Number of personnel | | |
| Personnel, average | 321 | 300 |
| At year-end | 323 | 308 |
| Of which | | |
| Design personnel | 305 | 291 |
| Administration personnel | 18 | 17 |
| Personnel, total | 323 | 308 |
| | | |
| Staff expenses | | |
| Wages and salaries | 12 282 | 10 682 |
| Pension expenses | 1 934 | 1 814 |
| Other voluntary indirect employee costs | 874 | 781 |
| Staff expenses, total | 15 090 | 13 277 |
| | | |
| Employee benefits of the CEO and Board of Directors are disclosed in item Related party transactions. | | |
| | | |
| **34. Depreciation and amortisation** | | |
| Other long-term expenditure and intangible assets | 474 | 393 |
| Machinery and equipment | 485 | 457 |
| Depreciation and amortisation, total | 958 | 849 |
| | | |
| **35. Financial income and expenses** | | |
| Dividend income | | |
| From Group companies | 1 938 | 888 |
| From others | 3 | 3 |
| Dividend income, total | 1 942 | 891 |
| | | |
| Interest and financial income | | |
| From Group companies | 29 | 0 |
| From others | 54 | 36 |
| Interest and financial income, total | 83 | 36 |
| | | |
| **Interest and financial expenses** | | |
| To others | 212 | 33 |
| Interest and financial expenses, total | 212 | 33 |
| | | |
| Financial income and expenses, total | 1 813 | 894 |
| | | |
| **36. Extraordinary items** | | |
| Group contribution | 462 | 806 |
| | | |
| **37. Appropriations** | | |
| Difference between depreciations according to the plan and booked depreciation | 167 | 21 |
| | | |
| **38. Income taxes** | | |
| Current income tax | 856 | 787 |

# PARENT COMPANY'S NOTES TO THE BALANCE SHEET

| 1 000 EUR | 2006 FAS | 2005 FAS |
|---|---|---|
| **39. Intangible assets** | | |
| Acquisition cost 1.1. | 3 526 | 2 554 |
| Increases 1.1.–31.12. | 380 | 972 |
| Decreases 1.1.–31.12. | 2 | 0 |
| Acquisition cost 31.12. | 3 903 | 3 526 |
| | | |
| Accumulated depreciation 1.1. | 2 270 | 1 877 |
| Depreciation for the financial year | 417 | 393 |
| Accumulated depreciation 31.12. | 2 687 | 2 270 |
| | | |
| Book value 31.12. | 1 217 | 1 256 |
| | | |
| Goodwill | | |
| Acquisition cost 1.1. | 379 | 0 |
| Increases 1.1.–31.12. | 57 | 0 |
| Acquisition cost 31.12. | 322 | 0 |
| | | |
| Book value 31.12. | 322 | 0 |
| Intangible assets, total | 1 539 | 1 256 |
| | | |
| **40. Property, plant and equipment** | | |
| Acquisition cost 1.1. | 5 265 | 5 031 |
| Increases 1.1.–31.12. | 146 | 388 |
| Decreases 1.1.–31.12. | 122 | 154 |
| Acquisition cost 31.12. | 5 288 | 5 265 |
| | | |
| Accumulated depreciation 1.1. | 3 920 | 3 463 |
| Depreciation for the financial year | 485 | 457 |
| Accumulated depreciation 31.12. | 4 405 | 3 920 |
| | | |
| Book value 31.12. | 884 | 1 345 |
| Tangible assets, total | 884 | 1 345 |
| | | |
| **41. Investments** | | |
| Interests in Group companies | | |
| Acquisition cost 1.1. | 13 965 | 8 013 |
| Increases 1.1.–31.12. | 11 625 | 5 953 |
| Acquisition cost 31.12. | 25 591 | 13 965 |
| | | |
| Own shares | | |
| Acquisition cost 1.1. | 0 | 0 |
| Increases 1.1.–31.12. | 416 | 0 |
| Decreases 1.1.–31.12. | 416 | 0 |
| Acquisition cost 31.12. | 0 | 0 |
| | | |
| Other investments | | |
| Acquisition cost 1.1. | 27 | 27 |
| Increases 1.1.–31.12. | 0 | 40 |
| Acquisition cost 31.12. | 27 | 67 |
| Investments, total | 25 617 | 14 032 |

# PARENT COMPANY'S NOTES TO THE BALANCE SHEET

| 1 000 EUR | 2006 FAS | 2005 FAS |
|---|---|---|
| Current assets | | |
| **42. Trade and other receivables** | | |
| Trade receivables | 8 548 | 8 807 |
| From group companies | | |
| Trade receivables | 244 | 240 |
| Other receivables | 2 149 | 933 |
| Total | 2 393 | 1 173 |
| Other receivables | 40 | 1 |
| Accrued income | 128 | 108 |
| Total | 168 | 109 |
| Trade and other receivables, total | 11 108 | 10 089 |
| **43. Changes in shareholders' equity** | | |
| Share capital 1.1. | 2 403 | 434 |
| Share issue | 40 | 1 969 |
| Share capital, total | 2 443 | 2 403 |
| Share premium account | 8 269 | 5 058 |
| Share issue | 910 | 3 211 |
| Share premium account 31.12. | 9 179 | 8 269 |
| Reserve of own shares 1.1. | 0 | 0 |
| Increase (+) / Decrease (-) | 0 | 0 |
| Reserve of own shares 31.12. | 0 | 0 |
| Retained earnings 1.1. | 7 705 | 5 875 |
| Dividends paid | -1 923 | -1 305 |
| Retained earnings 31.12. | 5 783 | 4 570 |
| Profit for the financial year | 4 275 | 3 135 |
| Shareholders' equity total | 21 680 | 18 378 |
| Distributable funds 31.12. | | |
| Retained earnings | 5 783 | 4 570 |
| Profit for the financial year | 4 275 | 3 135 |
| Distributable funds 31.12. | 10 058 | 7 705 |

**Shares**

| 1 000 pcs | 2006 | 2005 |
|---|---|---|
| Number of shares 1.1. | 9 613 | 4 342 |
| Share issue | 160 | 5 271 |
| Shares total 31.12. | 9 773 | 9 613 |

**44. Accumulated appropriations**

Accumulated appropriations for the company comprise the accumulated depreciation difference.

| 1 000 EUR | 2006 FAS | 2005 FAS |
|---|---|---|
| **45. Long-term liabilities** | | |
| Loans from financial institutions | 7 071 | 0 |
| Pension loans | 0 | 341 |
| Long-term liabilities, total | 7 071 | 341 |

# PARENT COMPANY'S NOTES TO THE BALANCE SHEET

| 1 000 EUR | 2006 FAS | 2005 FAS |
|---|---|---|
| **46. Current liabilities** | | |
| Loans from financial institutions | 1 286 | 0 |
| Pension loans | 0 | 26 |
| Prepayments | 38 | 61 |
| Accounts payable | 591 | 799 |
| | | |
| Payables to group companies | | |
| Accounts payable | 3 423 | 1 506 |
| Other payables | 1 019 | 2 325 |
| Total | 4 441 | 3 832 |
| | | |
| Other liabilities | 1 470 | 1 262 |
| Accrued expenses | 2 905 | 2 236 |
| Current liabilities, total | 10 731 | 8 214 |
| | | |
| Main items included in accrued expenses | | |
| Salaries and accrued social security costs | 2 720 | 1 982 |
| Income taxes | 43 | 183 |
| Other | 143 | 71 |
| Main items included in accrued expenses | 2 905 | 2 236 |

# PARENT COMPANY'S LIABILITIES AND QUARANTEES

| 1 000 EUR | 2006 | 2005 |
|---|---|---|
| **Parent company's pledges, mortgages and guarantees** | | |
| | | |
| Liabilities for which have quaranteed by business mortage | 320 | 1 430 |
| | | |
| Other contingencies | | |
| Pension loans | 72 | 367 |
| Term deposits including interests | 17 | 16 |
| | | |
| Leasing liabilites | | |
| For payment in next financial year | 513 | 192 |
| For payment later | 505 | 304 |
| Total | 1 426 | 2 310 |

## KEY FIGURES FOR FINANCIAL TRENDS

| 1 000 EUR, Financial period 1.1.–31.12. | 2006 IFRS | 2005 IFRS | 2004 IFRS | 2003 FAS | 2002 FAS |
|---|---|---|---|---|---|
| Revenue | 101 698 | 79 365 | 61 967 | 50 662 | 37 011 |
| Increase in revenue, % | 28.1 | 28.1 | 22.3 | 36.9 | 9.4 |
| Operating profit | 6 823 | 3 411 | 5 442 | 2 395 | 2 724 |
| % of revenue | 6.7 | 4.3 | 8.8 | 4.7 | 7.4 |
| Profit before taxes and minority interest | 6 695 | 3 429 | 5 485 | 2 444 | 2 753 |
| % of revenue | 6.6 | 4.3 | 8.9 | 4.8 | 7.4 |
| Profit for the financial year | 4 172 | 2 244 | 3 211 | 964 | 1 270 |
| Return on equity, % | 20.9 | 12.8 | 25.9 | 9.6 | 12.6 |
| Return on investment, % | 24.6 | 18.2 | 34.7 | 16.1 | 19.7 |
| Equity ratio, % | 42.6 | 54.7 | 52.9 | 57.2 | 63.4 |
| Gross investments | 12 512 | 8 311 | 2 384 | 2 772 | 4 497 |
| % of revenue | 12.3 | 10.5 | 3.8 | 5.5 | 12.2 |
| Dept-equity ratio, % | 19.7 | -13.4 | -36.7 | -37.1 | -43.4 |
| Personnel, average | 1 501 | 1 230 | 965 | 876 | 660 |
| Personnel at year end | 1 586 | 1 294 | 1 049 | 936 | 723 |

## KEY FIGURES FOR SHARES

| Financial period 1.1.–31.12. | | 2006 IFRS | 2005 IFRS | 2004 IFRS | 2003 FAS | 2002 FAS |
|---|---|---|---|---|---|---|
| Earnings per share, EUR | | 0.43 | 0.25 | 0.37 | 0.11 | 0.15 |
| Equity per share, EUR | | 2.31 | 1.99 | 1.57 | 1.45 | 1.45 |
| Dividend per share | | 0.26* | 0.20 | 0.15 | 0.28 | 0.13 |
| Dividend per profit, % | | 61% | 80% | 41% | 242% | 82% |
| Effective dividend return, % | | 3.8 % | 4.2 | 3.6 | 9.4 | 6.2 |
| P/E-ratio, EUR | | 16.04 | 19.04 | 22.14 | 25.77 | 13.30 |
| Share price | lowest | 4.78 | 4.10 | 2.75 | 1.50 | 1.95 |
| | highest | 7.10 | 6.24 | 4.25 | 3.24 | 3.22 |
| | average for the year | 5.93 | 5.41 | 3.16 | 2.21 | 2.66 |
| Market capitalisation | | 67 433 | 45 855 | 35 825 | 25 049 | 17 312 |
| Number of shares traded | | 4 470 | 4 369 | 2 624 | 1 492 | 781 |
| Percentage of shares traded | | 46% | 49% | 30% | 18% | 9% |
| Adjusted average number of shares during the financial year, (1 000 pcs) | | 9 699 | 8 957 | 8 617 | 8 481 | 8 350 |
| Adjusted average number of shares at year end (1 000 pcs) | | 9 773 | 9 613 | 8 685 | 8 549 | 8 501 |

* proposal by the Board of Directors

## FORMULAS FOR THE KEY FIGURES

**Return on equity (ROE)**

(Profit before taxes and minority interest - taxes) x 100
(Shareholders' equity + minority interest) average

**Return on investment (ROI)**

(Profit before taxes and minority interest + interest and other financial expenses) x 100
(Balance sheet total – non-interest bearing debts) average

**Debt-equity ratio, %**

(Interest-bearing debts – cash and cash equivalent and marketable securities) x 100
Shareholders' equity + minority interest

**Equity ratio, %**

(Shareholders' equity + minority interest) x 100
Balance sheet total – advances received

**Earnings per share**

(Profit before taxes and minority interest – taxes – minority interest)
Average number of shares during the financial year

**Equity per share**

Shareholders' equity
Adjusted number of shares at the end of the financial year

**Dividend per share**

Dividend for year
Adjusted number of shares during the financial year

**Dividend as percentage of earnings**

Dividend per share x 100
Earnings per share

**Effective dividend yield, %**

Dividend per share x 100
Adjusted last traded share price

**Price/earnings ratio (P/E)**

Adjusted last traded share price
Earnings per share

**Share price trend**

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

Average price = Total turnover of shares in euros
Number of shares traded during the financial year

**Market capitalization**

Number of shares at year-end x last traded price of year

**Trend in share turnover, in volume and percentage figures**

The trend in turnover of shares is given as the number of shares traded during the year and as the percentage of traded shares relative to issued stock during the year.

# SHARES AND SHAREHOLDERS

## Share capital

Etteplan Oyj's fully paid-in share capital at 31 December 2006, as entered in the Trade Register, was EUR 2,443,232.50 and the company had 9,772,930 shares. The accounting par value of a share is EUR 0.25. The company has one series of shares. Each share entitles its holder to cast one vote at General Meetings of shareholders and it confers an equal right to dividends.

According to the Articles of Association, the company's minimum share capital is EUR 2,000,000 and the maximum share capital is EUR 20,000,000, within which limits the share capital can be raised or lowered without amending the Articles of Association.

In June 2006 Etteplan increased its share capital by 159,800 shares and EUR 39,950 through a directed issue. The new shares were used as payment in the exchange of shares related to raising Etteplan's ownership in Etteplan Technical Systems AB. The share capital increase was disclosed in a stock exchange release published on 19 June 2006. The new shares were admitted for public trading on the Helsinki Stock Exchange at 20 June 2006.

In June 2006 the company disposed of 200 of its own shares (treasury shares) that had been held by the company as payment in an exchange of shares. The disposal of the shares was disclosed in a stock exchange release published on 19 June 2006.

The company bought back 63,022 of its own shares during the financial year. The said shares were used as consideration in an exchange of shares. Consideration paid for the shares amounted to EUR 410,273.22. The company reported the disposal of shares in a stock exchange release published on 29 November 2006.

At 31 December 2006 the company did not hold any of its own shares.

## Share issues and valid authorizations

The Annual General Meeting held on 23 March 2006 passed a resolution to cancel and remove from the Trade Register the company's previously resolved authorizations. The Annual General Meeting granted the Board of Directors an authorization to decide, within one year from the date of the Annual General Meeting and in disapplication of shareholders' pre-emptive right to subscribe for shares, to take one or more convertible bonds and/or issue option rights, and/or decide to increase the share capital in one or more lots through a rights issue by a maximum of EUR 480,656.50. The Annual General Meeting authorized the Board of Directors to decide on acquiring the company's own shares in one or more lots to the effect that the company can buy back the company's shares to a maximum of ten (10) per cent of the company's share capital and the aggregate number of voting rights attached to the shares. Shares can be obtained for use as consideration in possible acquisitions or for use in carrying out other structural arrangements. The Annual General Meeting also granted the Board of Directors an authorization to decide to convey, in one or more lots, the company's own shares to the effect that the aggregate accounting par value and the voting rights attached to the shares shall be no more than ten (10) per cent of the company's share capital and the aggregate number of voting rights attached to the shares at the time of the transfer.

## Stock option rights

The company has no stock option programme in force.

## Quotation of the shares

The Etteplan Oyj share (ETT1V) has been quoted in the Industrials sector within the Small Cap segment of the Nordic Exchange as from 2 October 2006. The company's shares were previously quoted on the Main List of the Helsinki Stock Exchange.

## Share price trend and turnover

The number of Etteplan Oyj shares traded during 2006 was 4,469,523, to a total value of EUR 26.5 million. The share price low was EUR 4.78, the average EUR 5.93 and the closing price was EUR 6.90. The company's market capitalization at 31 December 2006 was EUR 67.5 million.

## Shareholders

At the end of 2006, the company had 1,792 registered shareholders. Entered in the nominee register were a total of 577,952 shares, or 5.91 per cent of the shares. At 31 December 2006 the members of the company's Board of Directors and the CEO owned a total of 2,712,110 shares, or 27.75% of the entire shares outstanding.

During the financial year Etteplan Oyj published five notifications of changes in shareholdings in compliance with Chapter 2, Section 9 of the Securities Markets Act. The changes were disclosed in stock exchange releases published on 4 January 2006, 8 March 2006, 19 June 2006 and 6 September 2006 (two notifications).

## Major shareholders, 31 December 2006

| | Number of shares | Holding of shares % |
|---|---|---|
| Mönkkönen Tapani | 2 037 800 | 20.85 |
| Evli Bank Plc. | 764 904 | 7.83 |
| Hornborg Heikki | 573 310 | 5.87 |
| Mutual Insurance Company Pension Fennia | 451 800 | 4.62 |
| Ingman Finance Oy Ab | 411 020 | 4.21 |
| Leimark Invest Oy Ab | 330 000 | 3.38 |
| Mandatun Finnish Small Cap Fund | 294 900 | 3.02 |
| Nordea Bank Finland Plc. | 291 632 | 2.98 |
| Nordea Life Assurance Finland Ltd | 259 239 | 2.65 |
| Aiff Ulf | 234 160 | 2.40 |
| Nordea Fennia Plus Mutual Fund | 197 800 | 2.02 |
| Tuori Klaus | 179 312 | 1.83 |
| Oy Fincorp Ab | 179 086 | 1.83 |
| Svenska Handelsbanken Ab (publ), Filialverksamheten i Finland | 137 662 | 1.41 |
| Varma Mutual Pension Insurance Company | 129 164 | 1.32 |
| Tuori Aino Mirjami | 128 448 | 1.31 |
| Placeringsfonden Aktia Capital | 124 100 | 1.27 |
| Mutual Fund Evli Select | 112 800 | 1.15 |
| Tuori Kaius Tapani | 109 185 | 1.12 |
| Fondita Nordic Micro Cap Investment Fund | 100 560 | 1.03 |
| Other shareholders | 2 726 048 | 27.89 |
| Total | 9 772 930 | 100.00 |
| | | |
| Nominee-registrated shares | 577 952 | 5.91 |

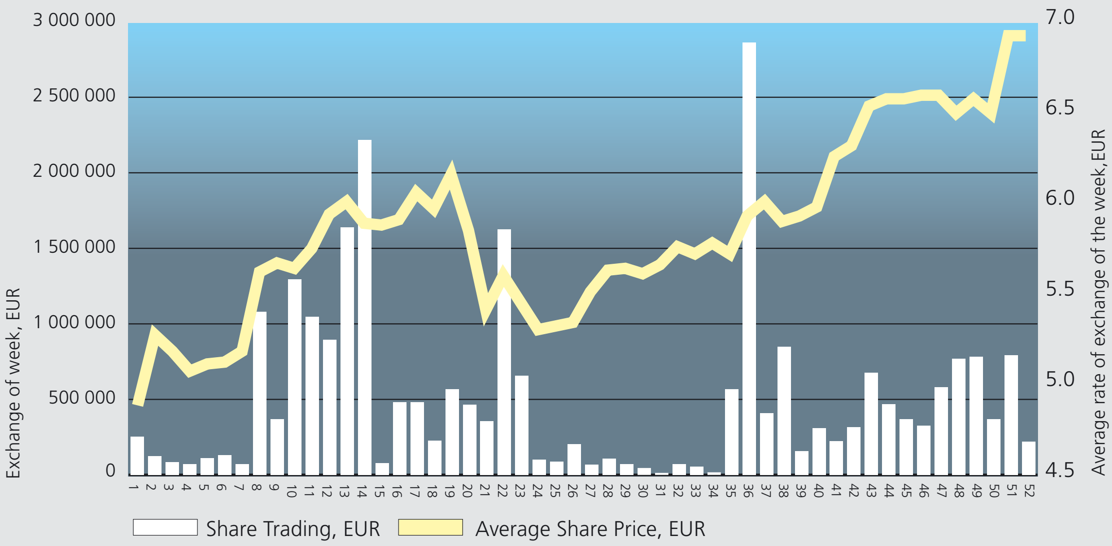
## Breakdown of shareholdings by size class, 31 December 2006

| Number of shares | Shareholders | Proportion of shareholders, % | Number of shares | Proportion of shares, % |
|---|---|---|---|---|
| 1-10 | 9 | 0.50 | 36 | 0 |
| 11-50 | 23 | 1.28 | 822 | 0.00 |
| 51-100 | 159 | 8.87 | 15 541 | 0.15 |
| 101-500 | 1 008 | 56.25 | 281 044 | 2.87 |
| 501-1000 | 260 | 14.50 | 211 751 | 2.16 |
| 1001- | 333 | 18.58 | 9 263 736 | 94.79 |
| **Total** | **1 792** | **100,00** | **9 772 930** | **100,00** |

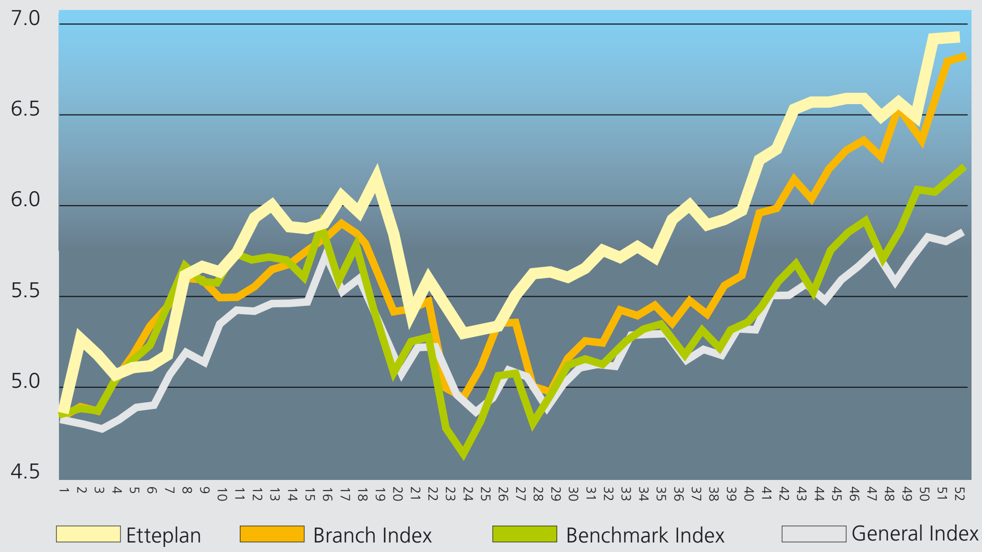
## Breakdown of shareholdings by owner group, 31 December 2006

| | Shareholders | Number of shares | Number of nominee-registrated shares | Proportion of shares, % |
|---|---|---|---|---|
| Companies | 108 | 1 206 305 | 729 | 12.35 |
| Financial and insurance institutions | 22 | 2 224 853 | 564 128 | 28.53 |
| Public sector entities | 4 | 678 464 | 0 | 6.94 |
| Households | 1 625 | 4 557 837 | 0 | 46.63 |
| Non-profit institutions | 16 | 174 176 | 0 | 1.78 |
| National economy total (domestic sector) | 1 775 | 8 841 635 | 564 857 | 96.25 |
| European Union | 11 | 8 763 | 13 095 | 0.22 |
| Other countries and international organizations | 6 | 344 580 | 0 | 3.52 |
| Foreigners total | 17 | 353 343 | 13 095 | 3.75 |
| **Total** | **1 792** | **9 194 978** | **577 952** | **100,00** |

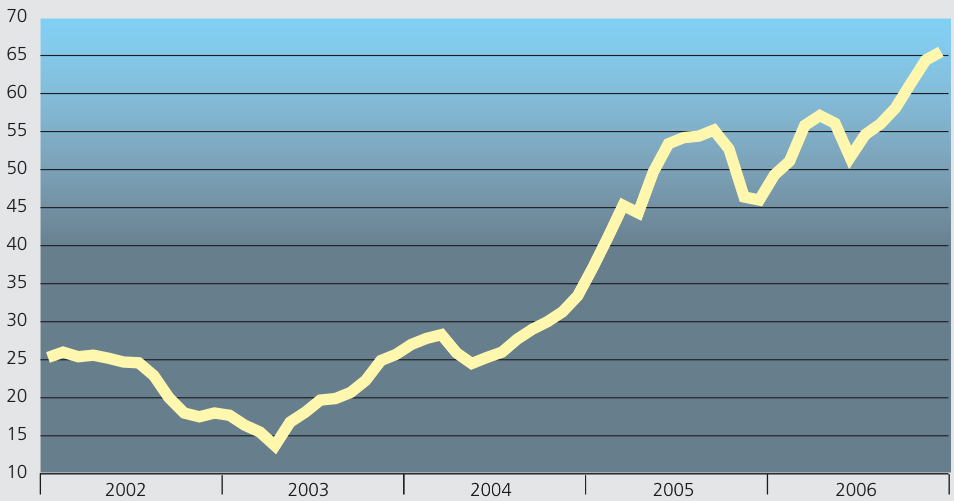
## Share turnover and average share price 2006




## Share price trend in 2006 (EUR)




## Market capitalization 2002–2006 (EUR million)



# BOARD OF DIRECTORS DIVIDEND PROPOSAL

At 31 December 2006, the parent company's distributable equity amounted to EUR 10.1 million, of which the net profit for the financial year was EUR 4.3 million.

The Board of Directors proposes that from the distributable funds at the disposal of the Annual General Meeting, a dividend of EUR 0.26 be paid on each share held by parties outside the company, to a total amount of EUR 2.6 million. The Board of Directors further proposes that the remainder of the parent company's distributable funds, totalling EUR 7.5 million, is to be retained and carried forward. The company's liquidity is good, and the Board of Directors judges that the proposed distribution of profits will not jeopardise the company's solvency.

It is proposed that the dividend be paid on 12 April 2007.

Gothenburg, 8 February 2007

Tapani Mönkkönen
*Chairman of the Board*

Heikki Hornborg
*CEO and member of the Board*

Matti Virtaala
*Member of the Board*

Tapio Hakakari
*Member of the Board*

Pertti Nupponen
*Member of the Board*

# Auditor's Report

**To the shareholders of Etteplan Oyj**

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Etteplan Oyj for the period 1.1.–31.12.2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

**Consolidated financial statements**

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

**Parent company's financial statements, report of the Board of Directors and administration**

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Directors of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Turku, March 2, 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mika Kaarisalo
Authorised Public Accountant

# CORPORATE GOVERNANCE

## General

The company's administration is organized in accordance with the Finnish Companies Act, Etteplan's Articles of Association and other relevant legislation and regulations. Pursuant to the Helsinki Stock Exchange's Recommendation on Corporate Governance, Etteplan Oyj complies in all respects with the guidelines issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers concerning the governance of publicly traded companies, with the exception of a Supervisory Board and Committees to the Board of Directors because the company does not have such administrative bodies. The company's Board of Directors handles all matters pertaining to it in a full assembly.

Supervision and management of the company is divided among the General Meeting of shareholders, the Board of Directors and the CEO.

## General Meeting of shareholders

The Annual General Meeting is held each year at latest in June. The General Meeting of shareholders is the company's highest decision-making body. In accordance with the Finnish Companies Act and Etteplan's Articles of Association, the General Meeting of shareholders passes resolutions on the following:

- amendments to the Articles of Association
- approval of the financial statements
- distribution of profit
- the acquisition and transfer of treasury shares
- stock option programmes
- the election of the members of the Board of Directors and their emoluments
- the election of the auditors and the fees for the audit

## Board of Directors

### The tasks of the Board of Directors

The Board of Directors is responsible for the company's management and for the due organization of the company's operations in accordance with the relevant legislation and Etteplan's Articles of Association. The Board of Directors monitors the company's operations and management and it approves the major decisions affecting the company's strategy, capital expenditures, organization, the emolument and bonus systems covering management as well as finances. The Board of Directors is responsible for the due organization of the company's management and operations as well as for ensuring that the supervision of the company's accounting and treasury management is appropriately arranged. The Board of Directors annually appraises its activities and working practices. A written working order, which includes the above-mentioned matters, has been drawn up for the Board of Directors.

The Board of Directors draws up a list of the proposed Chairman and members of the Board of Directors for the General Meeting of shareholders.

### The composition of the Board of Directors

According to the Articles of Association, the Board of Directors shall have a minimum of three and a maximum of seven members. The Chairman and the Board of Directors are elected for a term of one year at the Annual General Meeting. The Annual General Meeting held on 29 March 2006 elected Tapani Mönkkönen as Chairman of the Board and Tapio Hakakari, Heikki Hornborg, Pertti Nupponen and Matti Virtaala as the members of the Board. Tapio Hakakari, Pertti Nupponen and Matti Virtaala were impartial members in 2006.

The Board of Directors met 14 times during 2006. The average rate of attendance at Board meetings amounted to 91 per cent.

## CEO

The Board of Directors appoints a CEO for the company in accordance with the Finnish Companies Act. The parent company's CEO furthermore acts as the Group's Chief Executive Officer. The CEO is responsible for managing the Group's daily operations in accordance with the regulations and instructions issued by the Board of Directors. Heikki Hornborg has been the CEO since 1997.

A written CEO agreement has been drawn up for the Chief Executive Officer.

## Management group

The CEO appoints an appropriate Management Group from the standpoint of line operations. The Management Group assists the CEO as well as develops and monitors all matters entrusted to the company's management, including those connected with the Group and business unit strategies, acquisitions, divestments and mergers and major capital expenditures, disinvestments, the company's image, monthly reporting, interim reports, investor relations and the main principles of the human resource policy. The Board of Directors approves the appointment of the members to the Management Group. The members of the Management Group in 2006 were Heikki Hornborg, Ulf Aiff, Pia Björk, Risto Koivunen and Jukka Rausti. In 2006 the Extended Management Group also comprised Tom Andersson, Jari Kivelä and Juha Näkki in addition to the previously mentioned members.

## Compensation

### Compensation of members of the Board of Directors

According to the resolution passed by the Annual General Meeting 2006, the annual emolument for an executive member of the Board of Directors comes to EUR 11,000 and the emolument for each impartial member of the Board comes to EUR 13,000 a year.

### Compensation for the CEO

As from 1 April 2006, CEO Heikki Hornborg's monthly salary has amounted to EUR 12,000. In addition, he has car and phone benefits. Furthermore, according to the bonus system regulations that were approved by the Board of Directors, the CEO is paid a profit-related bonus the amount of which depends on the Group's operating profit. The company has taken out supplementary pension insurance for the CEO, which allows him or her to retire at the age of 60. In instances of dismissal, the Chief Executive Officer is entitled to receive compensation amounting to twenty-four months' salary. The period of notice for a Chief Executive Officer is 6 months.

## Insider regulations

As of 27 April 2000, the company has complied with the insider guidelines issued by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. As of 1 January 2006, the company has complied with the amended Insider Guidelines issued by the Helsinki Stock Exchange.

In accordance with Finland's Securities Markets Act, Etteplan Oyj's insiders comprise insiders with the duty to declare, permanent company-specific insiders and project-specific insiders.

### Insider register

The company's public insiders with the duty to declare and their shareholdings, 31 December 2006

| Name | Grounds | Number of shares |
|---|---|---|
| Aiff, Ulf | Other | 234 160 |
| Björk, Pia | Other | - |
| Hakakari, Tapio | Member of the Board | 100 000 |
| Hornborg, Heikki | Member of the Board | 573 310 |
| Kaarisalo, Mika | Auditor | - |
| Koivunen, Risto | Othe | - |
| Mönkkönen, Tapani | Chairman of the Board | 2 037 800 |
| Nupponen, Pertti | Member of the Board | 1 000 |
| Rausti, Jukka | Executive Vice President | - |
| Virtaala, Matti | Member of the Board | - |

Due to the nature of their position, Etteplan's statutory insiders include the members of the Board of Directors, the CEO, the Executive Vice President and the chief auditor from a firm of independent public accountants. Moreover, the members of the Management Group are entered in the public insider register.

The company maintains a permanent company-specific insider register, which includes front-line managers for business operations, financial administration and those people working for the company on the basis of an employment or other contract who receive insider information.

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

The company's insider guidelines direct insiders to restrict their trading in company shares to such times when the markets have as precise information as possible of the factors influencing the value of the company's share. Consequently, Etteplan's public and permanent company-specific insiders may only trade in company securities after a period of six (6) weeks following the announcements of financial results provided that a person is not registered in a project-specific insider register.

Etteplan Oyj's insider registers are maintained by the company's Head Office, which updates the information that must be entered into the public insider register for the Finnish Securities Depository (APK) pertaining to insiders with the duty to declare.

### Information on insider holdings

Information about the holdings of Etteplan Oyj's insiders with the duty to declare is retained in the NetSire service of the Finnish Securities Depository (APK). The insider registers of issuers are on public display at the Finnish Securities Depository (APK), Urho Kekkosen katu 5 C, 00100 Helsinki, Finland.

## Auditors

The Annual General Meeting elects one regular auditor to audit corporate governance and accounts. The auditor must be a firm of independent public accountants authorized by the Central Chamber of Commerce. In 2006 the Annual General Meeting elected PricewaterhouseCoopers Oy, a firm of authorized public accountants, with Mika Kaarisalo, APA, acting as chief auditor. In 2006 audit fees came to a total of EUR 85,340. In addition, fees paid for services other than the audit amounted to EUR 14,474. The term of the auditor ends at the close of the first Annual General Meeting following its election.

A summary of the Group's audit report is compiled for the Board of Directors. The auditors of the Group companies also report separately to the management of each company within the Group. The auditors attend at least one meeting of the Board of Directors during the financial year.

## Risks and risk management

Risk management within the Group encompasses corporate governance within the Group as well as the management of operational and financial risks. The Group's corporate governance guidelines and quality system are the means used for the supervision of administrative risk within the Group. The risks are itemized in the Notes to the Financial Statements.

The operational risks that have an effect on the profitability of the Group's business operations are general cyclical fluctuations in the economy, the level of industrial capital expenditure affecting design operations, customer relationship management, securing the commitment of management and key personnel, and data security. The Group operates within several industrial segments, which evens out the impact of cyclical fluctuations within the various sectors. The Group has no credit risk concentrations because business operations focus mainly on large financially solid companies that operate internationally. The Group has guidelines to ensure the creditworthiness of customers. The Group does its utmost to secure the commitment of key personnel through career planning based on mapping out expertise and up-to-date bonus systems. The Group has data security guidelines, which are supervised as part of the quality system. The Group's property and liability risks are duly covered with appropriate insurances.

The Group's business operations involve no significant foreign currency or interest risks. Transaction risk refers to the impact of fluctuations in exchange rates on the Group's results. The Group has no major transaction risks because business transactions are mainly handled in the currency of the project country of each Group company, primarily the euro and the Swedish Krona. The Group's company acquisitions and capital expenditures outside the euro area involve translation differences with respect to shareholders' equity and goodwill. These translation differences are taken into consideration in conjunction with impairment tests for goodwill. In other respects the Group takes steps to minimize translation risk by financing business operations in local currencies or by hedging when necessary. Variations in interest rates are of no particular consequence to company results because the company hedges interest risk on long-term liabilities.

The management and mitigation of the impact of risks is an operating principle of the Group. The Board of Directors and the Management Group control the development of risks and risk concentrations. The Group's financial administration oversees risk management in accordance with the guidelines approved by the company's Board of Directors. The Group's financial administration identifies and assesses administrative, operational and financial risks and takes measures to avert them in cooperation with the Board of Directors, the Management Group and the management for corporate planning.

Internal auditing within the Group is an administrative function reporting directly to the CEO and it is part of the Group's financial administration. Internal control is supported by the quality system as well as by working on the Boards of subsidiaries. Internal auditing may be augmented as necessary by purchasing external services. The Group's internal control is organized according to a system, which includes monthly reporting that compares actual performance to the budgeted plan and the actual performance in the preceding year. The operative Income Statement is reconciled with regular bookkeeping and interim reports.

## BOARD OF DIRECTORS

*Tapani Mönkkönen, Heikki Hornborg, Tapio Hakakari, Pertti Nupponen, Matti Virtaala.*

## EXTENDED MANAGEMENT GROUP

*Heikki Hornborg, Jukka Rausti, Pia Björk, Risto Koivunen, Ulf Aiff, Jari Kivelä, Tom Andersson, Juha Näkki.*

**Tapani Mönkkönen**
b. 1946, B.Sc. (Eng.)
Chairman of Etteplan Oyj's Board of Directors from 1997
Member of the Board from 1983
Managing Director of Laitesuunnittelu Oy 1972–1988, Chief Executive Officer of Etteplan Oy 1991–1997
Chairman of the Board of Logister Ltd, Länsihydro Ltd, Movelift Oy, Nostolift Oy, Nostorent Oy, Renton Oy and Satanosto Oy
Number of Etteplan shares, 31 December 2006: 2 037 800

**Heikki Hornborg**
b. 1949, M.Sc. (Tech.)
Member of the Board 1985–1991 and from 1997
Chief Executive Officer of Etteplan Oyj 1985-1989 and from 1997
Technical Director and Plant Manager of Lohja Caravans Oy 1991–1997, Technical Director of Wärtsilä Sanitec Oy 1989–1991, Production Manager at Kone Oy 1982–1985
Number of Etteplan shares, 31 December 2006: 573 310

**Tapio Hakakari**
b. 1953, LL.M.
Member of the Board from 2004
Impartial member of the Board
Employed by KONE Corporation 1983-1994, Director, Administration of KCI Konecranes Plc 1994-1998, as well as Director and Secretary of the Board of Directors of KONE Corporation 1998-2006
Chairman of the Board of Directors of Esperi Care Oy as well as Member of the Board of Directors of Cargotec Corporation, Martela Oyj and Suomen Autoteollisuus Oy
Number of Etteplan shares, 31 December 2006: 100 000

**Pertti Nupponen**
b. 1961, D.Sc. (Econ. & Bus. Adm.), M.Sc. (Tech.)
Member of the Board from 2005
Impartial member of the Board
Group Vice President, Scandinavian Branch of Consolis SAS from 2005, Chief Financial Officer of Consolis Oy Ab 2002–2005, Senior Vice President, Corporate Development of Sanitec Oyj Abp 2000–2002 and Vice President, Controlling of Sanitec Oyj Abp 1998–1999
Number of Etteplan shares, 31 December 2006: 1 000

**Matti Virtaala**
b. 1951, B.Sc. (Eng.), Industrial Counsellor
Member of the Board from 2002
Impartial member of the Board
President of Abloy Oy from 1989
Chairman of the Board of Kermansavi Oy and Tulikivi Corporation
No Etteplan shares.

**Auditors**
PricewaterhouseCoopers Oy, Authorized Public Accountants, with Mika Kaarisalo (APA) as the auditor in charge

**Heikki Hornborg**
b. 1949, M.Sc. (Tech.)
Member of the Management Group 1985–1991 and from 1997
Member of the Board of Directors 1985–1991 and from 1997
Chief Executive Officer of Etteplan Oyj 1985–1989 and from 1997
Number of Etteplan shares, 31 December 2006: 573 310

**Jukka Rausti**
b. 1947, M.Sc. (Eng.), B.Sc. (Business Admin.)
Member of the Management Group from 2000
Executive Vice President of Etteplan Oyj from 2000
No Etteplan shares.

**Pia Björk**
b. 1957, M.Sc. (Economics)
Member of the Management Group from 2002
Vice President Corporate Planning of Etteplan Oyj from 2002
CFO, Vice President Corporate Planning of Etteplan Oyj from 2005
No Etteplan shares.

**Risto Koivunen**
b. 1954, M.Sc. (Eng.)
Member of the Management Group from 2002
Vice President of Etteplan Oyj from 2002
No Etteplan shares.

**Ulf Aiff**
b. 1955, M.Sc. (Electrical Engineering)
Member of the Management Group from 2003
Vice President of Etteplan Oyj from 2003
Number of Etteplan shares, 31 December 2006: 234 160

**Jari Kivelä**
b. 1960, B.Sc. (Eng.)
Member of Extented Management Group from 2006
Member of Management Group 2002–2005
Vice President of Etteplan Oyj from 2002
Number of Etteplan shares, 31 December 2006: 2 000

**Tom Andersson**
b. 1967, B.Sc. (Eng.)
Member of Extented Management Group from 2006
Vice President of Etteplan Oyj from 2005
No Etteplan shares.

**Juha Näkki**
b. 1973, M.Sc. (Eng.)
Member of Extented Management Group from 2006
Vice President of Etteplan Oyj from 2005
No Etteplan shares.

# CONTACT INFORMATION

## FINLAND

### Etteplan Oyj

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