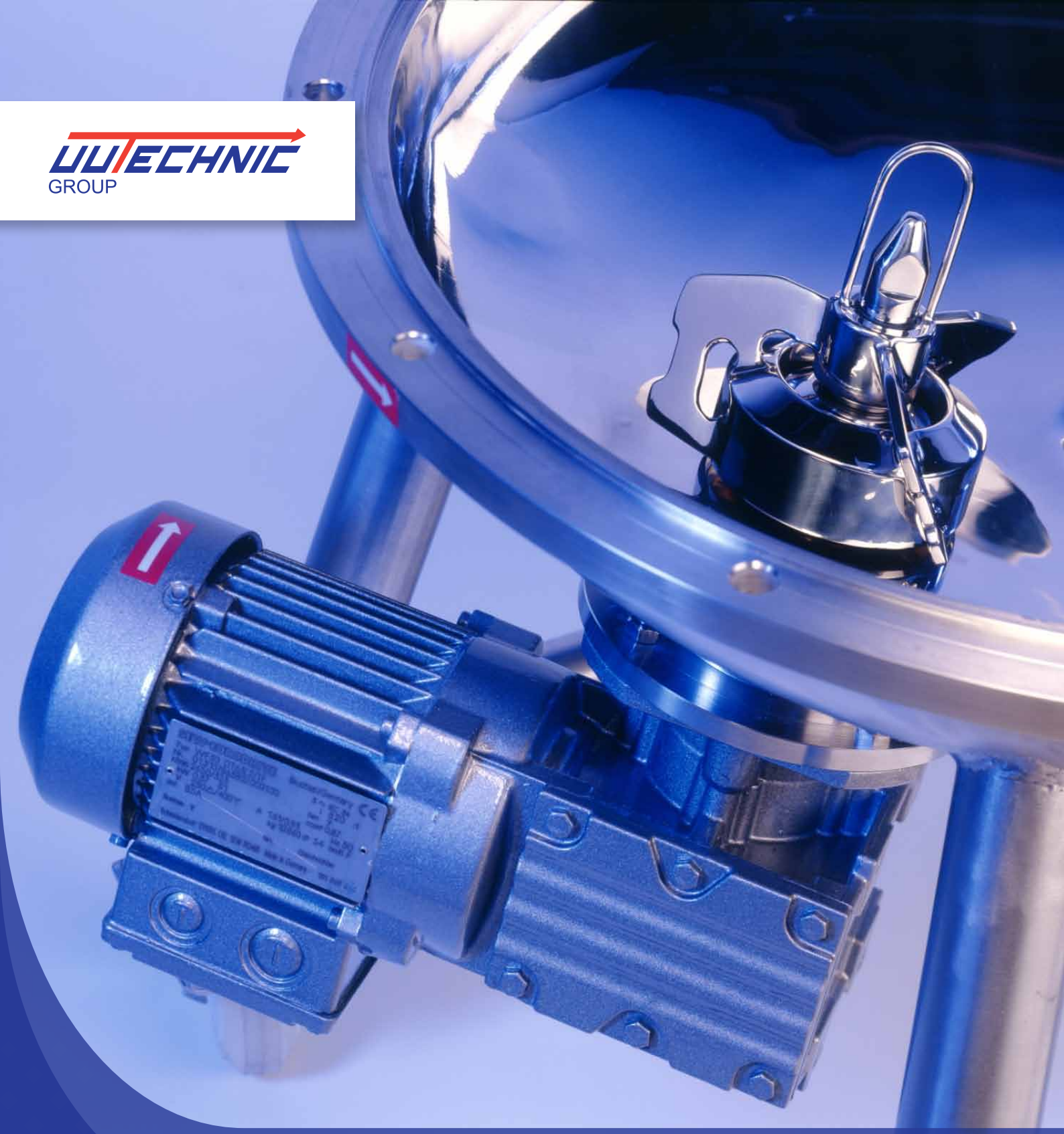


Plc Uutechnic Group Oyj

ANNUAL REPORT 2017

UUTECHNIC GROUP

Uutechnic Group is a leading group of technology and specialist companies that focuses on improving the competitiveness of its customers by providing them with advanced process technology and a unique service concept worldwide.

Uutechnic Group's deliveries include agitators, pressure vessels, columns, process and storage tanks, reactors and heat exchangers, as well as different types of long welded and machined axially symmetrical parts, such as rolls, cylinders, pipes and cones.

The Group's main industries are hydrometallurgy and the mining, pulp, paper and food industries, as well as the fertiliser industry and other chemical industries, and environmental technology.

The shares of its parent company, Plc Uutechnic Group Oyj, have been listed on the Helsinki stock exchange (Nasdaq Helsinki) since 1989. On 31 December 2017, the company had a total of 1,460 shareholders.

Uutechnic Group's business consists of one segment, Process Solutions, which is divided into two business lines: Mixing Technology and Tanks & Rolls. Mixing Technology business line consists of Stelzer Rührtechnik Int. GmbH and Uutechnic Oy. Tanks & Rolls business line consists of Japrotek Oy Ab and AP-Tela Oy.

At the end of the financial period, Uutechnic Group had 178 employees.

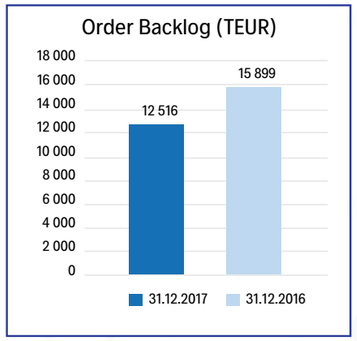
Process Solutions

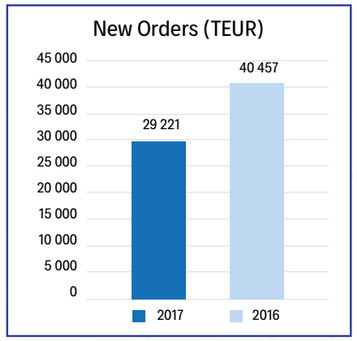
Mixing Technology

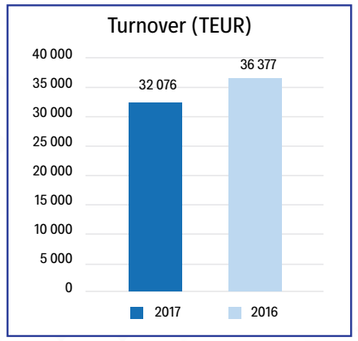
Tanks & Rolls

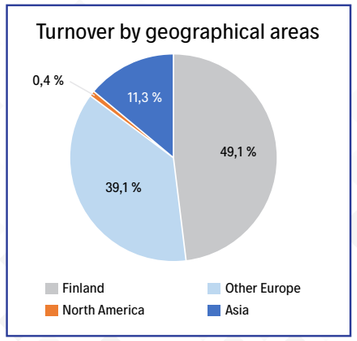
KEY FIGURES OF THE FINANCIAL YEAR

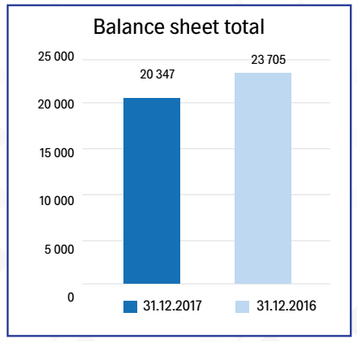
Key figures	2017 1-12	2016 1-12	2017 7-12	2016 7-12	2017 1-6	2016 1-6
Turnover, continuing operations	32 076	36 377	15 421	19 435	16 655	16 942
Operating profit	87	881	833	-183	-746	1 065
% of turnover	0,3	2,4	5	-0,9	-4,5	6,3
Profit/loss before taxes	-469	190	425	-512	-894	702
Profit/loss for the period	-566	716	260	11	-826	705
Return on equity (ROE), %	-5,6	7,2	2,7	0,2	-8,2	14,2
Return on investment (ROI), %	-0,1	2,8	5,1	-2,6	-4,9	11,0
Earnings per share (EPS), EUR	-0,01	0,01	0,00	0,00	-0,01	0,01
Order backlog 31 December	12 516	15 899	12 516	15 899	14 939	19 495

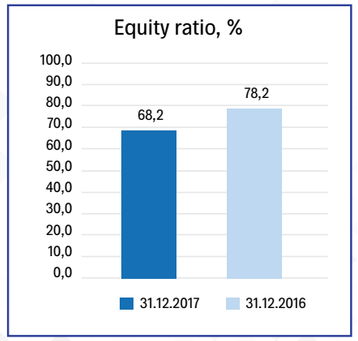


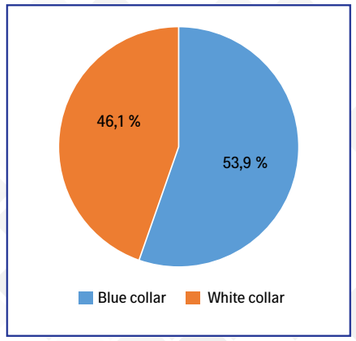












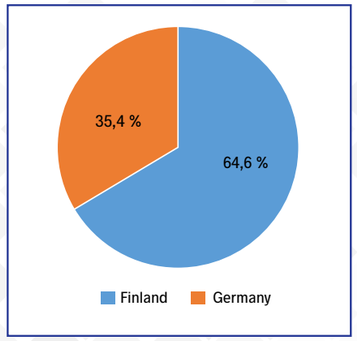


TABLE OF CONTENTS

CEO
Jouko Peräaho
s. 6

Administration
s. 14

Shares and shareholders
s. 20

Financial statement
s. 29

CEO JOUKO PERÄAHO

The past financial year was a disappointment in terms of financial performance for Uutechnic Group. The challenges in the vessel business weighed down the entire Group's operating result close to zero. What was delightful was the strong growth in the mixing technology business in terms of both turnover and result and the roll and pipe business rising clearly into the black after the challenging year 2016.

The vessel business started 2017 with a good order book, but the year turned out to be very challenging in securing new orders. The year was also challenging in terms of project management, especially due to material problems in one project. The low order book and project management challenges burdened the result of the vessel business with heavy losses.
Growth in the mixing technology business continued steadily across all important industrial sectors and market areas, but we also achieved new significant territorial gains. The second half of the year was particularly strong in terms of profit development, being clearly the best six-month period in the history of the mixing technology business. The first half of the year was difficult for the roll and pipe business due to the challenges of late 2016, but the second half was strong, making the operating result clearly positive.

During the past year, the Group realised several development projects, which improved sales and marketing as well as delivery processes. The most important ones include the mixing technology business product development projects aiming for the future, deployment of the load monitoring programme in the roll and pipe business, and the 20% increase in competitiveness launched in the vessel business. The Group also made organisational changes during the year and recruited new employees to key positions in all business sectors to guarantee future competitiveness. Continuous improvement and development are our operating methods in the Group, and this work will continue without interruptions.

The main focus in 2018 will continue to be on improving the profitability of the entire Group, and particular attention will be paid to the low-profitability vessel business. The profitability of the mixing technology business is at a good level on the whole, but the Group's future objectives are considerably more ambitious. With regard to the roll and pipe business, profitability was at an acceptable level, but the targets are also set higher with regard to this business. The mixing technology business will be developed into an even more important success for the Group in accordance with our long-term strategy. In connection with this, one of our spearhead projects for 2018 includes system development projects aiming to harmonise the tender and delivery processes in the mixing technology business, pursuing improved profitability as well as a foundation for substantial turnover growth in the future.

Increasing market awareness of the Group's brands and operating methods will continue to play a central role in 2018. Our growth strategy is based on improving the competitiveness of the current units, utilising synergy benefits, developing new offerings, expanding into new market areas and mergers and acquisitions suiting our business strategy.

The outlook for 2018 is moderate on the whole. The mixing technology business is starting the year with an excellent situation, with the order book being almost double compared to 2017. The order book of the roll and pipe business is also slightly better than the previous year. The vessel business, on the other hand, entered the year with a clearly weaker order book. Generally, the market situation in our Group's business environment can be considered to be good at the start of 2018.

Uutechnic Group's core value and reason for existence is to support our customers' business and increase value through long-term customer relationships. We will maintain

these long-term customer relationships and create new ones by providing our customers with a unique service concept and competitive technological solutions together with employees perfectly committed to our values. Imbedding these values even more strongly among the employees of our entire Group will be one of the key tasks and objectives for 2018.

Jouko Peräaho
CEO
Plc Uutechnic Group Oyj

MIXING TECHNOLOGY

Uutechnic Oy

Uutechnic Oy is a company specialising in demanding mixing technology. It delivers advanced mixing technology solutions and products for liquid-based processes worldwide. Uutechnic Oy specialises in large top-entry agitators and side-entry agitators for heavy industry that are designed and manufactured according to the particular requirements of each customer and process.

The Uutechnic™ mixing technology has become a widely recognised concept in the market. It is primarily intended for highly demanding conditions where agitators serve as key process equipment and high requirements are set for usability. Uutechnic top-entry agitators are used in a large number of demanding mixing applications in reactors, autoclaves and large process and storage tanks, for example Side-entry agitators are mainly used in wood-processing processes.

Uutechnic Oy's main industries are the mining, hydrometallurgical, pulp and paper industries and the fertiliser industry and other chemical industries. The majority of the products are delivered to customers outside Finland. Uutechnic aims to be a preferred partner in the global mixing technology market.

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Email: uutec@uutechnic.fi

WWW: www.uutechnic.fi

Stelzer Rührtechnik International GmbH

Stelzer specialises in agitator systems for the process industry and the related maintenance business operations. Stelzer's business operations are based on its special expertise in technology, in-depth knowledge of its customers' core processes and extensive research and development work. Its main customer segments include the food, chemical and pharmaceutical industries and environmental technology.

Its mixing technologies are exported around the world. The scope of its deliveries ranges from magnetic agitators for small tanks with a volume of a few dozen litres to agitators for tanks with a volume of several thousand cubic metres.

CONTACT INFORMATION

Address: Speckgraben 20, 34414 Warburg, Germany

Tel: +49 5641 903 0

Email: info@stelzer.eu

WWW: www.stelzer.eu

TANKS & ROLLS

Vessel business, Japrotek Oy Ab

Japrotek provides its customers with comprehensive services, including product design and development, manufacture and installation as well as start-up, maintenance and spare parts services. Its main products include demanding process and storage tanks, reactors, pressure vessels, columns, heat exchangers and agitators. The company has special expertise in the design and manufacture of demanding constructions and special materials, such as titanium, compounds and nickel alloys as well as duplex, stainless and acid-proof steel.

Its main industries are the chemical, paper, pulp, energy, hydrometallurgical and mining in-dustries, and environmental technology.

CONTACT INFORMATION

Address: Pohjantie (Nordanvägen) 9, PL 12, 68601 Pietarsaari (Jakobstad), Finland

Tel: +358 20 188 0511

Email: japrotek@japrotek.fi

WWW: www.japrotek.fi

Roll and pipe business, AP–Tela Oy

AP-Tela is a contract manufacturer that mainly serves customers in the forest industry with regard to mechanical engineering. Its customers also include the steel, maritime, energy, offshore and engineering industries. Its main market areas are Finland and the Nordic countries.

AP-Tela specialises in the manufacture of long welded and machined axially symmetrical parts. The company manufactures welded press pipes according to the customer's requirements. Welded press pipes are used in rolls and cylinders in paper machines and in steam and water cylinders and pressure vessels. The pipes can be annealed and equipped as components according to the customer's requirements. The rolls and cylinders can be delivered ground and dynamically balanced. The service also includes roll maintenance and the production and installation of aggregates. The company has a 3,000-tonne press brake, which it uses to manufacture heavy pipe beams, cones and press profiles. In addition, its range of products includes welded and machined steel frames and foundations.

CONTACT INFORMATION

Address: Kuljettajantie 2, 67800 Kokkola, Finland

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UUTECHNIC GROUP'S TARGETS FOR 2018

The Group strives to be a globally known and preferred cooperation partner, with a good financial standing, in selected product and market segments. The Group pursues growth organically while also considering opportunities for growth through acquisitions. The Group aims to further grow the mixing technology business by developing and harmonising the sales and delivery process and expanding into new markets. Growth opportunities through mergers and acquisitions are also being investigated.

The main objective for 2018 is to improve the Group's profitability. Particular attention will be paid to the low-profitability vessel business; slight signs of recovery can be noticed in its market. The order book of the mixing technology business is almost double compared to the previous year, and the order intake of the roll and pipe business has been good, so these businesses are starting the financial year from a promising setting.

WHO WE ARE

Uutechnic Group has extensive, decades-long practical experience of leveraging the opportunities presented by various operating methods and processes. We are a global technology company and a pioneer in mixing technology. We have continuously enhanced our custom-ers' processes, aiming for higher productivity and environmentally friendly solutions. Uutechnic Group has grown—and continues to grow—by improving internal cooperation between our units as well as scientific research and market insight. We foster a culture that values expertise and encourages the pursuit of better methods and new solutions. Strengthening the brands and creating a consistent, customer-focused corporate culture will ensure the Group's continued capacity to achieve good financial results.

"Our employees are the Group's most important resource. People, high-quality products, good solutions and expertise are Uutechnic Group's sources of competitive advantage on the global playing field."

Uutechnic Group's knowledge, products and solutions enhance our customers' competitive-ness globally. Our process technology solutions and unique service concepts increase productivity and improve the quality of our customers' processes. The Group invests in creat-ing customised, environmentally-friendly solutions in cooperation with its international cus-tomers. We foster an organisational culture that promotes safety for our employees, contrac-tors and society.

By investing in the continuous development of operations, we enable the utilisation of first-rate operating methods and technologies and the provision of leading processes to custom-ers. Our future success will also be influenced by our ability to improve existing technologies and services while taking into account the increasingly advanced and diverse needs of our customers. The company must remain at the leading edge of technological development while also managing its business operations in a cost-efficient and timely manner

Personnel

Uutechnic Groupin henkilöstömäärä vuoden 2017 lopussa At the end of the 2017 financial period, Uutechnic Group had 178 employees. Of our personnel, 96 were blue collar and 82 were white collar. Operating in a male-dominated industry, women accounted for 7% of personnel. A total of 115 employees worked in the Finnish companies and 63 were employed by the German company.

Uutechnic Group seeks to keep its employees motivated and ensure development of their competences. The achievement of our strategic targets requires the Group's employees to be aware of how they can contribute to the implementation of its strategy in their work. During 2017, the Group focused on increasingly identifying synergies between individuals and opportunities for cooperation. We also strived to promote and increase an open culture of dialogue and flow of information across the organisation by e.g. enhancing the operations of the employer-employee cooperation committees and adopting Group-level policies and guidelines. A new intranet was also adopted by the Finnish companies.

Ensuring the health and safety of our employees continues to be one of the key goals of our HR policy, and monitoring safety is part of the day-to-day operations of our units. We prepare for risks through the careful planning of work, induction training, risk assessment before work performance and the use of personal protective equipment. Our goal is to prevent accidents and reduce sickness absences, examine their causes, implement corrective action and make returning to work easier. We succeeded quite well in this work, as severe accidents were avoided throughout the Group. The work to reduce absence due to sickness is proceeding well, but a lot remains to be done. All activities aim to increase well-being at work, thereby increasing the efficiency of work using the Group's existing resources. The company's operating management is closely involved in operations.

A developing company

Due to the cyclical sensitivity of the business, Uutechnic Group's business model must be flexible to changing market circumstances. The Group aims to respond to this challenge by improving the internal productivity of its subsidiaries and the competitiveness of its supplier network. The starting point for these development efforts is closer internal cooperation and ongoing cooperation with customers. Close cooperation allows us to keep abreast of our customers' needs. Customer needs determine our competence needs, and the information we obtain also guides our competence development and recruitment. Recognising this, the Group has engaged in new recruitment to invest in ensuring critical competencies. Uutechnic Group's operations are guided by a philosophy of openness, with knowledge and expertise shared continuously between operating locations and partners. One of the keys to reaching the Group's objectives is to transform its operating culture into a results-oriented culture that values good performance and in which everyone is prepared to develop their own work, change old operating methods and habits and strive to reach the Group's shared goal.

Our customer promise is at the core of what we do. The customer promise is realised when the people of Uutechnic have performed their work well and the customer sees concrete benefits in their process. The best reference in a highly competitive industry is a positive customer experience. The foundation of our customer promise is delivery reliability. Deliveries must be complete, quality must be in line with customer specifications and the customer's processes must function as agreed. Keeping the customer promise ensures that both our customers and Uutechnic employees are even more satisfied than before and that cooperation is based on a long-term approach. Our aim is to be a preferred partner and employer while also producing better results for our shareholders.

"Uutechnic Group is not the world's largest high-level technology and specialist company serving the global process industry, but we can be the best!"

CORPORATE RESPONSIBILITY

Sustainable business operations

Uutechnic Group builds a sustainable future for shareholders, business partners and em-ployees. Uutechnic Group complies with the principles of responsible business operations. Responsibility is perceived as a key factor in sustainable and competitive business opera-tions. Responsibility includes the continuous development of operations. Operating globally in a rapidly changing business environment places increasing demands on the Group. Sustainability and continuous development in business is achieved by increasing internal and external awareness. Knowledge is the cornerstone and competitive advantage of our business. Knowledge creates added value for our operations and prepares us to meet the challenges of a constantly changing world.

Uutechnic Group's business is based on knowledge — our expertise. We have invested in development and increasing our expertise for decades. Our experience, knowledge and ex-pertise support our sustainable business strategy. Inspired by our expertise, we continue to seek new opportunities and the best solutions in partnership with our customers.

Sustainable business can only be achieved through close cooperation with our stakeholders and employees and by observing the world around us. The starting point of developing our cooperation network is closer cooperation and signing partnerships to ensure a flexible order-delivery process, shorter delivery times and competitive prices for our deliveries.

Uutechnic Group divides corporate responsibility into three areas: responsibility for quality, the environment and safety. Safety is a high priority for us and we believe that accidents can be prevented. Minimising deviations in operations ensures that operations are productive and in line with plans. There were no accidents at Uutechnic Group in 2017 that had significant effects on employees, the environment or production processes. By ensuring safe and healthy working conditions we minimise the exposure of our employees and contractors to factors that have a negative impact on their health or safety.

Uutechnic Group has an ISO 9001 quality management system and an ISO 14001 environ-mental system in place. In developing responsible business operations, we take our custom-ers' and other stakeholders' expectations into account. Our highly professional employees are familiar with the quality specifications of each assignment and they take responsibility for achieving the specified level of quality. All of our employees have the right—and the obligation—to take action to intervene in anything that could cause a deviation that affects quality or the environment. Our customers must be able to have confidence in our ability to produce the quality specified in our contracts and to make deliveries on time. Our goal is that each delivery we make serves as a reference for a new order. We ensure compliance with our quality policy through quality audits, internal control and training.

Uutechnic Group's strength is the high quality of its products and services. Our quality policy aims at high customer satisfaction. We develop products and services in cooperation with our customers and international partners. Customer satisfaction is also evidenced by significant follow-up orders.

Environmental policy

We take our environmental impact into account in our business operations. The Group's environmental policy aims at the development of our own operations and our customers' processes while also considering environmental aspects. Responsibility concerns the entire life cycles of the Group's products. We create positive environmental effects by improving the energy efficiency and quality of our customers' processes. In line with our operating principles, we make use of technologies that minimise our environmental impact. We engage in open dialogue about environmental issues and seek to optimise our energy use and reduce our emissions. Our openness ensures that our products are manufactured sustainably.

Health and safety

Ensuring safety is one of our key values. For Uutechnic Group, the safety of our employees and the environment is our highest priority. We believe that safety is an attitude and a way of thinking, and that each job and assignment can be done safely. Before starting an assignment, we pay attention to minimising risks. Our goal is to create a safe and healthy work environment for all of our employees and guests, and for each of our customers.

The management is responsible for setting a good example, and for ensuring that our safety practices are effective. The management is also responsible for promoting a positive attitude towards ensuring safety, and every employee is responsible for their own safety and that of their colleagues. Our action plan for occupational health care is to ensure the wellbeing and working capacity of our employees, and to prevent accidents and occupational diseases.

UUTECHNIC GROUP'S MISSION, VISION AND VALUES

MISSION

We are technology company offering advanced solutions and unique services world-wide.

VISION

Being good is not enough, we aim to be best in dedicated businesses

VALUES

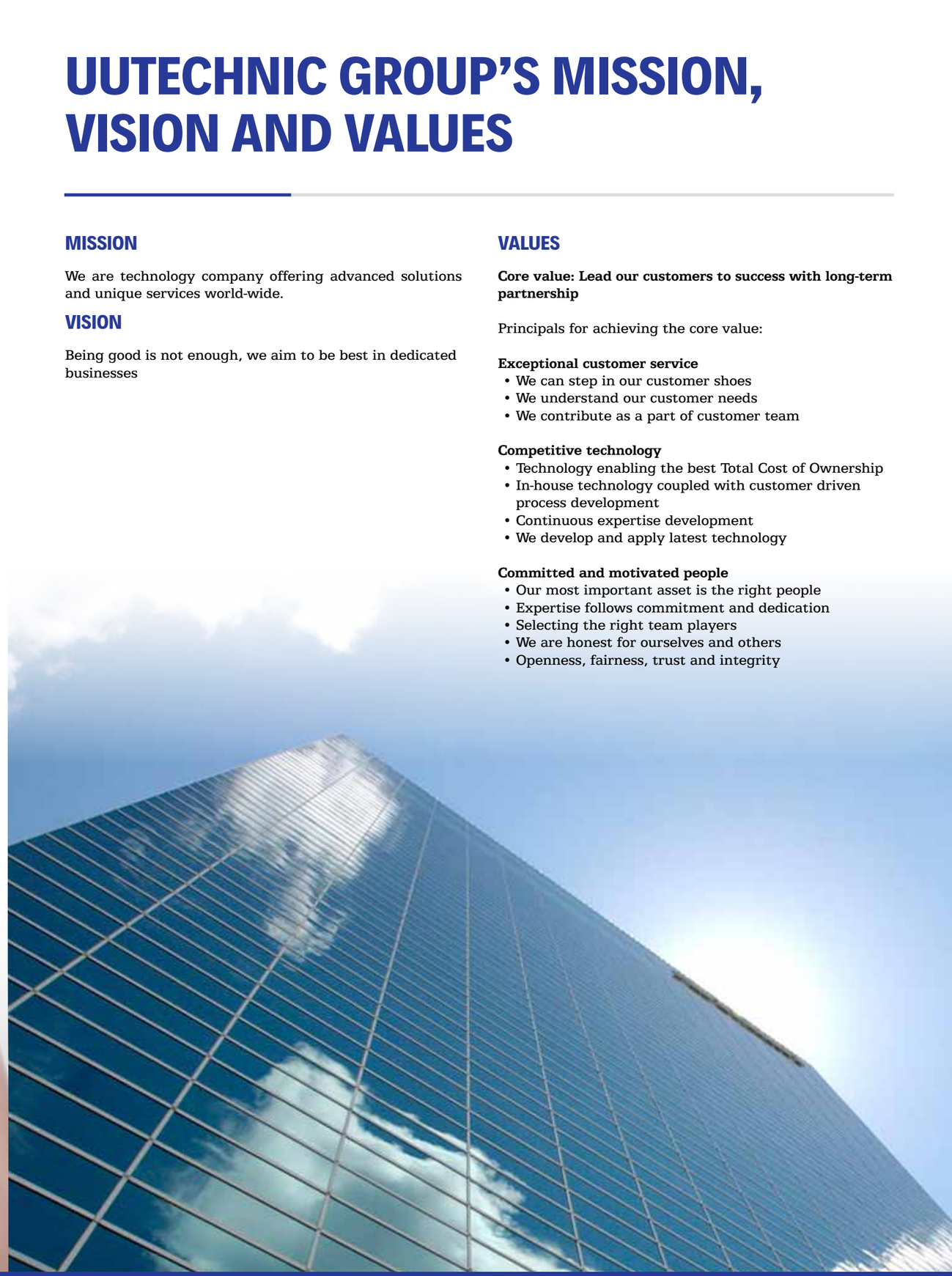
Core value: Lead our customers to success with long-term partnership

Principals for achieving the core value:

Exceptional customer service
- We can step in our customer shoes
- We understand our customer needs
- We contribute as a part of customer team

Competitive technology
- Technology enabling the best Total Cost of Ownership
- In-house technology coupled with customer driven process development
- Continuous expertise development
- We develop and apply latest technology

Committed and motivated people
- Our most important asset is the right people
- Expertise follows commitment and dedication
- Selecting the right team players
- We are honest for ourselves and others
- Openness, fairness, trust and integrity



ADMINISTRATION

Chairman

Sami-Jussi Alatalo, b. 1971, Master of Laws

Member of the board of directors since 19.6.2012 -
Saola Invest Oy, entrepreneur
Mergertum Teollisuus Oy, partner

Previous work experience:
Ultivista Group, CEO
Ultivista Group, CFO
Nordea Group, managerial and specialist positions in Corporate Banking

Jouko Peräaho, b. 1962, Engineer

Member of the board of directors 30.10.2015 -
Plc Uutechnic Group Oyj, CEO 9.3.2017 -
Japrotek Oy Ab and AP-Tela Oy, managing director 1.11.2017-
Uutechnic Oy, board member 1993 -
AP-Tela Oy and Japrotek Oy Ab, board member 2015 -

Previous work experience:
Uutechnic Oy, managing director 1993 - 2013

Most significant positions of trust:
FC TPS Oy, chairman of the board
Chamber of commerce in Turku, member of the council

Hannu Kottonen, s. 1957, M.SC.(Econ.)

Member of the board of directors 28.4.2016 -

Previous work experience:
HKScan Oyj, CEO 3/2012 – 1/2016
Metsä Tissue Oyj, CEO 10/2006 – 2/2012
M-Real Plc, leader of the Consumer Packaging Division 2004 – 2006
Huhtamäki Group, several senior management positions 1983 – 2003

Most significant positions of trust:
Polarica Holdings AB, chairman of the board of directors
Kinttuviisas Oy, chairman of the board of directors
Hannu Kottonen is independent of the Company and its significant shareholders

Kristiina Lagerstedt, b, 1973, M.SC.(Econ.)

Member of the Board of directors 28.4.2016 -
Sanoma Group, Vice President, Audit & Assurance, 2014 –

Previous work experience:
Nokia Group, Head of Internal Audit and Mergers & Acquisitions team member 2004 – 2014
EY and Deloitte, diverse positions 1997 – 2004

Most significant positions of trust:
European Confederation of Institutes of Internal Auditing (ECIIA), board member
Kristiina Lagerstedt is independent of the Company and its significant shareholders

MANAGEMENT AND AUDITORS

CEO

Jouko Peräaho, b. 1962, Engineer

Member of the board of directors 30.10.2015 -
Plc Uutechnic Group Oyj, CEO 9.3.2017 -
Japrotek Oy Ab and AP-Tela Oy, managing director 1.11.2017-
Uutechnic Oy, board member 1993 -
AP-Tela Oy and Japrotek Oy Ab, board member 2015 -

Previous work experience:
Uutechnic Oy, managing director 1993 - 2013

Most significant positions of trust:
FC TPS Oy, chairman of the board
Chamber of commerce in Turku, member of the council

Management team

Jouko Peräaho, s. 1962
Plc Uutechnic Group Oyj, CEO
Japrotek Oy Ab and AP-Tela Oy, managing director

Martti Heikkilä, s. 1960
Plc Uutecnic Group Oyj, development director

Leena Junninen, s 1962
Plc Uutechnic Group Oyj, finance manager

Harri Tuomela, s.1964
Japrotek Oy Ab, plant manager

Jarmo Vanha-aho, s.1965
AP-Tela Oy, plant manager

Jussi Vaarno, s.1970
Mixing Technology, vice president
Uutechnic Oy, managing director

Auditors

Ernst & Young Oy, Authorized Public Accountant Firm
Chief auditor
Osmo Valovirta, CPA

Finished CEO positions in 2017:

Martti Heikkilä, b. 1960, M.Sc.(Tech.)

Plc Uutechnic Group Oyj, development director 9.3.2017 -
AP-Tela Oy, Japrotek Oy Ab and Uutechnic Oy, member of the board 2015 -

Previous work experience:
Plc Uutechnic Group Oyj, CEO 1.12.2015 - 8.3.2017
AP-Tela Oy and Japrotek Oy Ab, managing director 2015 - 1.11.2017
Uutechnic Oy, managing director 2013 - 15.3.2017
Kumera Drives Oy, managing director. 2005 - 2013
Sulzer Pumps Finland Oy, different management positions 2000-2005
Ahlstöm Oy, Salon sekoitintehdas, different management positions 1988-2000

Finished memberships in 2017:

Ismo Haaparanta, b. 1967
Plc Uutechnic Group Oyj, Deputy CEO 18.1.2016 –

Christian Kessen, b. 1963
Stelzer Rührtechnik International GmbH, Managing Director 2007 –

Timo Lindström, b. 1961
Plc Uutechnic Group Oyj, Technical Technical Manager 1.1.2016 –

Jouni Laine, b. 1964
Uutechic Oy, Sales Director 1.2.1994 –

UUTECHNIC GROUP'S CORPORATE GOVERNANCE STATEMENT FOR THE 2017 FINANCIAL YEAR

1 INTRODUCTION

The corporate governance of Uutechnic Group is based on Finnish legislation and the Articles of Association of the Group's parent company, Plc Uutechnic Group Oyj. The Company adheres to the Finnish Corporate Governance Code 2015 for companies listed on Nasdaq Helsinki Ltd.

The Code issued by the Securities Market Association took effect on 1 January 2016, and it is publicly available, e.g., on the Securities Market Association's website on www.cgfinland.fi.

2 DESCRIPTIONS OF CORPORATE GOVERNANCE

In accordance with the Limited Liability Companies Act, the Group's business operations and administration are the responsibility of the following bodies: the Annual General Meeting, which elects the members of the Board of Directors of the parent company, and the CEO, appointed by the Board.

Plc Uutechnic Group Oyj's highest decision-making body is the Annual General Meeting, where the shareholders exercise their authority. The Board of Directors is responsible for the company's administration and appropriate operation. As the parent company of the Group, Plc Uutechnic Group Oyj is responsible for the management, strategic planning, financial administration, financing, IT and human resources management of the Group.

The Group's business operations are the responsibility of the Group's CEO, Management Team and Board of Directors.

Annual General Meeting

The company's highest decision-making body is the Annual General Meeting. An Extraordinary General Meeting is arranged when necessary. General meetings are convened by the Board of Directors. Shareholders are invited to the Annual General Meeting through a meeting invitation published on the company's website. The notice of the meeting provides the shareholders with the necessary information on the issues to be addressed at the meeting. The meeting notice is also published as a stock exchange release and in any other way as decided by the Board of Directors.

The Annual General Meeting must be held no more than six months after the end of the company's financial year. The Annual General Meeting makes decisions on the issues falling under its mandate as determined by the Limited Liability Companies Act, including the adoption of the financial statements, the payment of dividends, discharging the Board members and the CEO from liability, and the election and fees of Board members and auditors.

The Annual General Meeting is attended by the CEO, members of the Board and the auditor. A person running for a position on the Board for the first time attends the Annual General Meeting that decides on the election.

Board of Directors

Activities of the Board

The Board of Directors of the parent company, which also acts as the Board of the Group, is responsible for the Group's administration and appropriate operation, and it decides on issues that are highly significant in light of the scope and scale of the Group's operations.

Some of the key responsibilities of the Board are to:

- confirm the Group's strategy and objectives, monitor their implementation, and commence corrective measures if necessary
- decide on significant investments as well as acquisitions and real estate transactions
- handle and approve financial releases, half-yearly reviews and financial statements
- decide on the Group's financial policies and financing methods
- approve the dividend policy and make a proposal to the Annual General Meeting concerning the distribution of dividends
- be in charge of the arrangement of the Group's risk management and internal control
- appoint and relieve the CEO, and decide on the terms of the CEO's employment
- confirm the Group's strategy and decide on the central principles governing the Group's compensation system

The Board of Directors regularly evaluates its own activities and work methods.

Issues are handled at Board meetings in accordance with an agenda prepared for each meeting. The Group's CFO acts as secretary of the Board. The minutes of each Board meeting are commented upon and accepted at the next meeting.

The Board meets regularly, once a month, and at other times if necessary. During the 2017 financial period, the Board convened 24 times. The attendance rate of Board members was 100%.

The presenter at Board meetings is the company's CEO or one of the Group's personnel designated by the CEO. The CEO is responsible for providing the Board with sufficient information for assessing the Group's operations and financial situation. The CEO is also responsible for implementing the Board's decisions and reports on this to the Board.

The Board members are obliged to provide the Board with sufficient information for assessment of their qualifications and level of independence and to report any changes to this information.

Composition of the Board

According to the Articles of Association, the Board of Directors has a minimum of three and a maximum of six members, whose term of office ends at the end of the first Annual General Meeting following the election. The Board members are selected by the Annual General Meeting. The chairman and vice-chairman of the Board are selected by the Board from among its members.

The names of candidates proposed for Board positions are published in the notice of the Annual General Meeting where the candidate is supported by shareholders holding a minimum of 10% of the votes as determined by the number of shares and if the candidate has accepted the candidacy. Names of candidates nominated after publication of the notice of the general meeting are published separately. A person selected as a Board member must meet the qualifications for the position and be able to allocate enough time to handle the position.

The principles of diversity of the Board of Directors are followed by considering the age and gender distribution of the members, educational and professional background of the members and experience and personal characteristics significant to the position.

The Annual General Meeting on 30 March 2017 confirmed that the Board shall have four members. Sami Alatalo, Hannu Kottonen, Kristiina Lagerstedt and Jouko Peräaho were re-elected as members of the Board. Jouko Peräaho served as the Chairman of the Board until 8 March 2017, followed by Sami Alatalo thereafter. The Board members are independent of the company and its major shareholders apart from Jouko Peräaho and Sami Alatalo.

Information about Board Members

Are presented in section Board of Directors on the Group's annual report.

Board committees

The Board has no committees.

Supervisory Board

The Company has no Supervisory Board.

CEO

The Board appoints the parent company's CEO, who acts as the Group's president. The CEO is responsible for day-to-day management of the Group in accordance with the Finnish Limited Liability Companies Act, the Articles of Association, and instructions from the Board of Directors. The CEO is neither chairman nor vice-chairman of the Board.

Plc Uutechnic Group Oyj's CEO has been Jouko Peräaho since 9 March 2017. During 1 January 2015–8 March 2017, the CEO was Martti Heikkilä.

Information about the CEO

Are presented in section Management and Auditors on the Group's annual report.

Business organisation

Are presented in section Management and Auditors on the Group's annual report.

SHAREHOLDINGS OF THE MANAGEMENT According to the book-entry securities system, 31 December 2017	Shares qty	Shares %	Votes qty	Votes %
Board of Directors and CEO				
Lagerstedt Kristiina	54 000	0,10	54 000	0,10
Kottonen Hannu	50 000	0,09	50 000	0,09
Peräaho Jouko, CEO, Board member	8 690 000	15,38	8 690 000	15,38
Saola Oy*	130 000	0,23	130 000	0,23
*Chairman of the Board Sami Alatalo has control over Saola Oy				
Group Management Team				
Heikkilä Martti, Development director	130 000	0,23	130 000	0,23
Junninen Leena, CFO	40 000	0,07	40 000	0,07
Vaarno Jussi, VP	280 000	0,50	280 000	0,50

Jouko Peräaho holds 36% of UuCap Oy, which holds 4,805,000 shares (8.50% of all shares).

Board members, CEO, Deputy CEO or other members of the Group Management Team have no holdings or special rights based on the company's share-based incentive systems.

3 DESCRIPTION OF THE PROCEDURES OF INTERNAL CONTROL AND MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

Body responsible for the duties of the audit committee

The Group has no audit committee; instead, the duties of the audit committee are attended to by the Board of Directors of the company. The Board of Directors has specified the limits of the organisation's authorisations, and the CEO is responsible for overseeing the implementation of the risk management principles with regard to the entire Group and the managing directors or plant directors of the subsidiaries for their respective companies. The members of the Group Management Team are responsible for their respective areas of responsibility across company boundaries. The CEO reports on significant risks to the Board of Directors on a regular basis.

Internal control, risk management and internal audit

Internal control:
The Group does not have a separate internal control organisation. The Group's business and administration are primarily monitored and controlled by means of the Group's management system. The Group has a financial reporting system whose purpose is to provide the Group and profit centre management with sufficient information for planning, control and monitoring of operations.

Risk management:
The objective of the Group's risk management process is to identify any risks that pose a threat to the business operations, evaluate them and develop the necessary risk management methods. Business-related risks of material, consequential and liability losses are covered by appropriate insurance policies.

Internal audit:
With regard to the nature and scope of its business operations, the Group has not deemed it appropriate to establish a separate internal audit organisation. Rather, its tasks are included in the duties of the business organisation.

4 OTHER DISCLOSURES

Insider administration

Plc Uutechnic Group Oyj follows Nasdaq Helsinki Ltd's Insider Guidelines supplemented by the company's internal insider instructions approved by the Board. Based on the Market Abuse Regulation, Uutechnic Group's management consists of members of the Board, the CEO, the Group Management Team and managing directors and plant directors of the subsidiaries. In addition, the company has a permanent insiders list of people who have access to insider information. Members of the permanent insiders list are committed to following a closed period instructed by the company. The permanent insiders list is not public. Furthermore, the company also has project-specific insider registers. Members of the register are prohibited from trading in the company's shares as the project is running. The Group's insider guidelines include additional instructions on how the persons under obligation to notify, as well as persons close to them, must notify the company of their transactions on the company's securities.

The prohibition of trading by persons under obligation to notify and permanent insiders commences at the end of each reporting period, however not later than 30 days before the publication of an interim or half-yearly report or financial statements, and ends once the corresponding stock exchange release has been published.

Related party transactions

Uutechnic Group's related parties include the Board of Directors, CEO and Management Team, as well as major shareholders. In addition, related parties include the close family members of persons identified as related parties and all entities controlled or jointly controlled by a person identified as a related party.

The Board of Directors of the Group monitors and assesses transactions made with related parties and ensures that any conflicts of interest are appropriately considered.

Audit

In accordance with the Articles of Association, the company's statutory audit is performed by one or two auditors. They must be auditors or auditing firms certified by Finland's Central Chamber of Commerce. The auditors' term ends at the end of the first Annual General Meeting after the election.

The Board's proposal for auditor(s) is indicated in the notice of the Annual General Meeting, or, if an auditor candidate is not known to the Board at the time the notice is published, the name of the candidate(s) shall be published separately.

The Annual General Meeting of 30 March 2017 selected Ernst & Young Oy, Authorised Public Accountants, as the company's auditor, with Osmo Valovirta, APA, as chief auditor.

In 2017 fees paid to Authorized Public Accountant Firm Ernst & Young Oy from auditing was 69.117 euros and from consulting and other services was 19.754 euros. Auditing fees paid to other was 5.975 euros and consulting fees paid to other was 19.754 euros. Total fees paid to auditors was 109.717 euros.

Information

The Board of Directors of Uutechnic Group has confirmed the Group's communication policy that specifies the key principles and operating methods of the Group's communications. The primary communication method of the Group is stock exchange and press releases and the company's website. The company aims to avoid investor communication meetings during the closed period.

Each year, the company publishes an annual report, a half-yearly report and two business reviews from three and nine month periods in both Finnish and English.

The financial statements and half-yearly report as well as business reviews are published as stock exchange releases. The annual report and half-yearly report are also published on the company's website www.uutechnicgroup.fi as PDF versions. The company's other stock exchange releases are also available on the website.

SHARES AND SHAREHOLDERS

Share Capital

Plc Uutechnic Group Oyj's registered and fully paid share capital of 31 December 2017 was 2,872,302 and the number of shares in the company was 56,505,210.

The company's stock symbol is UUTEC, and its ISIN code is FI0009900708.

Listing of Shares

Plc Uutechnic Group Oyj is listed on the NASDAQ OMX Helsinki Oy exchange.

Share trends and trade statistics

In total, 7,209,125 kpl (12.76 %) of Plc Uutechnic Group Oyj's shares were traded during the 2017 financial year. The share price was 0.35 euros at its lowest and 0.53 euros at its highest, the average share price was 0.45 euros, and the financial year's closing price was 0.35 euros. The total market value of the company's shares on 31 December 2017 stood at 19,9 million euros. The company has a liquidity agreement with Nordea Pankki Suomi Oyj.

The Board's authorizations

The Annual General Meeting of 30 March 2017 authorized the Board of Directors to decided on an issue of new shares as well as other special rights entitling to shares referred to in Chapter 10 Section 1 of the Finnish Companies Act in one or several lots. The number of new shares issued would be no more than 10 000 000, including shares to be issued based on the special rights. The authorization entitled the Board to decide about all terms of the share and special rights offerings, including the right to deviate from the right of pre-emption of shareholders. The authorization shall last until the next Annual General Meeting, unless the General Meeting decides to change or cancel the authorization prior to this date. This authorization revoked all the other unused share issue authorizations that have been given prior to this.

Distribution of dividends

The Board of Directors' proposal to the General Meeting of 12 April 2018 is that no dividend be distributed and that the retained earnings be deposited in the profit account.

Shareholders and the management's ownership

According to the book-entry security system, Plc Uutechnic Group Oyj had 1 460 registered shareholders on 31 December 2017. There were in total 4,483,597 nominee-registered shares.

The total number of shares owned directly or through controlled companies by the Board of Directors, CEO, Deputy CEO and Group Management Team at the end of the review period was 11,103,800 or 19,65% of all shares.

Board members, CEO, Deputy CEO or managers of the Group have no holdings or special rights based on the company's share-based incentive systems.

INFORMATION FOR SHAREHOLDERS

The Annual General Meeting

Plc Uutechnic Group Oyj's Annual General Meeting will be held on Thursday, April 12, 2018 starting at 13.00 at Hotel Scandic Simonkettä, Simonkatu 9, Helsinki.

Each shareholder, who is registered on 29 March 2018 in the shareholders' register of the company held by Euroclear Finland Ltd., has the right to participate in the general meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

All shareholders who wish to participate in the Annual General Meeting must register no later than April 6, before 4:00 pm. Registration can be done in person or via an authorized person by letter to Plc Uutechnic Group Oyj, Muottitie 2, 23500 UUSIKAUPUNKI, by mail to leena.junninen(at)Uutechnic.fi or by telephone to +358 400 613896. Registration letter must arrive before the registration deadline. The documents pertaining to the company's financial statement will be on view at the company's headquarters from March 9, 2018.

A holder of nominee registered shares has the right to participate in the general meeting by virtue of such shares, based on which he/she on the record date of the general meeting, i.e. on 29 March 2017, would be entitled to be registered in the shareholders' register of the company held by Euroclear Finland Ltd. The right to participate in the general meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd. at the latest by 9 April 2018 by 10:00 AM. As regards nominee registered shares this constitutes due registration for the general meeting. The invitation to the Annual General Meeting will be published not later than March 19, 2018.

Dividend

The Board proposes to the Annual General Meeting that no dividends be paid.

Financial information

Plc Uutechnic Group Oyj will publish during the next fiscal year that will begin 1.1.2018 a half year report per 30.6.2018 and business review after the first and the third quarters.

Annual reports are no longer published as printed versions. Instead, those are available as electronic publications. The annual report, half year report and other financial reports as well as stock exchange releases are available on the company's web site, www.uutechnicgroup.fi.

EXCHANGE REPORTS AND BULLETINS

The following list includes all Plc Uutechnic Group Oyj's stock exchange releases and stock exchange announcements published in fiscal period 1.1.-31.12.2017. Some of the information included in the bulletins might be out of date. Stock exchange releases and stock exchange announcements are available on the company's web site at www.uutechnicgroup.fi under News and Media.

12.12.2017	Uutechnic Group repaid subordinated loan which included a specific right of exchange
12.12.2017	Publication of the financial statements 2018 of Uutechnic Group
1.11.2017	Changes in Uutechnic Group's business management and management team
27.10.2017	Business review from january to september 2017
20.10.2017	Uutechnic Group revises its guidance for 2017
2.8.2017	Managers' transactions
2.8.2017	Managers' transactions
28.7.2017	Plc Uutechnic Group Oyj half year report 1.1. - 30.6.2017
21.7.2017	Uutechnic Group revises its guidance for 2017
12.7.2017	Japrotek Oy Ab, a subsidiary of uutechnic group, concludes co-determination negotiations
29.6.2017	Change in Plc Uutechnic Group Oyj's management team
29.5.2017	Japrotek Oy Ab, a subsidiary of uutechnic group, starts co-determination negotiations
28.4.2017	Uutechnic Group's business review from january to march 2017
13.4.2017	Change in the number of the treasury shares
30.3.2017	Change in the number of the treasury shares
30.3.2017	The resolutions of the annual general meeting of plc uutechnic group oyj and the decisions of the board of directors
16.3.2017	Uutechnic Group adjusts its announcement about publication of financial statements 2017
16.3.2017	Disclosure of change in shareholdings under chapter 9, section 10 of the securities markets act
8.3.2017	Changes in Uutechnic Group's business model and top management
8.3.2017	Invitation to the annual general meeting of Plc Uutechnic Group Oyj
8.3.2017	Uutechnic Group's financial statements, corporate governance statement and renumeration statement for 2016 published
27.2.2017	Plc Uutechnic Group Oyj review of financial statements for 1 january-31 december 2016
19.1.2017	Ap-Tela Oy, a subsidiary of uutechnic group, concludes co-determination negotiations
2.1.2017	Uutechnic Group strengthens its mixing technology business and appoints Jussi Vaarno as a vice precident
2.1.2017	Change of Nordea Bank Finland Plc's market-making for Plc Uutechnic Group Oyj

PLC UUTECHNIC GROUP OYJ REVIEW OF THE FINANCIAL STATEMENTS FOR 1 JANUARY—31 DECEMBER 2017

Uutechnic Group's turnover for the financial year 2017 amounted to EUR 32.1 million (36.4 million), and its operating result was EUR 0.1 million (0.9 million). Uutechnic Group's order book stood at EUR 12.5 million (15.9 million) at the end of the financial year. The earnings per share from continuing operations was EUR -0.01 (0.01).

OUTLOOK

The Group strives to be a globally known and preferred cooperation partner with a good financial standing in selected product and market segments. The Group pursues growth organically while also considering opportunities for growth through acquisitions. The Group aims to further grow the mixing technology business by developing and harmonising the sales and delivery process and expanding into new markets. Growth opportunities through mergers and acquisitions are also being investigated.

The main objective for 2018 is to improve the Group's profitability. Particular attention will be paid to the low-profitability vessel business, where market has shown signs of growth. In the Mixing Technology business order book is almost double compared to previous year and order flow in Roll and Pipe business has been good so starting point for the current financial year in these businesses is promising.

BUSINESS REPORTING

Uutechnic Group focuses on improving the competitiveness of its customers by providing advanced process technology and a unique service concept worldwide. Its product range includes agitators, pressure vessels, process and storage tanks, reactors and heat exchangers, as well as various types of long welded and machined axially symmetrical parts, such as rolls, cylinders, pipes and cones.

The Group's customer companies operate in a variety of industries, the most important of which are hydrometallurgy and the mining, pulp, paper and food industries, as well as the fertiliser industry and other chemical industries, and environmental technology.

Plc Uutechnic Group Oyj, the parent company of Uutechnic Group, is listed on Nasdaq Helsinki. The Group's subsidiaries are wholly owned by the parent company. The parent company is responsible for the Group's management, strategic planning, financial administration, IT, financing and HR management. The Group's business operations are carried out by the subsidiaries AP-Tela Oy, Japrotek Oy Ab, Uutechnic Oy and Stelzer Rührtechnik International GmbH.

All of the Group's business operations are reported under one segment.

Mixing Technology Business

The turnover and result of the mixing technology business grew as the result of increased demand. The order backlog almost doubled year-on-year.

Sales increased exceptionally steadily in all major industries without the seasonal variation or peaks caused by large projects typical of the mixing technology business. The bulk of the growth occurred in the market areas and customer relationships that were already strong, which we have been developing over a long period of time.

We succeeded exceedingly well in taking over and strengthening the Polish and Chinese biogas markets. In Poland, sales to the food industry were strengthened in particular, and the first significant order in the metallurgy industry was secured. The 2016 breakthrough in the Chinese biogas industry was backed up by several large orders.

The aim is to further grow the mixing technology business by developing and harmonising the sales and delivery process and expanding into new markets. Growth opportunities through mergers and acquisitions are also being investigated.

Vessel Business

For the vessel business, 2017 was a major challenge. The number of new deals concluded was substantially lower than the previous year, and the business was heavily loss-making.

Japrotek Oy Ab had co-determination negotiations during the summer, and efficiency measures were launched as the result of these towards the end of the year. Operational efficiency and project management have been improved, and the measures will continue. The impact of the efficiency improvement measures and personnel reductions will be fully visible in 2018.

The previously announced legal proceedings related to quality issues of materials in a delivered project are still underway in a district court in Sweden. The probable compensation that can be expected to be received as the result of the legal proceedings against the supplier of the materials, Harald Pihl AB, has been taken into consideration in the financial statements.

Roll and Pipe Business

AP-Tela's turnover was at a good level, yet fell significantly short of the record-high figure for the previous year. Profitability improved substantially and the operating result was clearly in the black.

The order intake during the first half of the year was very good in the forest and energy industries, but the postponement of investment decisions in the forest industry to 2018 burdened the second half. Yet, the order backlog was slightly higher than the previous year.

The overall production volume of AP-Tela's biggest customer segment, forest and energy industry, remained approximately on a par with the previous year. With lower paper production, the demand for paper machine rolls decreased, but demand in pulp and board production increased by a similar amount. The demand for special pipes and structures manufactured for marine and offshore customers was low, mainly due to low oil and gas prices.

AP-Tela's delivery reliability has improved significantly during 2017 as the result of the deployed load monitoring programme. Operational efficiency has also been improved by increasing the monitoring of the delivery times of materials and subcontracting, which has contributed to profitability and capital turnover.

NEW ORDERS AND ORDER BOOK

Intake of new orders amounted to EUR 29.2 million (40.5 million) for the financial year, down 28% year-on-year. Uutechnic Group's order book stood at EUR 12.5 million (15.9 million) at the end of the financial year, down 21.0% year-on-year. Weak order intake in the vessel business has influenced the decrease in order intake and order book. In the Mixing Technology business, on the other hand, order intake has been very good and the order book was at a very good level, almost doubling year-on-year.

TURNOVER AND PROFITABILITY

Uutechnic Group's turnover for the financial year 2017 amounted to EUR 32.1 million (36.4 million), and its operating result was EUR 0.1 million (0.9 million).

Finland represented approximately 49% of the Group's turnover, including indirect exports. The rest of Europe accounted for 39% of turnover, while Asia represented 11% and other countries 1%.

The Group's weak operating profit was affected by losses in the vessel business due to the weak order intake and projects whose performance did not meet expectations. The previously announced legal proceedings related to quality issues of materials in a delivered project are still underway in a district court in Sweden against the supplier of the materials, Harald Pihl AB. The probable payment has been taken into consideration in the financial statements.

The Group's result was also impaired by the lease guarantee of EUR 0.2 million given to a third party related to an acquisition made in 2014, realising during the financial year.

FINANCIAL STANDING AND LIQUIDITY

At the end of the financial year, Uutechnic Group's balance sheet total stood at EUR 20.3 million (23.7 million). The Group's interest-bearing liabilities totalled EUR 3.7 million (5.1 million), including EUR 1.0 million in equity loans. The Group's cash flow from operations for the financial year was EUR 0.3 million (0.8 million).

At the end of the financial year, the Group's equity ratio was 68.2% (78.2%) and gearing was 31.4% (30.9%). Return on investment for the financial year was -0.1% (2.8%), and return on equity was -5.6% (7.2%).

Non-current assets on Uutechnic Group's balance sheet totalled EUR 11.3 million (11.7 million).

EQUITY

The Group's equity stood at EUR 9.9 million (10.5 million) at the end of the financial year.

A financing arrangement made in 2015 involved unsecured subordinated loans granted by two shareholders, totalling EUR 2.0 million. These loans are subordinated loans in accordance with chapter 12 of the Limited Liability Companies Act, and their capital repayments and interest payments must meet the conditions provided in the Act. The annual interest rate on the outstanding loan capital is 4%. In accordance with the loan terms, the loans will be repaid as a one-off payment on 31 December 2019. However, the company is entitled to repay early. Of the total loan capital, EUR 1 million involved a specific right of exchange. To the extent that loan capital remained unpaid on 31 December 2017, the creditors are entitled to convert EUR 1 million of the capital, in part or in full, into shares in the company at a value of EUR 0.25. This right of exchange was based on the authorisation to issue shares that was approved by the company's Annual General Meeting on 14 April 2015. On 12 December 2017, the company repaid the above-mentioned subordinated loan of EUR 1 million under terms including the special right of exchange.

RESEARCH, PRODUCT DEVELOPMENT AND INVESTMENTS

Regarding mixing technology, a patent application has been submitted, which will improve the company's position especially in projects related to the manufacturing process for bioethanol. In addition, the Group has advanced to the piloting phase in the development of a product aimed at a completely new market area for us.

In order to improve the efficiency of sales and deliveries of current products and to gain synergies, we initiated a large-scale commercialisation project in the Mixing Technology business in which our product structures will be harmonised and digitalised so that they can be managed with modern IT tools.

The Group's capitalised investments for the financial year totalled EUR 0.2 million (0 million).

The Group's investments in fixed assets totalled EUR 0.3 million (1.0 million). The investments were primarily minor purchases of equipment.

PERSONNEL

At the end of the financial year, Uutechnic Group had 178 (195) employees, of whom 82 (84) were white collar and 96 (111) were blue collar. Of the employees, 115 worked

in Finland and 63 in Germany. The reductions in production personnel did not concern the Mixing Technology business.

ENVIRONMENTAL POLICY

Uutechnic Group takes environmental impact into account in all of its business operations. The Group's environmental policy aims at the development of our own operations and customers' processes while also considering environmental aspects. Responsibility concerns the entire life cycles of the Group's products. We create positive environmental effects in particular by improving the energy efficiency and quality of our customers' processes. In line with our operating principles, we make use of technologies that minimise our environmental impact. We engage in open dialogue about environmental issues and seek to optimise our energy use and reduce our emissions.

SHARES

At the beginning of the financial year, the total number of shares and votes in the company was 56,505,210. The Annual General Meeting decided on 30 March 2017 that the right to shares incorporated in the book-entry system and rights based on them had been lost for the 3,480 shares whose rights were not declared for registration during the registration period. The shares were forfeited by the company, after which they were cancelled as announced on 30 March 2017. The change in the number of shares due to the cancellation was registered in the Trade Register on 13 April 2017, after which the total number of shares and votes in the company is 56,601,730.

On 31 December 2017, Plc Uutechnic Group Oyj had 1,460 registered shareholders. There were in total 4,483,597 nominee-registered shares. The total number of shares owned directly or through controlled companies by the Board of Directors, CEO, Deputy CEO and Group Management Team was 11,103,800 shares, or 19.65% of all shares and votes in the company.

Board members, CEO, Deputy CEO or other members of the Group Management Team have no holdings or special rights based on the company's share-based incentive systems.

AUTHORISATION TO ISSUE SHARES

The Annual General Meeting of 30 April 2017 decided in accordance with the proposal of the Board of Directors to authorise the Board of Directors to resolve on the issue of new shares and other special rights that entitle their holders to subscribe for shares in accordance with Chapter 10, section 1 of the Limited Liability Companies Act, in one or more instalments. The Board is authorised to issue a maximum of 10,000,000 new shares, including shares based on special rights. The authorisation entitled the Board to decide on all terms and conditions for the issuance of shares and special rights, including any deviations from the shareholders' pre-emptive right. The authorisation is valid until the following Annual General Meeting, unless an extraordinary general meeting decides to amend or revoke the authorisation before that date. The authorisation revoked all previously granted unused authorisations to issue shares.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

On 30 March 2017, the Annual General Meeting re-elected Sami Alatalo, Hannu Kottonen, Kristiina Lagerstedt and Jouko Peräaho as Board members. Hannu Kottonen and Kristiina Lagerstedt are independent of the company and its major shareholders. Jouko Peräaho served as the Chairman of the Board until 8 March 2017, followed by Sami Alatalo thereafter.

Martti Heikkilä served as the CEO until 8 March 2017, followed by Jouko Peräaho thereafter.

Ernst & Young, Authorised Public Accountants, served as the Group's auditor, with Osmo Valovirta, APA, as the principal auditor.

The Company adheres to the Finnish Corporate Governance Code 2015 for listed companies (Nasdaq Helsinki). The Group publishes its Corporate Governance Statement as part of its annual report and on its website at www.uutechnicgroup.fi.

REMARKABLE RISKS AND UNCERTAINTY FACTORS AND THEIR MANAGEMENT

The demand for Uutechnic Group's products is dependent on trends and developments in the global economy and the Group's customer industries, which poses a general external risk to its operations. The Group seeks to mitigate the risks arising from changes in demand by targeting its sales operations in line with current trends in various market areas and customer industries.

According to the Group's Board of Directors, other significant risks and uncertainty factors to which the Group is exposed are related to at least the following aspects:

- Turning the Group's loss-making Vessel business into a profitable business or maintaining its profitability requires improvements in competitiveness and the achievement of sufficient operating volumes.
- The Group will continue to implement consolidation processes and pursue identified synergies to improve profitability. It is possible that not all of the identified synergies will be achieved, or that processes will fail.
- The Group aims to grow organically as well as through acquisitions. There is no certainty that the Group will be able to find suitable candidates for acquisition, obtain the financing required for acquisitions or acquire businesses on satisfactory terms.
- Part of the Group's business operations consist of major or large project deliveries. Extensive and complicated projects involve the risk that the future costs and any other risks related to the delivery cannot be estimated sufficiently accurately in the bidding phase. In such cases, the results of the project may prove weaker than expected. Extensive project deliveries involve the risk that quality and delivery problems arising from suppliers of materials or subcontractors cannot be responded to sufficiently early, but the claims for compensation for delayed delivery or deficient performance, for example, may be significant in the project agreements.
- Unfavourable changes in the financial markets may have an effect on the Group's results and the availability of equity and debt financing on competitive terms. Uncertainty in the international economy may lead to payment delays and an increased risk of credit losses.

The Group seeks to protect itself against risks using all measures that can reasonably be implemented. These include, among other things, measures aimed at improving profitability and productivity, training for employees, guidelines and instructions, insurance policies, critical examination of the terms and conditions of commercial agreements and the systematic monitoring and development of operations.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF DIVIDEND

The parent company's profit for the financial year was EUR 0.1 million. At the end of the financial year, the parent company's distributable funds stood at EUR 7.2 million. The Board of Directors proposes to the Annual General Meeting that no dividend be paid and the profit for the period be transferred to the retained earnings account.

ANNUAL GENERAL MEETING

The Annual General Meeting of Plc Uutechnic Group Oyj will be held at Scandic Hotel Simonkenttä in Helsinki on 12 April 2018 at 1:00 p.m. The invitation to the Annual General Meeting will be published not later than 19 March, 2018.

FINANCIAL STATEMENT 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 000 EUR UUTECHNIC GROUP	1.1.2017-31.12.2017	1.1.2016-31.12.2016	Notes
REVENUE	32 076	**36 377**	4
Change in inventories of finished goods and work in progress	584	-170	
Work performed for own purposes and capitalised	48	149	
Other operating income	259	162	5
Material and services	-16 766	-19 397	
Employee benefits expense	-11 032	-11 187	8
Depreciation and amortisation	-543	-582	7
Impairment	-12	0	7
Other operating expenses	-4 526	-4 470	6
OPERATING PROFIT	**88**	881	
Depreciation, amortization and impairment loss of acquisition	-92	-456	
Financing income	0	6	
Financing expenses	-465	-242	10
PROFIT/LOSS BEFORE TAX	**-469**	**190**	
Tax on income from operations	-97	526	11
Profit/loss from continuing operations	**-566**	**716**	
UUTECHNIC GROUP			
Profit/loss from discontinued operations	0	0	
PROFIT/LOSS FOR THE PERIOD	**-566**	**716**	
Other comprehensive income:			
TOTAL COMPREHENSIVE INCOME	**-566**	**716**	
Profit attributable to:			
Owners of the parent company	-566	716	
Total comprehensive income attributable to:			
Owners of the parent company	-566	716	
Earnings per share calculated on profit attributable to equity holders of the parent:			12
EPS undiluted, euros/share, continuing operations	-0,01	0,01	
EPS diluted, euros/share, continuing operations	-0,01	0,01	
EPS undiluted, euros/share	-0,01	0,01	
EPS diluted, euros/share	-0,01	0,01	
Average number of shares			
Undiluted EPS (FAS and IFRS) divisor, outstanding during the financial year	56 502 890	56 148 248	
Diluted EPS (FAS and IFRS) divisor, outstanding during the financial year	56 502 890	56 148 248	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 000 EUR	31.12.2017	31.12.2016	Notes
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1 975	1 918	14
Goodwill	3 534	3 534	15
Tangible assets	5 124	5 612	13
Available for sale investments	0	25	16
Deferred tax asset	621	621	17
NON-CURRENT ASSETS	**11 254**	**11 710**	
CURRENT ASSETS			
Inventories	3 728	2 728	18
Trade receivables and other receivables	4 757	5 000	19
Current receivables for revenue recognized in part prior to project completion	0	2 304	
Tax Receivable, income tax	0	54	
Cash and cash equivalents	608	1 909	20
CURRENT ASSETS	**9 093**	**11 995**	
ASSETS	**20 347**	**23 705**	
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	2 872	2 872	
Share premium	6	6	
Unrestricted equity reserve	6 376	6 376	
Translation differences	0	33	
Accumulated earnings	655	1 188	
Owners of the parent company	**9 909**	**10 475**	
EQUITY	**9 909**	**10 475**	21
NON-CURRENT LIABILITIES			
Deferred tax liability	404	425	17
Subordinated loans	1 000	2 000	24
Non-current liabilities, interest-bearing	1 168	1 609	24
Non-current provisions	254	274	22
NON-CURRENT LIABILITIES	**2 825**	**4 308**	
CURRENT LIABILITIES			
Current interest-bearing liabilities	1 552	1 536	24
Trade Payables and Other Liabilities	5 876	7 342	25
	52	0	
Tax liability, income tax	132	44	25
CURRENT LIABILITIES	**7 612**	**8 921**	
EQUITY AND LIABILITIES	**20 347**	**23 705**	

CONSOLIDATED STATEMENT OF CASH FLOWS, INDIRECT

1 000 EUR	1.1.-31.12.2017	1.1.-31.12.2016	Notes
Cash flows from operating activities			
Profit/loss for the period	-566	716	
Depreciation, amortisation & impairment	543	582	7
Depreciation, amortization and impairment loss of acquisition	92	456	
Gains and losses of disposals of fixed assets and other non-current assets	-19	0	
Other non-cash items	227	-841	
Financial income and expenses	201	236	10
Tax on income from operations	97	195	
Flow of funds from operations before the change in working capital	**575**	**1 343**	
Working capital changes			
Increase / decrease in inventories	-1 001	-44	
Increase /decrease in trade and other receivables	2 654	-1 158	
Increase / decrease in trade payables	-1 607	934	
Flow of funds from operations before the change in working capital	**621**	**1 076**	
Interest paid	-213	-161	10
Dividends received	2	1	
Interest received	3	5	
Income taxes paid	-98	-98	
Net cash from operating activities	**316**	**822**	
Cash flows from investing activities			
Purchase of tangible and intagible assets	-277	-1 011	13
Proceeds from sale of tangible and intangible assets	60	0	
Proceeds from sale of investments	24	0	
Net cash used in investing activities	**-193**	**-1 011**	
Cash flows from financing activities			
Proceeds from issue of share capital	0	1 756	
Proceeds from current borrowings	16	18	
Repayment of current borrowings	0	-435	
Proceeds from non-current borrowings	0	79	
Repayment of non-current borrowings	-441	0	
Payment of finance lease liabilities	-1 000	0	
Net cash used in financing activities	**-1 425**	**1 419**	
Change of liquid funds	**-1 301**	**1 230**	
Cash and cash equivalents, opening amount	1 909	679	
Liquid assets at the end of the fiscal year	608	1 909	
Change in liquid assets according to the balance sheet	**-1 301**	**1 230**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 000 EUR	Share capital	Share premium account	Unrestricted equity reserve	Translation differences	Retained earnings	Equity Total
EQUITY 1.1.2017	**2 872**	**6**	**6 376**	**33**	**1 188**	**10 475**
				-33	33	
Adjusted equity	**2 872**	**6**	**6 376**	**0**	**1 221**	**10 475**
Comprehensive income						
Profit/loss for the period	0	0	0	0	-566	-566
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**0**	**-566**	**-566**
Transactions with owners						
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**
Changes in ownership interests in subsidiaries						
TOTAL EQUITY 31.12.2017	**2 872**	**6**	**6 376**	**0**	**655**	**9 909**

	Share capital	Share premium account	Unrestricted equity reserve	Translation differences	Retained earnings	Equity Total
EQUITY 1.1.2016	**2 872**	**6**	**6 120**	**33**	**472**	**9 504**
Adjusted equity	**2 872**	**6**	**6 120**	**33**	**472**	**9 504**
Comprehensive income						
Profit/loss for the period					716	716
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**0**	**716**	**716**
Transactions with owners						
Share issue	0	0	271	0	0	271
Transaction costs for equity (listing and issue costs)	0	0	-15	0	0	-15
Other changes			0			**0**
Total transactions with owners	**0**	**0**	**256**	**0**	**0**	**256**
Changes in ownership interests in subsidiaries						
TOTAL EQUITY 31.12.2016	**2 872**	**6**	**6 376**	**33**	**1 188**	**10 475**

KEY FIGURES

Business indicators	2017 IFRS	2016 IFRS
Turnover, continuing operations	32 076	36 377
Revenue change, %	-12	311
Operating profit	87	881
% of turnover	0,3	2,4
Profit/loss before taxes	-469	190
% of turnover	-1,5	0,5
Profit/loss for the period	-566	716
% of turnover	-1,8	2,0
Equity holders of the parent	-566	716
% of turnover	-1,8	2,0
Return on equity (ROE), %	-5,6	7,2
Return on investment (ROI), %	-0,1	2,8
Equity ratio, %	68,2	78,2
Net gearing	31,4	30,9
Current Ratio	1,2	1,3
Gross investments in fixed assets	277	1 011
% of turnover	0,9	2,8
Order backlog	12 516	15 899
Consolidated balance sheet total	20 347	23 705
Total number of personnel at the end of the period	178	195

Share figures	2017 IFRS	2016 IFRS
Earnings per share, euros	-0,01	0,01
Shareholders' equity, euros	0,18	0,19
Dividend per share, euros	0,00	0,00
Price earnings ratio (P/E)	-34,9	39,2
Number of shares outstanding at the end of the period	56 501 730	56 505 210
Number of shares outstanding, average	56 502 890	56 148 248

	2017	2016
A share		
- high	0,53	0,74
- low	0,35	0,33
- average	0,45	0,52
- share price at the end of the fiscal year	0,35	0,50
Total amrket value, million euros	19,9	28,1
Number of shares traded during the fiscal year	7 209 125	14 587 446
Number of shares traded, %	12,76	25,8
Number of shareholders	1 460	1 485

*) proposal by the Board of Directors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Plc Uutechnic Group Oyj, the parent company of Uutechnic Group, is a Finnish public limited liability company domiciled in Uusikaupunki. Its registered business address is Muottitie 2, 23500 Uusikaupunki. Its shares have been listed on the Helsinki stock exchange (Nasdaq Helsinki) since 1989.

Uutechnic Group focuses on improving the competitiveness of its customers by providing them with advanced process technology and a unique service concept worldwide. Its product range includes agitators, pressure vessels, process and storage tanks, reactors and heat exchangers, as well as different types of long welded and machined axially symmetrical parts, such as rolls, cylinders, pipes and cones. Its main industries are hydrometallurgy and the mining, pulp, paper and food industries, as well as the fertiliser industry and other chemical industries, and environmental technology. All of the Group's business operations are reported under one segment.

At its meeting on March 3, 2017 the Board of Directors of Plc Uutechnic Group Oyj approved these financial statements to be published. In accordance with the Finnish Limited Liability Companies Act, the shareholders of the company have the opportunity to approve or reject the financial statements after their publication. They also have the opportunity to decide that the financial statements be amended.

INSIDER MANAGEMENT

Plc Uutechnic Group Plc follows the guidelines for Insiders issued by Nasdaq Helsinki Ltd. In addition, the company has insider guidelines.

Insider management until 2.7.2016

The public insiders included the President and CEO, the Deputy Managing Director, the members of the Board of Directors, the auditors and the members of the Group Executive Team. Company-specific insiders included those who regularly handle or receive unpublished information affecting the value of the shares for their duties.

Insider management from 3.7.2016

The regulation of insiders changed from 3 July 2016, when the MAR Directive and the revised insider guidelines for the Helsinki Stock Exchange entered into force in Finland. Public insider register was replaced by announcement of the management and related parties' transactions. The Uutechnic Group's management includes members of the Board of Directors, the President and CEO, the Group Executive Team and the Managing Directors of the subsidiaries and the plant managers. In addition, the company maintains a list of permanent insiders who have access to insider information. The persons listed in the list are bound to follow the closed window of the company's instructions. The list of permanent insiders is not public.

In addition, Plc Uutechnic Group Oyj maintains project-specific insider registers. Project means a confidently prepared, individually identifiable package of measures or arrangements that, according to the Company, are inside information and the company has decided to postpone disclosure.

The insider trading prohibition of insiders begins at the end of the reporting period, however at least 30 days prior to the publication of the interim and semi-annual financial statements or financial statements and ends when the corresponding stock exchange release is published. The company seeks to avoid investor relations during the period when the closed window is valid.

RELATED PARTY TRANSACTIONS

The Group has related party relationships with members of the Board of Directors and management team, managing director and major shareholders. In addition, related parties include all entities controlled or jointly controlled by a person idenfitied as related party.

Uutechnic Oy's office premises are leased from UuCap Oy, where Jouko Peräaho and Timo Lindström, a related party, exercise control. The landlord of Japrotek Oy Ab in Pietarsaari is Uurec Holding Oy, where Jouko Peräaho, Timo Lindström and Sami Alatalo are in control. The parent company has issued a rental guarantee in connection with the leasing liabilities of the property in Pietarsaari.

2. ACCOUNTING PRINCIPLES

Basis of preparation

Uutechnic Group's consolidated financial statements for the financial year 1 January–31 December 2017 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) and related interpretations approved for application within the European Union. The consolidated financial statements comply with the IAS and IFRS standards and SIC and IFRIC interpretations effective on 31 December 2017. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate law.

The consolidated financial statements have been drawn up based on original acquisition cost.

Financial year

The financial year of Plc Uutechnic Group Oyj is the calendar year, from 1 January to 31 December.

Consolidation principles

The consolidated financial statements include the parent company, Plc Uutechnic Group Oyj, and all of the subsidiaries controlled by the parent company. With regard to all of the subsidiaries, this control is based on their share capital being wholly owned by the Group.

In the consolidated financial statements, acquired subsidiaries are consolidated as of that date when the Group gains control of them. Mutual ownership between group companies is eliminated using the acquisition cost method. The acquisition cost is allocated to the identifiable assets and liabilities of the object of acquisition at fair value at the time of acquisition. The difference between the acquisition cost of a subsidiary and the identifiable acquired assets and liabilities is recognised as goodwill on the balance sheet.

All intra-group business transactions, receivables, liabilities and unrealised gains, as well as the internal distribution of profits, are eliminated when preparing the consolidated financial statements. The profit for the period attributable to the shareholders of the parent company and that attributable to non-controlling interest are presented in the income statement, and equity attributable to non-controlling interest is presented as a separate item in equity on the balance sheet. Loss attributable to non-controlling interest is recognised in the consolidated financial statements in the amount of the investment at the maximum.

Non-current assets available for sale and discontinued operations

Non-current assets held for sale, disposal groups, and liabilities related to assets held for sale are classified as assets held for sale and valued at book value or, if lower, current value less sales costs, if the value corresponding to their book value will be generated mostly from asset sale instead of continuous use. In this case, the Group's management has committed to the sale of the asset in question and sale during the next 12 months is expected to be highly likely and considered practicable in the intermediate time.

An operation is classified to be discontinued on the date it fulfils the precondition either of being classified as an asset held for sale or of the operation having been disposed of. A discontinued operation is a part of an entity that has been disposed of or classified as an asset held for sale and that represents a separate, important business area or geographic area of operation; is part of a single co-ordinated plan addressing disposing of operations in a separate, important business area or geographic area of operation; or is a subsidiary that has been acquired with the sole intention of it being resold.

Application of new or amended standards and interpretations

Annual Improvements to IFRS 2014–2016

Amendment to IAS 7, project on disclosures in financial statements. The amendment requires companies to present additional disclosures which will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and changes not involving cash flows. Uutechnic Group's liabilities arising from financing activities comprise borrowing. A reconciliation of the starting and closing balances of these items is presented in note 23.

Amendment to IAS 12 on the recognition of deferred tax assets for unrealised losses. The adoption of the amendment had no effects on the financial statements of Uutechnic Group as the Group's accounting principles were already consistent with these amendments.

The amendments have not had a material effect on the financial statements of Uutechnic Group.

Uutechnic Group has not yet applied the following new or amended standards and interpretations published by the IASB. The Group will adopt each standard and interpretation as of its effective date, or as of the beginning of the financial year immediately following the effective date if the effective date is not the first day of a financial year.

The International Accounting Standards Board has published three new standards that concern Uutechnic Group: IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases. IFRS 15 and IFRS 9 are effective from 1 January 2018 onwards, while IFRS 16 is effective from 1 January 2019 onwards. IFRS 16 may also be applied earlier, but only in conjunction with IFRS 15.

IFRS 15 establishes a five-step model for recognising revenue from contracts with customers. Revenue is recognised when, or as, the customer obtains control of the goods or services, and the amount recognised reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, IFRS 15 requires disclosures about the entity's contracts with customers, performance obligations in the contracts and significant judgements made. Plc Uutechnic Group Oyj will adopt IFRS 15 Revenue from Contracts with Customers as of 1 January 2018, replacing the IAS 18 Revenue and IAS 11 Construction Contracts standards. Uutechnic Group will adopt the new standard retroactively so that the effect accumulated due to the application of this standard will be recognised as an adjustment to the opening balance of retained earnings on the date of adoption (or another item in shareholders' equity, as appropriate) for the financial period beginning on 1 January 2018.

Uutechnic Group has estimated the effects of IFRS15 during the 2017 financial period. The new standard includes a five-step model in which the contract with the customer and related performance obligations are identified, the transaction price is determined, it is allocated to the performance and the revenue is recognised. In our view, the identification of contracts with customers pursuant to IFRS 15 corresponds to the Group's previous practice. Combination of contracts, any amendments to contracts and options included in contracts require more careful review than before. Free products, agent services and additional guarantees related to the identification of performance obligations have a slight effect on the operating result of Uutechnic Group. In determining the transaction price, the amended parts of the contract should be considered and allocated to the corresponding performances. These qualifying attributes require a more careful review in determining sales revenue compared to the previously used percentage of completion method, but the effect on figures is minor.

Our interpretation is that the most significant effect of the adoption of the new standard will be on the timing of revenue recognition. According to IFRS 15, revenue must be recognised either over time or at a point in time. Because Uutechnic Group manufactures unique products for customers, their recognition takes place over time using the input-based method. With regard to products and services in which the conditions for recognition over time are not met, recognition takes place at a point in time. Because the Group has previously been using percentage of completion-based recognition of long-term projects, the amendment is not very significant. Cumulatively, the amount of turnover and operating profit will not change, but it will be allocated differently between financial periods, depending on whether one is viewing the figures according to the previously used IAS 18 and IAS 11 standards or the IFRS

15 standard.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. Uutechnic Group is currently evaluating the impact of this standard and amendments on its consolidated financial statements and plans to adopt the new standard on the required effective date. However, based on Uutechnic Group's preliminary assessment, the application of IFRS 9 is not expected to have a material impact on the transactions and balances recognised in the Group's consolidated financial statements.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Uutechnic Group has begun a preliminary assessment of the IFRS 16 standard's effects on the financial statements.

Assets and liabilities in foreign currencies

The consolidated financial statements are presented in euros, the functional and presentation currency of the Group.

Transactions denominated in foreign currencies are converted into euros at the exchange rate applicable on the date of the transaction. Assets and debts denominated in foreign currencies are converted into euros at the exchange rate in effect on the balance sheet date. Foreign exchange gains and losses are included in the corresponding items above operating profit. Currency translation differences related to financial items are included in financing gains or losses.

In the consolidated financial statements, the income statements of foreign Group companies are converted to euros at the average exchange rate for the period, and balance sheets are converted at the exchange rate in effect on the balance sheet date. Currency translation differences caused by the use of different exchange rates and by the elimination of the cost of acquisition of foreign subsidiaries are entered under the Group's shareholders' equity as a separate item.

Revenue recognition principles

Product sales are recognised when the significant risks and benefits related to ownership of the products have been transferred to the buyer. Service sales are recognised when the service has been delivered to the customer.

The income and expenses from long-term projects are recognised as income and expenses on the basis of the percentage of completion when the result of the project can be assessed reliably. The percentage of completion of a project is determined by the ratio of the expenses of accrued work hours to the estimated overall cost of the project. When it is likely that the total costs necessary for completing a project exceed the total income from the project, the expected loss is immediately entered as an expense.

When the outcome of a long-term project cannot be estimated reliably, project costs are recognised as expenses in the fiscal year in which they arise, and project income is recognised only to the extent of project costs incurred where it is probable that those costs will be recoverable. Losses caused by the project are recognised as an expense immediately.

Subsidies received

Public subsidies are entered as income in the income statement at the same time as the expenses are entered. Subsidies related to the acquisition of tangible assets are recognised as a deduction in the carrying amount of tangible assets.

Employee benefits

Pension liabilities for the Group's Finnish personnel have been covered through a pension insurance company. All of the Group's pension arrangements are defined contribution arrangements, and the related costs are entered in the income statement for the fiscal year in which they were incurred.

Operating profit

The Group has defined operating profit as follows: operating profit is the net sum obtained after adding other operating income to the turnover and then deducting purchasing costs, adjusted by the change in stocks of finished products and work in progress and the expenses of products manufactured for the Group's own use; costs of employee benefits; depreciation; any impairment losses; and other operating expenses excluding acquisitions and depreciation on disposals. All other income statement items are presented below the operating profit. Currency translation differences are included in the operating profit if they arise from items connected with business operations; otherwise, they are entered among financial items. Shares of profits of affiliated companies are included in the operating profit if the operation of the affiliated company is considered to be closely related to the Group's business, otherwise they are included in the financial items. The Group had no affiliated companies in the financial year 2017 and the comparison year 2016.

Borrowing costs

Borrowing costs are recorded as an expense in the financial year in which they are incurred. Transaction costs that are directly related to the taking out of loans and are clearly linked to a specific loan are included in the amortised cost and are amortised as interest costs using the effective interest rate method if they are significant.

Income tax

The tax expense in the income statement consists of current tax, based on the taxable profit for the period, and deferred tax. Current tax is calculated on the taxable profit in accordance with the local tax laws applied to each Group company. The tax is adjusted by any relevant tax amounts for previous years.

Deferred tax is calculated for temporary differences between accounting and taxation at the tax rate applicable on the date of the financial statement. Temporary differences are caused by, e.g., depreciation of property, plants, and equipment; non-tax-deductible impairment items; internal stock margin; and unused taxation losses. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which they can be utilised.

Tangible assets

Property, plant and equipment are valued at their original acquisition cost minus accumulated depreciation and any impairment losses.

If a property, plant, and equipment item consists of several parts with different useful lives, each part is accounted for as a separate item. When such a part is replaced, the related costs are capitalised. Otherwise, subsequent expenses are included in the carrying amount for property, plant, and equipment only if it is probable that they will increase the economic benefit to the company and that the acquisition cost of the item can be determined reliably. The earnings impact of other repair and maintenance costs is recognised as incurred.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life. Land is not depreciated. The estimated useful lives are as follows:

Buildings	35 - 40 years
Machinery and equipment	5 - 25 years

The residual value of assets and their useful lives are reassessed annually when the financial statements are prepared, and they are adjusted if necessary. Gains or losses from the sale or disposal of property, plants, and equipment are recognised as either other operating income or other operating expenses.

Intangible assets:

Goodwill

Goodwill represents that amount of the acquisition cost that exceeds the Group's share of the fair value on the date of acquisition of the net assets of a company acquired after the IFRS transition date. Planned depreciation is not deducted from the consolidated goodwill. Instead, it is tested annually for impairment. For this purpose, goodwill is allocated to cash-generating units. Goodwill is valued at the original acquisition cost, with any impairment deducted.

Expenditure on research and development

Research costs are entered in the income statement as expenses. Development costs for new or more advanced products are capitalised on the balance sheet as intangible assets when the product is technologically viable and commercially exploitable and when economic benefits can be expected from the product. Development costs previously entered as expenses are not capitalised later. Depreciation is recognised for the asset from the date it is ready for use. The useful life of capitalised development expenditure is five years, and capitalised assets are amortised on a straight-line basis over this period.

Other intangible assets

An intangible asset is included in the balance sheet figures only if its acquisition cost can be determined reliably and if it will increase the economic benefit to the company. Patents, trademarks, and licenses whose useful life is finite are entered on the balance sheet at the original acquisition cost and amortised in the income statement on a straight-line basis over their known or estimated useful life.

Costs for development and construction of significant new software are capitalised on the balance sheet as intangible assets and amortised on a straight-line basis over their useful life. The direct costs capitalised include consulting and specialist fees paid to third parties, software licenses purchased for applications, and other direct costs. Software maintenance and operation costs are recorded as an expense for the financial year in which they are incurred.

The depreciation periods are as follows:

Intangible rights	5 years
IT software	3–5 years
Other intangible assets	5 years

Impairment

Annually, on the balance sheet date, the Group reviews its assets to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is also estimated annually for goodwill, irrespective of whether there is any indication of impairment.

The recoverable amount is calculated as the higher of 1) fair value minus cost to sell and 2) value in use. The value in use is the present value of the estimated future net cash flows obtainable from the asset or cash-generating unit. An impairment loss is recognised if the carrying amount of an asset exceeds the recoverable amount. An impairment loss is reversed if conditions have changed and the recoverable amount for the asset changed after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been declared if no impairment loss had been recognised. Impairment losses recognised on goodwill are never reversed.

Inventories

Inventories are stated at the lower of acquisition cost and probable net realisable value. The acquisition cost is based on the FIFO principle. The acquisition cost of manufactured products and work in progress includes the cost of raw materials, direct labour costs, and an appropriate share of variable and fixed production overheads based on normal operating capacity. The net realisable value is the estimated selling price in the ordinary course of business, minus the costs of completion and the selling expenses.

Trade and other receivables

Trade and other receivables are recognised at original value. Credit losses are expensed when there is sufficient evidence that the Group will not obtain all of its receivables under the original terms.

Financial assets and liabilities

Financial assets are classified as belonging to the following categories: loans and other receivables and available-for-sale financial assets. Financial assets are classified on their original acquisition date on the basis of the purpose for which they were acquired.

Loans and other receivables are financial assets with fixed or determinable payments that are not quoted on an active market and that the company does not hold for trading purposes. This category includes the Group's financial assets that have been generated by transferring money or assets to a debtor. They are valued at the amortised acquisition cost and included in long- and short-term financial assets – the latter if they fall due for payment within 12 months.

Available-for-sale financial assets consist of shares and debt with interest, and they are recognised at their fair value. However, non-listed shares have been recognised at acquisition

cost due to the unavailability of reliable fair values. Changes in the fair value are entered in the fair value reserve in equity, with the tax effect taken into account. Changes in fair value are transferred from equity to the income statement when the instrument is sold or its value has fallen so that an impairment loss has to be recognised for the instrument. Available-for-sale financial assets are included in long-term assets, except if the intention is to hold them for less than 12 months after the balance sheet date, in which case they are included in short-term assets.

Cash and cash equivalents comprise cash in hand and bank deposits that can be obtained on demand.

Financial liabilities are valued at the amortised acquisition cost. Financial liabilities are included in non-current and current liabilities, and they may be interest-bearing or not.

Provisions

A provision is recognised in the balance sheet figures when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated.

A warranty provision is recognised when the underlying product is sold. The warranty provision is based on past experience of actual claims over the warranty period.

A provision is recognised for unprofitable contracts when the costs required to fulfill the obligations exceed the benefits received under the contract.

Rental agreements

Rental agreements concerning tangible and intangible assets in which the Group holds a material share of the risks and benefits of ownership are classified as financial lease agreements. A financial lease agreement is entered on the balance sheet at either the fair value of the leased asset on the starting date of the lease agreement or the current value of the minimum rent amounts, whichever is lower. Tangible assets acquired under financial lease agreements are depreciated over their economic life or the term of the lease, whichever is shorter. Lease payments are divided into financing costs and installment payment of the liability so that the interest rate for the remaining liability remains unchanged.

Rental agreements under which the risks and benefits of ownership are retained by the hirer are treated as other rental agreements. Rent paid in connection with other rental agreements is expensed in even installments in the income statement over the duration of the rental period.

Uutechnic Oy's office premises are leased from UuCap Oy, where Jouko Peräaho and Timo Lindström, a related party, exercise control. The landlord of Japrotek Oy Ab in Pietarsaari is Uurec Holding Oy, where Jouko Peräaho, Timo Lindström and Sami Alatalo are in control.

Derivative financial instruments and hedging

Derivative financial instruments are initially entered in the accounts at their acquisition cost, which corresponds to their fair value. Subsequently, derivatives are stated at fair value.

The fair values of currency forward contracts are determined by comparing the value of the currency amount of the contract as calculated using the original forward rate with the value calculated using the forward rate on the balance sheet date. Gains and losses generated by recognition at fair value are handled in the accounts in the manner specified according to the purpose of the derivative financial instrument.

The fair values of interest derivatives are determined by discounting the contractual cash flows to the current value with the market interest rate on the balance sheet date.

Derivative instruments are used in the Group as a rule to hedge against exchange rate and interest rate risks. The currency forward contracts and currency option contracts are used to protect trade receivables and account payables as well as future receivables and liabilities. The interest rate derivatives are used to hedge against the changes of interest rates.

Accounting principles requiring judgements by management and key sources of estimation uncertainty

In the preparation of the consolidated financial statements in accordance with the IFRS standards, estimates and assumptions have to be made concerning the future, and actual results may differ from these estimates and assumptions. For the most part, these estimates affect the valuation of assets, the recognition of long-term projects under the percentage-of-completion method, and the utilisation of deferred tax assets.

The Group tests goodwill annually for impairment and evaluates indications of impairment as set forth in the accounting principles above. The recoverable amount from cash-generating units is determined using calculations that are based on value in use. The use of these calculations requires the application of estimates. The cash flow forecasts used for the calculations are based on the annual predictions concerning the income statement and maintenance investments made by the management, prepared in connection with the Group's budgeting process. The management bases its forecast on actual developments and its opinion of the growth outlook for the industry. The forecasts include uncertainty in respect of the development of the industry's market situation.

As described in the section on revenue recognition principles, the income and expenses from long-term projects are recognised as income and expenses on the basis of the percentage of completion when the result of the project can be assessed reliably. Recognition associated with the percentage of completion is based on the expected income and expenses of the project and on reliable measurement of project progress. If estimates of the project's outcome change, the recognised sales and profit are amended in the fiscal year during which the change becomes known and can be estimated for the first time. Any loss expected from the project is recognised as an expense immediately.

The previously announced legal process related to the extra costs caused by the material quality problem of the delivered project is still pending at the court of first instance in Sweden against material supplier Harald Pihl AB. The probable payment has been taken into consideration in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 000 EUR

3. SEGMENT REPORTING

INFORMATION ABOUT GEOGRAPHICAL AREAS

The geographical areas are presented by the main market areas. The turnover for the geographical area is presented in order of the clients' location. Assets and the investments are presented in accordance with their location. Assets include tangible and intangible assets and goodwill.

Fiscal year 2017	Finland	Other Europe	North-America	South-America	Asia	Africa	Group total
Net turnover	15 765	12 547	113	4	3 636	11	32 076
Assets	7 585	3 048					10 633
Investments	217	60					277

Fiscal year 2016	Finland	Other Europe	North-America	South-America	Asia	Africa	Group total
Net turnover	17 330	14 491	697	655	3 193	10	36 377
Assets	7 955	3 109					11 063
Investments	958	53					1 011

INFORMATION ABOUT KEY CUSTOMERS

The Group's turnover doesn't include revenues from an individual customer exceeding 10 % of the Group's turnover. (In 2016 5.7 M euros)

1 000 EUR

4. LONG TERM PROJECTS

	1.1.-31.12.2017	1.1.-31.12.2016
Net turnover		
Net turnover of construction contracts recognized under the percentage of completion method	12 336	14 883
Other turnover	19 740	21 494
Total	**32 076**	**36 377**
The amount that has been recognized as revenue from the long-term projects recognized under the percentage of completion method (however, not yet delivered to the customer), during the fiscal period and during the earlier periods	4 835	11 149
Order backlog		
Construction contracts recognized under the percentage of completion method	5 325	11 013
Projects entered on completion of the project	7 191	4 886
Order backlog total	**12 516**	**15 899**
The amount of contract revenue of the construction contracts recognized as revenue has been deducted from the order backlog.		
Specification of combined items of assets and liabilities concerning the construction contracts		
Accrued income from the construction contracts recognized under the percentage of completion method	4 415	10 766
Advances received from the customers	-4 415	-8 462
Difference	**0**	**2 304**

5. OTHER OPERATING INCOME

	1.1.-31.12.2017	1.1.-31.12.2016
Other operating income		
Subsidy	55	89
Other income	131	73
Gain on disposal of non-current assets	19	
Gain from bankrupt's estate	54	
Total	**259**	**162**

1 000 EUR

6. OTHER OPERATING EXPENSES

	1.1.-31.12.2017	1.1.-31.12.2016
Other operating expenses		
Rents	770	679
Overhead costs of production	457	603
Travelling expenses	439	375
IT-costs	436	435
Expenses from real estates and apartments	677	527
Sales costs	236	184
Non-statuory employee benefits	249	212
Costs of bank guarantees and insurances	178	324
Marketing expenses	87	107
Quality and environment expenses	36	125
Other expenses	957	900
Total	**4 522**	**4 470**

Other operating expenses include fees paid to the auditors	1.1.-31.12.2017	1.1.-31.12.2016
Auditing fees to Authorized Public Accountant Firm Ernst & Young	69	84
Auditing fees to other	6	27
Consulting and other fees to Authorized Public Accountant Firm Ernst & Young	15	34
Consulting and other fees to others	20	29
Total	**110**	**173**

7. DEPRECIATION AND IMPAIRMENTS

Depriciations by groups of assets	1.1.-31.12.2017	1.1.-31.12.2016
Intangible assets		
Intangible rights	15	13
Other long-term assets	26	9
Total	**40**	**22**
Tangible assets		
Buildings	63	109
Buildings, financial lease	11	5
Machinery and equipment	351	342
Machinery and equipment, financial lease	39	60
Other tangible assets	39	43
Total	**503**	**560**
Depreciations of goodwill realated to the aquisition in 2015 are presented after operating profit on the Income statement.	92	456
Depreciations and impairments total	**635**	**1 038**

8. COSTS OF EMPLOYEE BENEFITS

	1.1.-31.12.2017	1.1.-31.12.2016
Costs of employee benefits		
Salaries and fees	9 291	9 342
Pension expenses, defined contribution plan	1 352	1 356
Other employee benefits	389	490
Total	**11 032**	**11 187**
Management and Board salaries, fees and benefits		
CEO	176	152
Board members and substitute members	108	236
Total	**284**	**388**
Number of personnel of the Group at the end of the period		
White collar	82	84
Blue collar	96	111
Total	**178**	**195**

The information concerning the employee benefits of the management can be found on note 28 "Related party transactions".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. EXPEDINTURE ON RESEARCH AND DEVELOPMENT

Research and development expenditure	1.1.-31.12.2017	1.1.-31.12.2016
Research and development expenditures are related to Mixing tehcnology projects related to the manufacturing process for bioethanol and harmonising of product structures.	189	

10. FINANCING EXPENCES

	1.1.-31.12.2017	1.1.-31.12.2016
Financing expenses		
Interest expenses	192	195
Other financing expenses	262	47
Total	**454**	**242**

11. INCOME TAX

	1.1.-31.12.2017	1.1.-31.12.2016
Income taxes in income statement		
Tax on income from operations from the fiscal period	-118	-195
Change in deferred tax liabilities and tax assets	21	721
Total	**-97**	**526**

Reconciliation between tax provision on income statement and mathematical tax based on parent company's tax rate	1.1.-31.12.2017	1.1.-31.12.2016
Profit or loss before taxes	-469	190
Parent company's tax rate at the end of the fiscal period	20 %	20 %
Mathematical tax based on parent company's tax rate	-94	38
Differences between tax provision on income statement and mathematical tax based on parent company's tax rate due to:		
Effect of different tax rates in foreign subsidiaries	42	45
Non-deductible income	-0,9	-1
Non-deductible expenses	47	7
The lossses of the financial year of which deffered tax has not recorded	224	164
The allocation of previously unrecognized confirmed losses to the taxes of the period	-115	-211
The deferred tax from previously unrecognized comfirmed losses.	0	-621
Other timing differences	-6	54
Tax provision on income statement	**97**	**-525**
Effective tax rate	-21 %	-276 %

1 000 EUR

12. EARNINGS PER SHARE

	1.1.-31.12.2017	1.1.-31.12.2016
Net profit or loss attributable to the shareholders' of the parent, continuing operations, eur	-566	716
Net profit or loss attributable to the shareholders' of the parent, discontinuing operations, eur		
Average number of shares during the fiscal period	56 502 890	56 148 248
Earnings per share calculated on profit attributable to equity holders of the parent:		
Earnings per share undiluted, euros/share, continuing operations	-0,01	0,01
Earnings per share undiluted, euros/share, discontinuing operations		
Earnings per share undiluted, euros/share, net profit/loss	-0,01	0,01

13. TANGIBLE ASSETS

1.1.-31.12.2017	Land	Buildings	Buildings financial lease	Machinery and equipment	Machinery and equipment, financial lease	Other tangible assets	Advance payments and unfinished investments	Total
Acquisition cost at the beginning of the period	551	2 820	106	2 393	327	190	111	**6 498**
Increase				181		44	17	**242**
Decrease				-24	0		-32	**-56**
Transfers between items		-76	106	7		41	-61	**-89**
Acquisition cost at the end of the period	551	2 744		2 557	327	275	35	**6 595**
Accumulated depreciations and impairment losses at the beginning of the period		-204	-5	-554	-71	-52	0	**-886**
Depreciations and impairment losses		-129	-11	-350	-40	-55		**-585**
Accumulated depreciations and impairment losses at the end of the period		-333	-16	-904	-111	-107		**-1 471**
Book value at the beginning of the period	**551**	**2 616**	**101**	**1 839**	**256**	**138**	**111**	**5 612**
Book value at the end of the period	**551**	**2 411**	**90**	**1 653**	**216**	**168**	**35**	**5 124**

1.1.-31.12.2016	Land	Buildings	Buildings financial lease	Machinery and equipment	Machinery and equipment, financial lease	Other tangible assets	Advance payments and unfinished investments	Total
Acquisition cost at the beginning of the period	551	2 744		1 750	327	173	10	**5 555**
Merger of business operations								**0**
Increase		76	106	643		17	101	**943**
Decrease								**0**
Transfers between items								**0**
Acquisition cost at the end of the period	551	2 820	106	2 393	327	190	111	**6 498**
Accumulated depreciations and impairment losses at the beginning of the period		-29		-212	-11	-9		**-261**
Depreciations		-175	-5	-342	-60	-43		**-625**
Accumulated depreciations and impairment losses at the end of the period		-204	-5	-554	-71	-52		**-886**
Book value at the beginning of the period	**551**	**2 714**	**0**	**1 538**	**316**	**164**	**10**	**5 294**
Book value at the end of the period	**551**	**2 616**	**101**	**1 839**	**256**	**138**	**111**	**5 612**

Depreciation of acquisition related to the arrangement in 2015 are reported in the Income Stament below operating profit

14. INTANGIBLE ASSETS

1.1.-31.12.2017	Intangible rights	Other long-term assets	Brands	Brands no depreciation	Intangible assets total
Acquisition cost at the beginning of the period	68	475	263	1 622	**2 428**
Increase	16	18			**34**
Decrease		-4			**-4**
Transfers between items		90			**90**
Acquisition cost at the end of the period	84	579	263	1 622	**2 548**
Accumulated depreciations and impairment losses at the beginning of the period	-48	-433	-31		**-512**
Depreciations	-14	-22	-26		**-62**
Accumulated depreciations and impairment losses at the end of the period	-62	-455	-57		**-574**
Book value at the beginning of the period	**20**	**42**	**232**	**1 622**	**1 917**
Book value at the end of the period	**22**	**124**	**206**	**1 622**	**1 975**

1.1.-31.12.2016	Intangible rights	Other long-term assets	Brands	Brands no depreciation	Intangible assets total
Acquisition cost at the beginning of the period	48	429	263	1 622	**2 362**
Increase	22	46			**68**
Decrease	-2				**-2**
Acquisition cost at the end of the period	68	475	263	1 622	**2 428**
Accumulated depreciations and impairment losses at the beginning of the period	-35	-61	-4		**-100**
Depreciations of transfers' and decrease items					
Depreciations	-13	-372	-26		**-412**
Accumulated depreciations and impairment losses at the end of the period	**-48**	**-433**	**-31**		**-512**
Book value at the beginning of the period	**13**	**369**	**259**	**1 622**	**2 263**
Book value at the end of the period	**20**	**42**	**232**	**1 622**	**1 917**

Intangible rights include activated acquisition costs of patents, trade marks and licences. Goodwill, see Notes to the Consolidated Financial Statements, item 15 "Goodwill"

Depreciation of acquisition related to the arrangement in 2015 are reported in the Income Stament below operating profit

1 000 EUR

15. GOODWILL VALUES

Goodwill	1.1.-31.12.2017	1.1.-31.12.2016
Acquisition cost at the beginning of the period	3 534	3 534
Acquisition cost at the end of the period	3 534	3 534
Book value at the end of the period	**3 534**	**3 534**

Testing of goodwill:

Goodwill values are tested for depreciation annually. The testing is performed for those cash generating units, to which the goodwill values area allocated. The value of the recoverable amount is based on utility value calculations.

Main assumptions in testing of goodwill:

The development of the turnover and cost level of the unit in question are the key assumptions used in the goodwill test calculations. The cash flow forecasts used in the calculations are based on the management's annual income statement and maintenance investment forecasts prepared in conjunction with the Group's budget process. The management's forecasts are based on actual performance and their view on the growth outlook for their field. Approved investment decisions are taken into account in growth forecasts. Financial plans and forecasts for the units to be tested have been prepared for a period of five years, and cash flows have been predicted for the test calculations for this period.

The goodwill remaining at the end of the financial year is attributable to Stelzer Rührtechnik International GmbH, Japrotek Oy, AP-Tela Oy and Uutechnic Oy. The cash flow forecasts for the companies are based on an estimate that assumes their profitability to improve during and after the financial year 2018 in comparison to 2017.

	The expected growth in net sales during the 5-year forecast period %
AP-Tela Oy	6,3 - 14,8
Japrotek Oy Ab	0,9 - 7,6
Stelzer Rührtechnic Int. GmbH	3,6 - 9,1
Uutechnic Oy	6,3 - 46,8

Discount rate:

The pretax WACC spesified for Uutechnic Group has been used as the discount rate. The discount rates for fiscal period 2017 were:

AP-Tela Oy	9,38 %
Japrotek Oy Ab	9,38 %
Stelzer Rührtechnic Int. GmbH	8,76 %
Uutechnic Oy	9,38 %

Sensitivity of the main assumptions used in testing of depreciation:

	The discount rate may increase % points	Net cash flow may decrease %
AP-Tela Oy	4,1	80,9
Japrotek Oy Ab	12,6	89,3
Stelzer Rührtechnic Int. GmbH	29,2	94,3
Uutechnic Oy	40,6	94,6

16. AVAILABLE FOR SALE INVESTMENTS

1 000 EUR	1.1.-31.12.2017	1.1.-31.12.2016
Available for sale investments		
Other shares and holdings, available for sale, not listed		25
Total	**0**	**25**

The investments of the Group in other shares consist of investments in unlisted shares, which are either non-profit shares or shares related to the Group's business.

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	31.12.2016	Allocated to the tax from the period	Allocated to deferred taxes 2016	Unused 31.12.2017
Tax losses carried forward	8 608	-577	-3 102	4 929
Deffered tax assets 20%			621	

Deferred tax liabilities	31.12.2017	Recognized in income statement	31.12.2016	Recognized in income statement
Merger of business operations	317	18	332	90
Other timing differences	87	3	93	10
Total	**404**	**21**	**425**	**100**

1 000 EUR

18. INVENTORIES

	31.12.2017	31.12.2016
Inventories		
Materials and supplies	1 857	1 461
Work in progress	1 806	1 195
Finished products	65	73
Total	**3 728**	**2 728**

19. SHORT–TERM RECEIVABLES

	31.12.2017	31.12.2016
Trade and other receivables		
Trade receivables*	3 942	4 747
Other receivables	94	82
Prepayments and accrued income	722	2 475
Total	**4 757**	**7 304**

* Trade receivables do not include any significant risk concentrations.

Ageing analysis of trade receivables		
Not due	2 907	3 172
Past due less than 180 days	640	1 216
Past due more than 180 days	395	359
Total	**3 942**	**4 747**

Prepayments and accrued income	31.12.2017	31.12.2016
Prepayments and accrued income consists of:		
Receivables from the construction contracts recognized under the percentage of completion method	0	2 304
Other prepayments and accrued income on expenses	722	171
Total	**722**	**2 475**

20. CASH AND CASH EQUIVALENTS

	31.12.2017	31.12.2016
Cash and bank		
Cash and bank	608	1 909
Total	**608**	**1 909**
Change of liquid funds in the flow of funds statement		
Liquid funds at the beginning of the period	1909	679
Liquid funds at the end of the period	608	1 909
Change of liquid funds in the balance sheet	**-1 301**	**1 230**

21. SHAREHOLDERS' EQUITY

Share Capital

Plc Uutechnic Group Oyj's registered and fully paid share capital of 31 December 2017 was 2,872,302 euros and the number of shares and wotes in the company was 56,505,210.

Share premium account

Share premium account includes the share premiums of issues according to the previous Companies Act (29.9.1978).

The unrestricted equity reserve

The unrestricted equity reserve includes other items of equity and the subscription price of shares insofar as it is not included in the share capital.

Translation differences

Translation differences include exchange gains and losses arising from the translation of the financial statements of foreign companies.

Dividends

The Board of Directors has proposed that no dividends will be paid from fiscal year 2017.

Capital Management

The objective of Group's capital management is to ensure the continuity of the business of Uutechnic Group and to maintain the optimal capital structure in order to ensure the investments taking into the account the capital expenses. Shareholders' equity and liabilities, excluded the advance payments received, are included into the capital.

The Group's equity stood at 9,9 million euros at the end of the financial year.

The company has subordinated loans granted by two owners, totalling EUR 1.0 million. These loans are subordinated loans in accordance with chapter 12 of the Limited Liability Companies Act, and their capital repayments and interest payments must meet the conditions provided in the Act. The loans will be repaid as a one-off payment on 31 December 2019. However, the company is entitled to pay early. The annual interest rate on the outstanding loan capital is 4%.

The Group monitors the development of the capital structure using the equity ratio quarterly. This key figure is calculated by dividing the shareholders' equity of the Group with the total liabilities, excluded the amount of advance payments received. The equity ratio on 31 December 2017 was 68,2%.

1 000 EUR

21. SHAREHOLDERS' EQUITY

	31.12.2017	31.12.2016
Share capital		
Share capital at the beginning of the period	2 872	2 872
Items due to reverce aquisition		
Share capital at the end of the period	**2 872**	**2 872**
RESERVES		
Share premium account		
Share premium account at the beginning of the period	6	6
Items due to reverce aquisition		
Share premium account at the end of the period	**6**	**6**
Unristrected equity reserve		
Unrestricted equity reserve at the beginning of the period	6 376	6 120
Share issue		271
Items due to reverce aquisition		
Share issue expenses		-15
Items due to reverce aquisition		
Unrestricted equity reserve at the end of the period	**6 376**	**6 376**
Reserves total	**6 382**	**6 382**
Translation differences		
Translation difference, restricted equity at date of acquisition	33	33
	-33	
Translation differences	**0**	**33**
RETAINED EARNINGS		
Retained earnings	1 188	472
Retained earnings at the beginning of the period	33	
Retained earnings	**1 221**	**472**
Profit or loss for the fiscal period		
Profit or loss for the fiscal period	-566	716
Profit or loss for the fiscal period	**-566**	**716**
Retained earnings	**655**	**1 188**
Shareholders of the parent company	**655**	**1 188**
MINORITY INTEREST		
Minority interest		
Total shareholders' equity	**9 909**	**10 475**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PROVISIONS

Non-current provisions, 1 000 EUR	**Warranty provision**	**Pension provision**	**Total**
Provisions at the beginning of the period	124	150	274
Change of the provisions	-17	-4	-21
Provisions at the end of the period	**108**	**146**	**254**

The warranty provision covers warranty-related costs for products that have a product warranty. Warranty periods are usually 24 months long, in which time the provisions will be used. The pension provision consists of pension liabilities of one retired person in German subsidiary.

Transferred projects
The Group's companies have a transfer-related, warranty-period responsibility for projects transferred by the end of the fiscal period.

23. INTEREST–BEARING LIABILITIES

	31.12.2017	31.12.2016
Non-current liabilities, interest-bearing		
Loans from financial institutions	1 109	1 529
Financial leasing	59	79
Subordinated loans from owners	1 000	2 000
Loans from institutions	50	
Total	**2 218**	**3 608**
Current liabilities, interest-bearing		
Loans from financial institutions	1 532	1 517
Financial leasing	20	18
Total	**1 552**	**1 536**
A reconcilliation between the opening and closing balances of liabilities arising from financing activities		
Interest bearing liabilities at 1 Jan	5 144	5 482
Cash flows	-1 374	-339
Interest bearing liabilities at 31 Dec	**3 769**	**5 144**

1 000 EUR

24. FINANCIAL RISK MANAGEMENT

The objective of the Group's financial risk management policy is to minimize the harmful effects of financial market volatility on the Group's results. The primary financial risks are currency and interest rate risks. The Group's general principles of risk management are approved by the Board, and their implemention is the responsibility of the Group's financial administration function and the business units.

CURRENCY RISK

In accordance with the principles of currency risk management, currency forward contracts and currency option contracts are as a rule used to hedge against significant exchange rate risks. The currency forward contracts are used to protect receivables and future assets.

Exposure to foreign exchange risk from transactions, 1000 EUR

Group total at the end of the fiscal period	**31.12.2017 SEK**	**NOK**	**ZAR**	**USD**
Foreign currency trade receivables				13,7
Foreign currency account payables		-3,4	-16,6	-163,9
Foreign currency cash and bank	2,4	10,5	4,0	0,3
Net exposure in balance sheet	**2,4**	**7,1**	**-12,7**	**-149,9**

Group total at the end of the fiscal period	**31.12.2016 SEK**	**NOK**	**ZAR**	**USD**
Foreign currency trade receivables				52,6
Foreign currency account payables	-34,3		-1,2	-299,2
Foreign currency cash and bank	2,5	11,4	4,2	0,4
Net exposure in balance sheet	**-31,8**	**11,4**	**3,0**	**-246,2**

Sensitivity analysis
The effect of a 10% weakening currencies (against euro) in euro:

Group total at the end of the fiscal period	**31.12.2017 SEK**	**NOK**	**ZAR**	**USD**
Profit or loss for the period before taxes	0,0	-0,1	0,1	11,4
Profit or loss for the period, net of taxes	0,0	-0,1	0,1	9,1

Group total at the end of the fiscal period	**31.12.2016 SEK**	**NOK**	**ZAR**	**USD**
Profit or loss for the period before taxes	0,3	-0,1	0,0	21,2
Profit or loss for the period, net of taxes	0,2	-0,1	0,0	17,0

INTEREST RATE RISK

Interest rate risk is caused by the effect of changes in the general level of interest rates on the value of interest-bearing liabilities. The interest rate risk can be managed using interest rate swap and interest rate option contracts.

Sensitivity analysis of interest rate

	Interest expenses according to the payment plan 31.12.2017	**Increase of the interest expenses resulted from the change of the interest rate +1%**
Loans from financial institutions	68	26
Financial leasing	11	2
Subordinated loans from owners	160	
Loans from institutions	1	3
Total	**228**	**29**

The interests of subordinated loans are fixed.

CREDIT RISK

For the most part, protection againts credit risks is managed by taking them into account in the selection of the term and method of payment. The Group does not usually provide customer financing; instead, it cooperates with banks and export credit agencies to support the financing of customers' equipment investments.

REFINANCING AND LIQUIDITY RISK

Liquidity risk:
The Group monitors and estimates continuously the quantities of funds needed to run the business operations, so that the Group will, at all times, retain enough liquid assets to fund the operations and repay debts that fall due. The availability and flexibility of funding are ensured by unused credit limits and book credits.

To assess the liquidity, the Group has prepared the monthly cash flow forecast, which extends until February 2019. The cash flow statement is based on the earnings forecast for fiscal period 2018 prepared in connection with the consolidated financial statements. At the balance sheet date, the working capital of the Group is sufficient for the needs of next 12 months, if the Group will achieve the forecasted profit targets. Due to the nature of the Group's project business, the need for financing may fluctuate in the short term, as the terms of payment for new orders vary and their uncertainty is realistic.

FINANCIAL ARRANGEMENTS

The financing agreement between the Group and its financiers includes a covenant requiring that the Group's gearing ratio not exceed 0.65. The ratio will be determined annually based on the Group's confirmed financial statements by taking capital loans in accordance with the Limited Liability Companies Act, among other factors, into account in equity when calculating the net gearing ratio. 31.12.2017 the gearing ratio was 0.19.

The parent company's loan of EUR 2 million (before instalments) from the Turku Region OP Bank includes a covenant requiring that the loan margin be tied to the ratio between Uutechnic Group's net interest-bearing liabilities and EBITDA. The initial loan margin is 2.35 percentage points. If the ratio is 2 or below, the margin will decrease to 1.90 percentage points. The margins will be reviewed for the first time based on the financial statements for 2016. After that, they will be reviewed annually. 31.12.2017 the ratio was 3,35.

1 000 EUR

24. FINANCIAL RISK MANAGEMENT

Cash flows of financial liabilities according to the payment plan, 1 000 EUR

Interest-bearing liabilities Maturing during the fiscal period	2018 during 1-6 months	2018 during 7-12 months	2019	2020	2021	Later	Total
Loans from financial institutions, capital	235	235	471	471	118		**1 529**
Loans from financial institutions, interests	20	17	21	9	2		**68**
Financial leasing, capital	10	10	21	22	17		**79**
Financial leasing, interests	2	2	4	2	1		**11**
Subordinated loans from owners, capital			1 000				**1 000**
Subordinated loans from owners, interests			160				**160**
Loans from institutions, capital				46	4		**50**
Loans from institutions, interests							**1**
Total	**267**	**264**	**1 676**	**550**	**141**	**0**	**2 847**

Interest-free liabilities Maturing during the fiscal period	2018 during 1-6 months	2018 during 7-12 months	2019	2020	2021	Later	Total
Trade payables	1 846						**1 846**
Total	**1 846**						**1 846**

Cash flows of financial receivables according to the payment plan

Short-term receivables Maturing during the fiscal period	Earlier matured	2018	2019	2020	2021	Later	Total
Trade receivables	1 035	2 907					**3 942**
Total	**1 035**	**2 907**					**3 942**

24. FINANCIAL RISK MANAGEMENT

Maturing times and effective interest rates (weighted averages) of interest-bearing liabilities 31.12.2017

	Maturing times, years	Interest rate %
Loans from financial institutions	4	2,35
Subordinated loans from owners	2	4,00

Credit limits in use
In the end of the fiscal year 31.12.2017 the Group had credit limits in use total 1.06 million euros.
The average interest rate of the credit limits at the end of the fiscal year was 2.34 %.

Unused credit limits
In the end of the fiscal year 31.12.2017 the Group had unused book limits total 3.4 million euros.

25. SHORT–TERM LIABILITIES

	31.12.2017	31.12.2016
Trade payables and other liabilities		
Advance payments received	1 399	1 839
Advance payments, unpaid		
Trade payables	1 846	2 367
Other short-term liabilities	926	888
Accruals and deferred income	1 705	2 248
Total	**5 876**	**7 342**
Accruals and deferred income consist of:		
Accrued employee expenses	959	1 076
Interest liabilities	88	94
Other accruals and deferred income	657	1 078
Total	**1 705**	**2 248**
Tax liability		
Tax liability, income tax	132	44
Total	**132**	**44**

1 000 EUR

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of other than derivative contracts, 1 000 euros

Financial assets	Book value 31.12.2017	Fair value 31.12.2017	Book value 31.12.2016	Fair value 31.12.2016
Trade receivables and other receivables	4 757	4 757	7 304	7 304
Cash and cash equivalents	608	608	1 909	1 909

Financial liabilities	Book value 31.12.2017	Fair value 31.12.2017	Book value 31.12.2016	Fair value 31.12.2016
Long-term loans from financial institutions	1 109	1 109	1 529	1 529
Subordinated loans from owners	1 000	1 000	2 000	2 000
Long-term financial leasing	59	59	79	79
Short-term loans from financial institutions	1 532	1 532	1 517	1 517
Short-term financial leasing	20	20	18	18
Trade payables and other liabilities	5 876	5 876	7 342	7 342

27. SECURITIES AND RESPONSIBILITIES

Securities and Responsibilities

1 000 EUR Granted securities	31.12.2017	31.12.2016
Dept secured by real estate and corporate mortgages		
Loans from financial institutions and	1 529	2 000
Credit limits in use	1 061	1 104
Total	**2 590**	**3 104**
Loans from financial institutions are secured by real estate and corporate mortgages and share pledges. Share pledges are the share capitals of Plc Uutechnic Group Oyj's subsidiaries.		
Mortgages granted to secure loans and bank guarantees		
Real estate mortgages	4 743	4 743
Corporate mortgages	22 238	22 238
Total	**26 981**	**26 981**
Other granted securities for own behalf		
Deposits	9	9
Total	**9**	**9**

Other granted securities

Plc Uutechnic Group Oyj has granted as securities the share capitals of its subsidiaries AP-Tela Oy, Japrotek Oy, Uutechnic Oy and Stelzer Rührtechnik International GmbH.

Contingent Liabilities and Other Liabilities	31.12.2017	31.12.2016
Bank quarantees		
Bank guarantee limits total	11 500	10 500
Bank guarantee limits in use	4 813	6 485
Operating lease agreements		
Within a year	28	20
More than one year but no more than 5 years	23	18
Total	**52**	**38**

Operating lease contracts consist mainly of short-term leasing contracts for IT equipment and sotware. The terms and conditions are of leasing agreements correspond to those of normal operational leasing agreements.

Other rent agreements

The Group has rented production and office buildings for its own use with various types of terminable rental agreements.

	31.12.2017	31.12.2016
Rent liabilities		
Within a year	572	568
1 - 5 years	2 244	2 209
Later	2 244	2 622
Total	**5 060**	**5 399**

Rent liabilities include EUR 5 049 thousand to related parties.

Other contingent liabilities		
Granted guarantees to customers and creditors	784	1 230
Guarantees granted to secure bank guarantee limit	11 500	10 500
Guarantees granted to secure bank loans	2 590	3 104
Guarantees granted to secure rent guarantees	165	400
Total	**15 039**	**15 234**

1 000 EUR

28. RELATED PARTY TRANSACTIONS

The Group has related party relationships with members of the Board of Directors and management team, managing director and major shareholders. In addition, related parties include all entities controlled or jointly controlled by a person idenfitied as related party.

	1.1.-31.12.2017	1.1.-31.12.2016
Rent expenses		
Lease payments for factory premises to entities in which the members of the board and the major shareholders of the company excercise control	570	552
Material and Services		
Service payments to the entity where a major shareholder excercises control	2	
Other operating expenses		
Consultation fee to the entity whre a major shareholder excercises control	18	
Sale of a car to the former CEO, loss	6	
Long-term loans		
Long-term loans from the major shareholders of parent company	1 000	2 000
Employee benefits for the management		
Salaries and fees of the parent company management		
CEO:		
Peräaho Jouko	149	
Heikkilä Martti Olavi	27	152
Other Group Management	490	548
Board members:		
Alatalo Sami	36	34
Lindström Timo		7
Peräaho Jouko	28	166
Kottonen Hannu	22	15
Lagerstedt Kristiina	22	15

In reference year 2016 Jouko Peräaho, Chairman of the Board, has been paid 153 520 euros salary based on his full-time vacancy.

No special conditions for retirement, pension benefits, or discharge-related conditions have been spesified for the members of the Group's management. According to the employment contract of CEO Jouko Peräaho and Debuty CEO Martti Heikkilä, both the company and the CEO or the Debuty CEO are entitled to terminate the contract without any particular reason. In such a case, the period of notice on either side is three months.

The members of the Group's management have not received the group's own shares as a reward or incentive. The Group currently has no stock option plan.

29. INDICATOR CALCULATION FORMULAS

Return on equity % (ROE) =	Profit/loss for the period / Shareholders' equity (average)	x 100
Return on investment % (ROI) =	Profit/loss before taxes + interest expenses and other financial expenses / Shareholders' equity + interest-bearing debts (average)	x 100
Equity ratio =	Shareholders' equity / Total assets - advances received	x 100
Current ratio =	Current assets / Short-term liabilities	
Net Gearing =	Interest-bearing debts - cash and bank deposits and other securities / Shareholders' equity	x 100
Earnings per share, euros =	Profit/loss for the period / Number of shares outstanding issue adjusted (average)	
Shareholders' equity/share, euros =	Shareholders' equity / Number of shares outstanding issue adjusted, at the end of the fiscal year	
Dividend/share, euros =	Dividend for the fiscal year / Number of shares outstanding issue adjusted, at the end of the fiscal year	
Dividend/share, percentage =	Dividend for the fiscal year/share / Earnings/share	x 100
Effective dividend return, percentage =	Dividend for the fiscal year/share / Adjusted price of the share at the end of the fiscal year	x 100
Price per earnings (P/E) =	Adjusted price of the share at the end of the fiscal year / Earnings/share	
Average share price =	Total value of shares traded during the fiscal year / Total number of shares traded during the fiscal year	
Total market value =	Total number of shares at the end of the fiscal year x share price at the end of the fiscal year	
Development of shares traded =	Total number of shares traded during the fiscal year and its percentual share of the total number of series' shares	

1 000 EUR

30. SHARES AND SHAREHOLDERS

According to the book-entry security system, Plc Uutechnic Group Oyj had 1 460 registered shareholders on 31 December 2017. There were in total 4,483,597 nominee-registered shares.

MAJOR SHAREHOLDERS According to the book-entry security system, on 31 December 2016	Shares no.	 %	 kpl	Votes %
Lindström Timo	8 790 000	15,56	8 790 000	15,56
Peräaho Jouko	8 690 000	15,38	8 690 000	15,38
Laakkonen Mikko	8 147 255	14,42	8 147 255	14,42
HML Finance Oy	6 654 375	11,78	6 654 375	11,78
UuCap Oy	4 805 000	8,50	4 805 000	8,50
Clearstream Banking S.A.*)	3 898 566	6,90	3 898 566	6,90
Peräaho Jonni	3 080 000	5,45	3 080 000	5,45
Lindström Ilona Iiris	1 680 000	2,97	1 680 000	2,97
Lindström Risto Herman	1 680 000	2,97	1 680 000	2,97
Bark Road Invest Oy	540 000	0,96	540 000	0,96
Total for 10 largest	**47 965 196**	**84,89**	**47 965 196**	**84,89**
*) nominee-registered shares				

Lindström Timo, Peräaho Jouko, Peräaho Jonni, Lindström Ilona and Lindström Risto are 100 % owners of UuCap Oy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BREAKDOWN OF SHARE OWNERSHIP BY AMOUNT OF HOLDINGS According to the book-entry security system, on 31 December 2017	Share-holders no.	 %	Shares no.	 %	Votes no.	 %
1 - 100	225	15,41	11 217	0,02	11 217	0,02
101 - 1 000	572	39,18	286 272	0,51	286 272	0,51
1 001 - 10 000	531	36,37	1 892 843	3,35	1 892 843	3,35
10 001 - 100 000	107	7,33	3 175 947	5,62	3 175 947	5,62
100 001 - 1 000 000	25	1,71	51 135 451	90,50	51 135 451	90,50
	1460	**100,00**	**56 501 730**	**100,00**	**56 501 730**	**100,00**
Nominee-registered shares	6		4 483 597	7,94	4 483 597	7,94
			56 501 730	**100,00**	**56 501 730**	**100,00**

BREAKDOWN OF SHARE OWNERSHIP BY GATEGORY OF OWNER According to the book-entry security system, 31 December 2017	Share-holders no.	 %	Shares no.	 %	Votes no.	 %
Companies	58	3,97	112 450 231	22,03	12 450 231	22,03
Financial and insurance institutions	6	0,41	885 132	1,57	885 132	1,57
Public corporations	3	0,20	226 725	0,40	226 725	0,40
Households	1385	94,86	39 006 527	69,04	39 006 527	69,04
Non-profit organizations	2	0,14	201	0,00	201	0,00
Foreign countries	6	0,41	3 932 914	6,96	3 932 914	6,96
	1460	**100,00**	**56 501 730**	**100,00**	**56 501 730**	**100,00**
Nominee-registered shares	6		4 483 597	7,94	4 483 597	7,94
			56 501 730	**100,00**	**56 501 730**	**100,00**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SHARE HOLDINGS OF THE MANAGEMENT		Shares		Votes
According to the book-entry security system, on 31 December 2017	**kpl**	**%**	**kpl**	**%**
Board of directors and CEO				
Lagerstedt Kristiina	54 000	0,10	54 000	0,10
Kottonen Hannu	50 000	0,09	50 000	0,09
Peräaho Jouko, CEO, member of the board	8 690 000	15,38	8 690 000	15,38
Saola Oy*	130 000	0,23	130 000	0,23
*Saola Oy is controlled by Sami Alatalo, the chairman of the board of directors				
Group Management				
Heikkilä Martti, Development director	130 000	0,23	130 000	0,23
Junninen Leena, Finance manager	40 000	0,07	40 000	0,07
Vaarno Jussi, Vice president	280 000	0,50	280 000	0,50

Jouko Peräaho is 36 % owner of UuCap Oy, which owns 4 805 000 shares (8,50 % Plc Uutechnic Group Oyj's shares)

Board members, CEO, Deputy CEO or managers of the Group have no holdings or special rights based on the company's share-based incentive systems.

FINANCIAL STATEMENT OF THE PARENT COMPANY

Table of Contents

INCOME STATEMENT OF THE PARENT COMPANY, FAS

1000 EUR	1.1.-31.12.2017	1.1.-31.12.2016	Note
NET TURNOVER	**1 494**	**1 911**	2
Other income	72	77	3
Personnel expenses	-1 245	-1 192	5
Depreciations and impairment losses	-35	-18	6
Other operating expenses	-779	-734	7
OPERATING PROFIT OR LOSS	**-492**	**43**	4
Financing income and expenses	-350	-126	8
PROFIT OR LOSS BEFORE INCOME TAXES AND APPROPRIATIONS	**-842**	**-83**	
APPROPRIATIONS			
Group contribution	899	632	9
PROFIT OR LOSS FOR THE FISCAL YEAR	**57**	**549**	

BALANCE SHEET, PARENT COMPANY, FAS

	31.12.2017	31.12.2016	Note
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	21	28	
Tangible assets	41	48	
Investments	9 779	9 786	
NON-CURRENT ASSETS	**9 841**	**9 862**	11
CURRENT ASSETS			
Long-term receivables	4 363	2 863	
Short-term receivables	4 177	3 965	
Cash and bank	2	7	
CURRENT ASSETS	**8 541**	**6 835**	12
ASSETS	**18 383**	**16 697**	
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Reserve fund	19 397	19 397	
Retained earnings	-9 987	-10 536	
Profit or loss for the fiscal year	57	549	
SHAREHOLDERS' EQUITY	**12 339**	**12 283**	13
LIABILITIES			
Subordinated loan	1 000	2 000	
Long-term interest-bearing liabilities	1 058	1 529	14
Short-term interest-bearing liabilities	1 230	471	15
Short-term non-interest-bearing liabilities	2 755	415	15
LIABILITIES	**6 043**	**4 415**	
EQUITY AND LIABILITIES	**18 383**	**16 697**	

FLOW OF FUNDS STATEMENT OF THE PARENT COMPANY, FAS

1000 EUR	1.1.-31.12.2017	1.1.-31.12.2016
FLOW OF FUNDS FROM OPERATIONS		
Profit before extraordinary items	57	549
Adjustment items:		
Depreciations according to plan	23	18
Impairment lossess	12	0
Other income and expenses, no payment related	235	0
Financial income and expenses	115	126
Sales profits and losses	-18	0
Flow of funds before the change in working capital	**424**	**693**
Change in working capital:		
Change in short-term receivables	-1 297	-1 354
Change in short-term non-interest bearing creditors	296	-99
Flow of funds before financial items and taxes	**-577**	**-759**
Interest and other financial expenses from operations paid	-168	-84
Dividends and other financial income received	2	1
Interests received	9	44
FLOW OF FUNDS FROM OPERATIONS	**-735**	**-799**
FLOW OF FUNDS FROM INVESTMENTS:		
Investments in tangible and intangible assets	-41	-44
Income from sales of tangible and intangible assets	21	0
Other investments	24	0
FLOW OF FUNDS FROM INVESTMENTS	**3**	**-44**
FLOW OF FUNDS FROM FINANCIAL ITEMS		
Share issue		1 771
Withdrawals of short-term loans	760	0
Repayments of short-term loans	-471	0
Withdrawals of long-term loans	1 805	0
Repayment of long-term loans	-1 000	0
Loans granted to subsidiaries	-1 000	-1 913
Change in Group account receivable or debt	0	904
Group contribution	632	0
FLOW OF FUNDS FROM FINANCIAL ITEMS	**726**	**762**
Change of liquid funds	**-5**	**-81**
Liquid assets at the beginning of the fiscal year	7	88
Liquid assets at the end of the fiscal year	2	7
Change in liquid assets according to the balance sheet	-5	-81

NOTES TO THE INCOME STATEMENT

1. ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

Accounting Principles for Financial Statements

The financial statement of Plc Uutechnic Group Oyj for the fiscal period 2017 were drawn up in accordance with Finnish accounting legislation.

Assets and Liabilities in Foreign Currencies

Transactions denominated in foreign currencies are entered at the exchange rate applicable on the date of the transaction. Assets and debt denominated in foreign currencies that are open at the end of the fiscal year are valued at the exchange rate in effect on the balance sheet date.

Other Operating Income

Other operating income includes proceeds from the sale of tangible assets and other operating income received from Group companies.

Expenditure on Research and Development

There were no research and development costs during the fiscal year under review.

Pensions

Pension liabilities for the parent company's personnel have been covered through a pension insurance company. Statutory pension expenses have been entered under costs for the fiscal year in which they accumulated.

Leasing Payments

In the parent company's financial statement, leasing payments have been entered under annual costs in accordance with the Finnish Accounting Act.

Intangible Assets

Intangible assets include computer software. They are entered at the original acquisition cost, minus planned depreciation. The economic life (term of depreciation) of software is five years.

Tangible Assets

Tangible assets are entered on the balance sheet at their original acquisition cost, planned depreciation deducted. The economic lif of buildings and structures is 35 – 40 years and that of machines and equipment is 5 – 25 years.

Income Tax

Income tax has been entered in accordance with the Finnish Accounting Act.

	1.1.-31.12.2017	1.1.-31.12.2016
2. TURNOVER BY BUSINESSES AND MARKET AREAS		
By businesses		
Administration	1 494	1 911
Total	**1 494**	**1 911**
By market areas		
Finland	1 201	1 463
Other Europe	293	448
Total	**1 494**	**1 911**
3. OTHER OPERATING INCOME		
Gains from investments	18	
Gains from bankrupt's estate	54	
Subsidy		77
Total	**72**	**77**
4. OPERATING PROFIT OR LOSS BY BUSINESSES		
Administration	-546	43
Total	**-546**	**43**
5. PERSONNEL		
Average number of personnel		
Office staff	11	9
Total	**11**	**9**
Personnel expenses		
Wages and salaries	1 041	993
Pension costs	181	168
Other personnel expenses	22	32
Total	**1 244**	**1 192**
Management's salaries and benefits		
Managing directors	176	152
Board members	108	236
Total	**284**	**388**

	1.1.-31.12.2017	1.1.-31.12.2016
6. DEPRECIATIONS AND DECREASED VALUES		
Fixed assets have been depreciated according to plan. Depreciation according to plan is calculated based on straight line depreciation, the economic life and the original purchase value of assets.		
The estimated economic lives (years)		
Other long-term assets	5-10 v	5-10 v
Buildings	35-40 v	35-40 v
Machinery and equipment	5-25 v	5-25 v
Depreciations and decreased values		
Depreciations from tangible and intangible assets	23	18
Impairment losses from tangible assets	12	0
Total	**35**	**18**
7. OTHER OPERATING EXPENSES		
Rent expenses	11	7
Non-statutory employee benefits	22	18
Other expenses	746	709
Total	**779**	**734**
8. FINANCIAL INCOME AND EXPENSES		
Income from other investments held as non-current assets		
Other	2	0
Total	**2**	**0**
Other interest and other financial income		
Group companies	55	44
Other	0	1
Total	**55**	**45**
Financial income total	**56**	**45**
Interest and other financial expenses		
Group companies	4	0
Other *)	403	171
Total	**406**	**171**
Financial expenses total	**406**	**171**
Financial income and expenses total	**-350**	**-126**
Financial expenses include lease guarantee of EUR 0,2 million given to a third party.		
9. APPROPRIATIONS		
Group contribution from Uutechnic Oy	899	632
Total	**899**	**632**

NOTES TO THE BALANCE SHEET

10. SHAREHOLDINGS	Registered Office	Number of Shares	Group Ownership %
Group Companies			
Company			
AP-Tela Oy	Kokkola	480	100,00
Japrotek Oy Ab	Pietarsaari	100 000	100,00
Stelzer Rührtechnik International GmbH	Warburg, Germany		100,00
Vaahto Group Asia Limited	Hong Kong, China		100,00
Uutechnic Oy	Uusikaupunki	10 000	100,00

11. NON-CURRENT ASSETS

Impairment–testing of shares insubsidiaries

The value of shares in subsidiaries in the parent company's accounts is the original cost plus investments made subsequently to consolidate the subsidiaries' eguity capital. Share value has substantial bearing on the parent company's solvency ratio and, thereby, on equity capital and other factors. Impairment test of shares in subsidiaries have been performed on the basis of the situation presented in the year-end accounts of 31 December 2017. A value-adjustment entry of 1,667,257.70 for the acquisition cost of shares of AP-Tela Oy and 170,000.00 for the acquisition cost of shares of Vaahto Asia Ltd have been made earlier. The calculations show no sign of share-value impairment in other subsidiaries.

11. NON-CURRENT ASSETS	31.12.2016	31.12.2016
Intangible assets		
Other long-term assets		
Acquisition cost at the beginning of the fiscal year	94	59
Increase	0	35
Acquisition cost at the end of the fiscal year	**94**	**94**
Accumulated depreciations at the beginning of the fiscal year	-66	-59
Depreciation of the fiscal year	-7	-7
Accumulated depreciations of the decrease	0	0
Accumulated depreciations at the end of the fiscal year	**-73**	**-66**
Book value at the end of the fiscal year	**21**	**28**
Intangible assets total	**21**	**28**
Tangible assets		
Machinery and equipments		
Acquisition cost at the beginning of the fiscal year	56	47
Increase	41	9
Decrease	-33	0
Acquisition cost at the end of the fiscal year	**64**	**56**
Accumulated depreciations at the beginning of the fiscal year	-20	-9
Accumulated depreciations of the decrease	13	0
Depreciation of the fiscal year	-16	-11
Accumulated depreciations at the end of the fiscal year	**-23**	**-20**
Book value at the end of the fiscal year	**41**	**36**
Other tangible assets		
Acquisition cost at the beginning of the fiscal year	12	12
Impairment loss	-12	0
Acquisition cost at the end of the fiscal year	**0**	**12**
Book value at the end of the fiscal year	**0**	**12**
Tangible assets total	**41**	**48**
Investments		
Shares in Group companies		
Acquisition cost at the beginning of the fiscal year	16 715	16 715
Acquisition cost at the end of the fiscal year	**16 715**	**16 715**
Accumulated depreciations and impairment losses at the beginning of the fiscal year	-6 948	-6 948
Accumulated depreciations and impairment losses at the end of the fiscal year	**-6 948**	**-6 948**
Book value at the end of the fiscal year	**9 767**	**9 767**
Other shares		
Acquisition cost at the beginning of the fiscal year	19	19
Decrease	-6	0
Acquisition cost at the end of the fiscal year	**13**	**19**
Book value at the end of the fiscal year	**13**	**19**
Investments total	**9 779**	**9 786**

12. CURRENT ASSETS	31.12.2017	31.12.2016
Long-term receivables from Group		
Other long-term receivables	4 363	2 863
Total	**4 363**	**2 863**
Long-term receivables total	**4 363**	**2 863**
Short-term receivables from Group companies		
Accounts receivable	1 018	949
Loan receivables	2 115	2 932
Other recevables	899	39
Prepaid expenses and accrued income	84	0
Total	**4 116**	**3 920**
Prepaid expenses and accrued income		
Prepaid expenses and accrued income	60	45
Total	**60**	**45**
Short-term receivables total	**4 177**	**3 965**
Cash and bank	2	7
Cash and bank	**2**	**7**

Capital loan receivables from Group companies

Long-term receivables from Group companies are capital loans to Japrotek Oy Ab and AP-Tela Oy meant by the Chapter 12 of the Companies Act § 1-2. At the closing of the financial period, on 31 December 2017, the parent company had 3,45 M EUR of subordinated loan receivables from Japrotek Oy Ab and 0.91 M EUR from AP-Tela Oy.

Impairment tests of subordinated loan receivables from subsidiaries have been performed on the basis of the situation presented in the yearend accounts of 31 December 2017. In the impairment calculations, recoverable funds are determined on the basis of utility value. The cash-flow forecasts used in the calculations are based on the management's annual profit and loss forecast and on maintenance investment forecasts made in connection with the Group's budgeting process. The management bases its forecasts on actual business developments and the management's view of the industry's growth outlook. Approved investment decisions are taken into account in the growth forecasts. Financial plans and forecasts made for the units subject to testing are prepared for five-year periods, and the test calculations include cash flows predicted for that full period. The growth rate applied in extrapolation of cash flows to post-forecast periods is 0%. The discount rate used in the calculations is Uutechnic Group's weighted average cost of capital (WACC) before tax. During the 2016 financial period, the discount rate of AP-Tela, Japrotek and Uutechnic Oy was 9,38 % and the discount rate of Stelzer Rührtechnic Int. GmbH was 8,76%.

The calculations show no sign of impairment in subordinated loan receivables from Japrotek Oy Ab and AP-Tela Oy.

As the turnover and operating profit levels used in the calculations do not reflect actual development achieved over the past few years, they include uncertainties.

13. SHAREHOLDERS' EQUITY	31.12.2017	31.12.2016
Share capital at the beginning of the fiscal year	2 872	2 872
Share capital at the end of the fiscal year	**2 872**	**2 872**
Unrestricted equity reserve at the beginning of the fiscal period	17 169	16 898
Share issue		271
Unrestricted equity reserve at the end of the fiscal period	**17 169**	**17 169**
Reserve fund at the beginning of the fiscal year	2 228	2 228
Reserve fund at the end of the fiscal year	**2 228**	**2 228**
Retained earnings at the beginning of the fiscal year	-9 987	-10 536
Retained earnings in the end of the fiscal year	**-9 987**	**-10 536**
Profit or loss for the fiscal year	**57**	**549**
Shareholders' equity total	**12 339**	**12 283**
Calculation on distributable assets		
Retained earnings	-9 987	-10 536
Profit for the fiscal year	57	549
Unrextricted equity reserve	17 169	17 169
Distributable assets total	**7 239**	**7 182**
Number of shares by series at the end of the fiscal period	**pcs**	**pcs**
A-share (1 vote/share)	56 501 730	56 505 210
Total	**56 501 730**	**56 505 210**
The distribution of shareholders' equity by series	**euros**	**euros**
A-share (1 vote/share)	2 872 302	2 872 302
Total	**2 872 302**	**2 872 302**

14. LONG-TERM LIABILITIES	31.12.2017	31.12.2016
External long-term liabilities		
Loans from financial institutions	1 059	1 529
Subordinated loans from owners	1 000	2 000
Total	**2 059**	**3 529**
Long-term liabilities total	**2 059**	**3 529**

15. SHORT-TERM LIABILITIES		
External short-term liabilities, interest-bearing		
Loans from financial institutions	471	471
Credit limits used	760	0
Total	**1 230**	**471**
	1 805	
Total	**1 805**	**0**
Short-term liabilities to Group companies, non-interest-bearing		
Accounts payable		21
	344	0
Total	**344**	**21**
External short-term liabilities, non-interest-bearing		
Accounts payable	59	39
Other liabilities	93	100
Accrued liabilities and deferred income	454	255
Total	**606**	**394**
Accrued liabilities and deferred income consist of:		
Accrued employee expenses	121	157
Interest liabilities	88	93
Accrued tax liabilities	235	0
Other accruals and deferred income	9	5
Total	**454**	**255**
Short-term liabilities total	**3 985**	**886**

NOTES TO THE INCOME STATEMENT

OTHER NOTES

16. SECURITIES AND RESPONSIBILITIES	31.12.2017	31.12.2016
Granted securities		
Dept secured by corporate mortgages or shares		
Loans from financial institutions	1 529	2 000
Credit limits in use	760	2 000
Total	**2 289**	**4 000**
Mortgages granted to secure loans		
Corporate mortgages	13 000	13 000
Total	**13 000**	**13 000**
Other granted securities		
Plc Uutechnic Group Oyj has granted as securities the share capitals of its subsidiaries Japrotek Oy Ab, AP-Tela Oy, Uutechnic Oy and Stelzer Rührtechnik International GmbH.		
Book values of the shares in subsidiaries granted as securities total	**3 573**	**3 573**
Liabilities		
Granted guarantees by Group companies		
Granted guarantees to customers and creditors	784	1 230
Granted guarantees to secure bank guarantee limits	10 000	10 500
Granted guarantees to secure rent bank guarantees	165	400
Total	**10 949**	**15 234**

THE BOARD OF DIRECTORS' PROPOSAL

The parent company made profit of 56,640.48 euros. The parent company's distributable funds are 7,238,697.47 euros. The Board of Directors proposes to the Annual General Meeting that no dividends be distributed and that the profit will be transferred to be the retained earnings of the company.

In Uusikaupunki, March 5, 2018

Sami Alatalo
Chairman

Jouko Peräaho

Hannu Kottonen

Kristiina Lagerstedt

Jouko Peräaho
CEO

To the Annual General Meeting of Plc Uutechnic Group Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Plc Uutechnic Group Oyj (business identity code 0520181-3) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

Key Audit Matter

Valuation of Goodwill

We refer to the accounting principles and note 15 in the consolidated financial statements

At the balance sheet date the value of the goodwill amounted to 3,5 M€ representing 17 % of the total assets and 36 % of the total equity.

Procedures over management's annual impairment test were significant to our audit because the test imposes estimates and judgements. The Group management use assumptions in respect of future market and economic conditions such as the economic growth, expected inflation rates, revenue and margin development.

Valuation of goodwill was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

To address the risk of material misstatement relating to valuation of goodwill, we performed, among others, the following audit procedures:
- Involving valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular those relating to weighted average cost of capital.
- Performing sensitivity analysis based on different assumptions of possible changes in cash flow from operations and in discount rate.
- Evaluating key assumptions included in the impairment testing with a special focus on the projected revenues.
- Assessing the appropriateness of the group's disclosures in respect of impairment.

Revenue Recognition of long-term projects

We refer to the accounting principles and note 4 in the consolidated financial statements

Revenue for long-term projects is recognised on the basis of the percentage of completion. Where long term contract accounting is used, estimates and judgements are made in determining the amount of revenue to be recorded. The recognition of revenue is largely dependent on the estimated stage of completion of each long-term contract which is determined based on the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs.

Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).

To address the risk of material misstatement relating to revenue recognition of long-term projects, we performed, among others, the following audit procedures:
- Discussing with the representatives of the group to get an understanding of the financial contents of the projects.
- Assessing that the group's revenue recognition principles are consistent with international reporting standards.
- Examining the financial contract terms and the calculations and estimates used in the revenue recognition.
- Assessing the appropriateness of the group's disclosures in respect of long-term projects

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclo-

AUDITOR'S REPORT

sures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

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

Other Reporting Requirements

Information on our audit engagement

Ernst & Young Oy (and its predecessors) has been the appointed auditor of Plc Uutechnic Group Oyj since Plc Uutechnic Group Oyj become a public interest entity on 18.1.1989.

Other information

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

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

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

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

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

Helsinki 8.3.2018

Ernst & Young Oy
Authorized Public Accountant Firm

Osmo Valovirta
Authorized Public Accountan

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Plc Uutechnic Group Oyj

ANNUAL REPORT 2017