Plc Uutechnic Group Oyj

ANNUAL REPORT 2018

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.

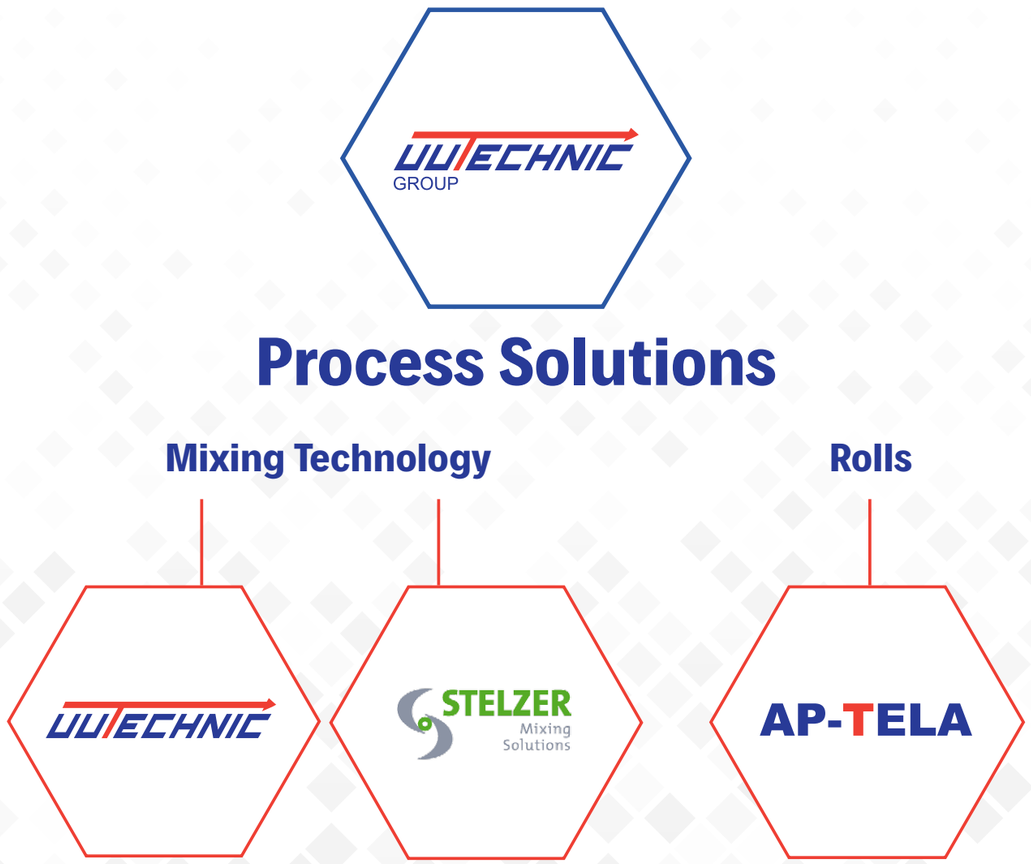
Uutechnic Group's deliveries include agitators, different types of long welded and machined axially symmetrical parts, such as rolls, cylinders, pipes and cones.

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 2018, the company had a total of 1,459 shareholders.

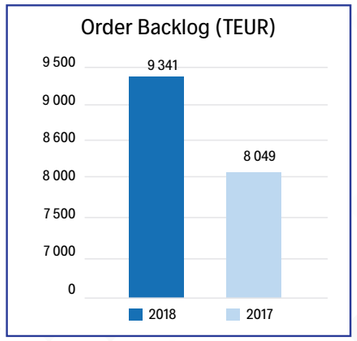
In addition to the parent company, Plc Uutechnic Group Oyj, the Group includes three sub-sidiaries that engage in business operations: AP-Tela Oy, Uutechnic Oy and Stelzer Rührtechnik Int. GmbH.

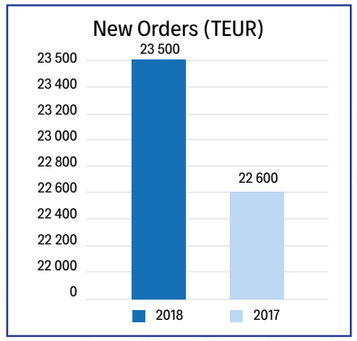
At the end of the financial period, Uutechnic Group had 117 employees.

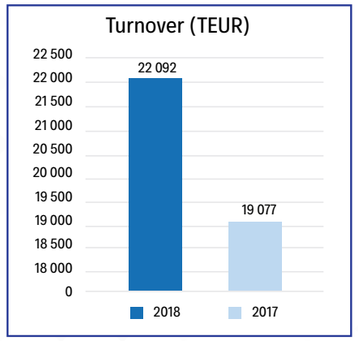


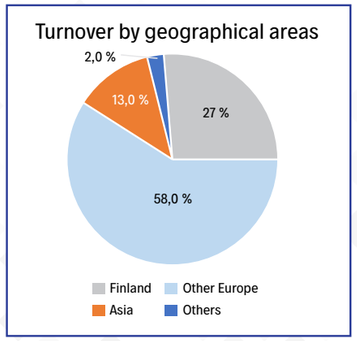
KEY FIGURES OF THE FINANCIAL YEAR

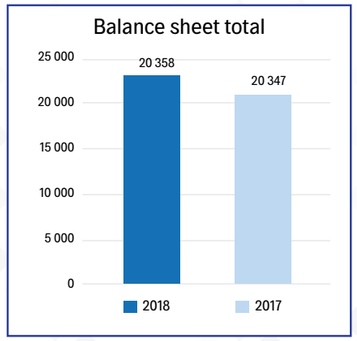
Key Figures	2018 1-12	2017 1-12	2018 7-12	2017 7-12	2018 1-6	2017 1-6
Turnover, continuing operations	22 092	19 077	12 072	10 588	10 020	8 489
Operating profit/loss, continuing operations	2 078	1 196	1 331	988	747	208
% of turnover	9,4	6,3	11,0	9,3	7,5	2,5
Profit/loss, continuing operations	1 646	574	1 129	-707	517	141
Profit/loss, discontinuing operations	-1 073	-1 140	877	-173	-1 950	-967
Profit/loss for the period	573	-566	2 006	260	-1 433	-826
Order backlog	9 341	8 049	9 341	8 049	10 635	7 769

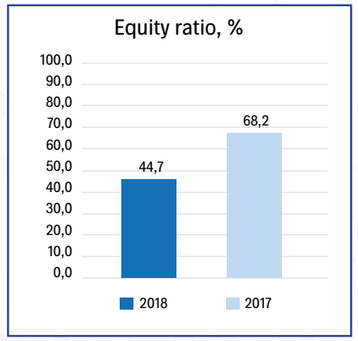


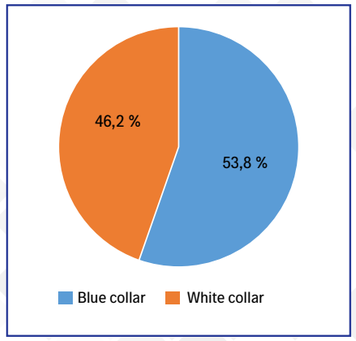












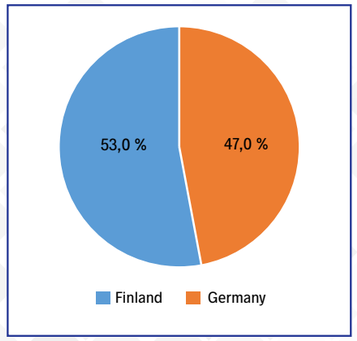
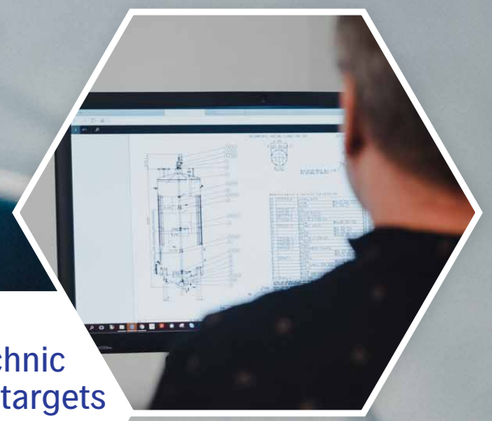


TABLE OF CONTENTS

CEO
Jouko Peräaho
s. 6



Uutechnic
Group's targets
for 2019
s. 10

Shares and
shareholders
s. 22

Financial
statement
s. 31

CEO JOUKO PERÄAHO

STEPS WERE TAKEN IN THE RIGHT DIRECTION IN TERMS OF PROFITABILITY, INCREASED FOCUS ON GROWTH IN THE FUTURE

In the big picture, Uutechnic Group took steps in the right direction, and the overall development was very positive. Increasing the turnover of continuing operations by 16% and operating profit by 74% was an excellent achievement by our team. On the other hand, one can say that we had realistic chances at an even better result already last year. In any case, we showed that the decisions made took the Group in the right direction, and we also got evidence of our profit potential. We still have a lot of work to do, and we will develop things in the long term, with a timespan of several years.

The sale of the majority of shares in Japrotek Oy Ab to the company's management provides the Group with better opportunities for focusing its resources even better on developing its mixing technology business in accordance with its strategy. In the long term, the arrangement will also probably decrease the fluctuation of the Group's performance.

Strong growth in the mixing technology business continued, both in terms of turnover and profit. Project sizes and complexities also increased, which is one of our long-term objectives. The order intake reached a record-high level. The year was not a good one for the roll and pipe business in terms of profit, but overall development was towards the right direction. Operations were developed in accordance with the Group's strategy increasingly in the direction of comprehensive expertise instead of previous manufacturing expertise. The order book remained high throughout the year, but the challenges and targets for development primarily concern the manageability of the material and subcontracting chain.

The Group implemented several development projects during the year, with R&D expenses amounting to approximately 3.6% of turnover. The figure is relatively high, but it is proof of the Group's strategy of investing in long-term development instead of pursuing short-term profits. The digitalisation of business processes in accordance with industry 4.0 can be mentioned as the biggest and most significant individual project from the point of view of the future. This process was launched in 2017, and the first phase, complete renewal of operating systems, will be completed in 2019.

Improving the Group's profitability will continue to play a key role in 2019, but the focus is being shifted to growth. The global economy is most probably about to decline slightly, which will cause some challenges for growth. Organic growth will probably require us to secure new customer accounts, expanding the market area and developing new offering in the next couple of years. My estimate of the size of the mixing technology business, for which our products are currently suitable, is approx. EUR 250–300 million in Europe and globally approx. EUR 700–800 million. It is difficult to define the exact market sizes, but those magnitudes, however, indicate that the market is big enough, and future organic growth will primarily be realised through our own actions. Resources will also be allocated more clearly to pursuing inorganic growth this year. The growth will probably not be reflected on the figures for 2019 yet, but the focus has been shifted in that direction.

The outlook for 2019 is moderate on the whole. The mixing technology business will start the year with a slightly higher order book than the year before. The order book of the roll and pipe business is at a record-high level. In general, however, the market conditions of our Group's business environment are probably deteriorating in some industries compared to 2018. In addition, the Group is burdened by the non-recurring expenses of the system project and proportionally higher administrative expenses in 2019.

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. Embedding these values even more strongly among the employees of our entire Group will continue further in 2019 so that we can serve our customers even better and more comprehensively. I would like to thank our customers and everyone who has helped us to determinedly take our Group forward towards an even better future.

Jouko Peräaho
CEO
Plc Uutechnic Group Oyj

"Improving the Group's profitability will continue to play a key role in 2019, but the focus is being shifted to growth."

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.

CONTACT INFORMATION

Address: Muottitie 2, FI-23500 Uusikaupunki, Finland
Tel: +358 20 188 0511
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

ROLLS

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 Oy 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, FI-67800 Kokkola, Finland
Tel: +358 20 188 0650
Email: sales@aptela.fi
WWW: www.aptela.fi

READ MORE FROM OUR WEBSITES

Uutechnic: www.uutechnic.fi

Stelzer: www.stelzer.eu

AP–Tela: www.aptela.fi

UUTECHNIC GROUP'S TARGETS FOR 2019

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 and through acquisitions. With regard to potential acquisitions, the aim is to actively survey the market for suitable targets. In addition to the growth target, the Group will continue to focus on enhancing the profitability of its operations. Moreover, the aim is to grow the mixing technology business by strengthening and harmonising the sales and delivery process and expanding into new markets and market segments.

After a few stronger years, global economic growth is slightly slowing down. Uutechnic Group's order book is stronger than in previous years, which will mitigate the impact of possibly decreasing demand. Group's revenue has decreased significantly as a result of the divestment of Japrotek. However, administrative costs will not decrease respectively during the fiscal year 2019, and even being adjusted will still be relatively higher than the previous year. For these reasons, it will be challenging to achieve the same result of 2018 for the financial year 2019.

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 customers' 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' competitiveness globally. Our process technology solutions and unique service concepts increase productivity and improve the quality of our customers' processes. The Group invests in creating customised, environmentally-friendly solutions in cooperation with its international customers. 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 customers. 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

At the end of the 2018 financial period, Uutechnic Group had 117 employees. Of our personnel, 63 were blue collar and 54 were white collar. Operating in a male-dominated industry, women accounted for 9% of personnel. A total of 55 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 competencies. 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. Cooperation between units, which started well last year, will be continued in the Group.

Ensuring the health and safety of our employees continues to be one of the key goals of our HR policy, and monitoring occupational safety is part of the day-to-day operations of our units. There were no serious accidents in 2018, and the number of smaller accidents strongly decreased as well. A well-being project supported by Elo Mutual Pension Insurance Company was started in the Finnish companies. The aim of the project is to find individual goals that comprehensively increase everyone's well-being. The success of this project is clearly visible, for example, as reduced sickness absences.

The Group also concentrates on increasing the efficiency of work in accordance with the Lean philosophy by eliminating waste. This work will continue in all units in the future as well.

All activities aim to increase the general well-being of employees by focusing on the essential and thereby increasing coping. This will eventually also increase the efficiency of work. 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.

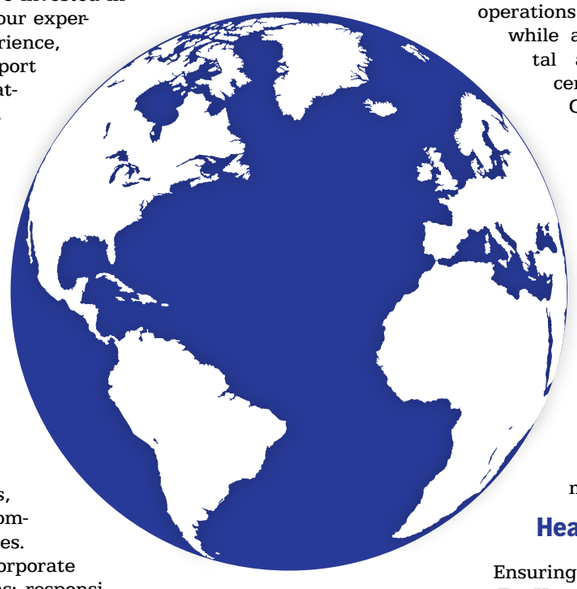
"Uutechnic Group is not the world's largest high-level technology and specialist company serving the global process industry, but we can be the best!"

CORPORATE RESPONSIBILITY

Sustainable business operations

Uutechnic Group builds a sustainable future for shareholders, business partners and employees. Uutechnic Group complies with the principles of responsible business operations. Responsibility is perceived as a key factor in sustainable and competitive business operations. 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 expertise 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 2018 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 customers' 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

DIGITAL TRANSFORMATION IN UUTECHNIC GROUP

Uutechnic Group looks constantly ways to keep its products and services their value promises. Digitalization offers many opportunities to improve the performance and greater competitive advantage of companies. Can digitalization bring value creation both the way we work as well serve customers? But how do we become digital? This was a question Uutechnic Group started to ask in 2017, which led to the first 2-year digital transformation program started early 2018.

Developing new business models and digital additions to existing processes or products requires a methodical approach. In order to achieve this, a systematic review of all processes and bottlenecks was conducted, supported by lean workshops with employees and various stakeholders. Based on the information collected and analysis, a detailed digital strategy was drafted and approved by the Board of Directors by mid-2018. During this strategy phase, a large preparatory work and data collection was completed in parallel in order to support and shorten the implementation phase

"Uutechnic Group regards digital transformation as an opportunity to shape the future of the whole company."

Initially most company processes were run by intermediate of papers and printed folders. This meant mostly manual working steps, leading to several negative consequences for users and business. Disparity of data often leaded to duplicate work, or then losing time trying to compare data for accuracy and consistency.

It was important from the beginning that the new evolving digital culture is based on lean principles. This was taken into consideration during the selection process of new digital tools. After careful comparison of various solutions available in the market, it quickly became a matter of platform selection. One target was to have a single cohesive digital environment instead of using a complex series of point solutions that require jumping between applications and interfaces.

The selected integrated platform solution includes functionalities often known in literature in form of acronyms: customer relationship management (CRM), configure price quote (CPQ), enterprise resource planning (ERP), human capital management (HCM), product data management (PDM), computer aided design (CAD), and document management system (DMS). The solution has great configurability features allowing in-house administration of the tools, and therefore shortening lead-time for quick changes and improvements, providing cost efficiency and flexibility

The already successful completion of CRM implementation demonstrates the far-reaching impact of the new approach as the company starts on its digital journey. It has provided a complete view of customers to better serve and respond to their needs. It has also provided improved analytics, better case visibility and handling, and enhanced productivity. This in turn is shifting culture from a reactive state to a more data-driven pro-active approach, having a sustainable impact on whole strategies and organizations.

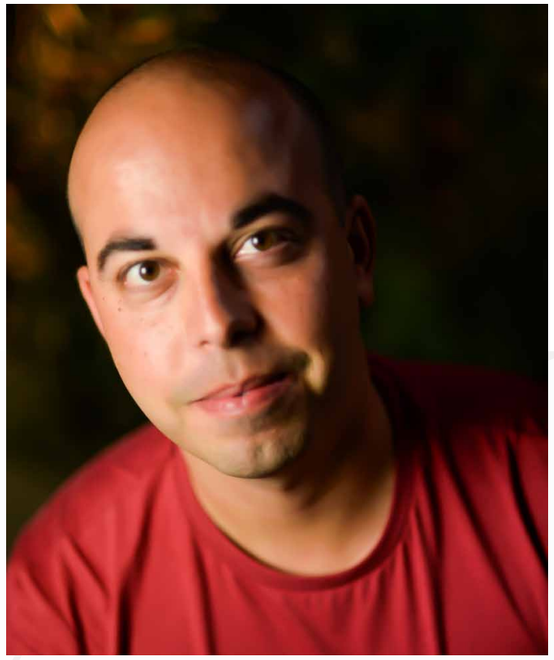
Another important aspect of this digital transformation was to make sure employees can achieve needed digital competences, and eventually at some point drive digital innovation. From the start people were placed at the centre of the digital transformation, employees and customers alike. The selected integrated platform solution provides best-in-class user interface and experience. A major training plan is underway.

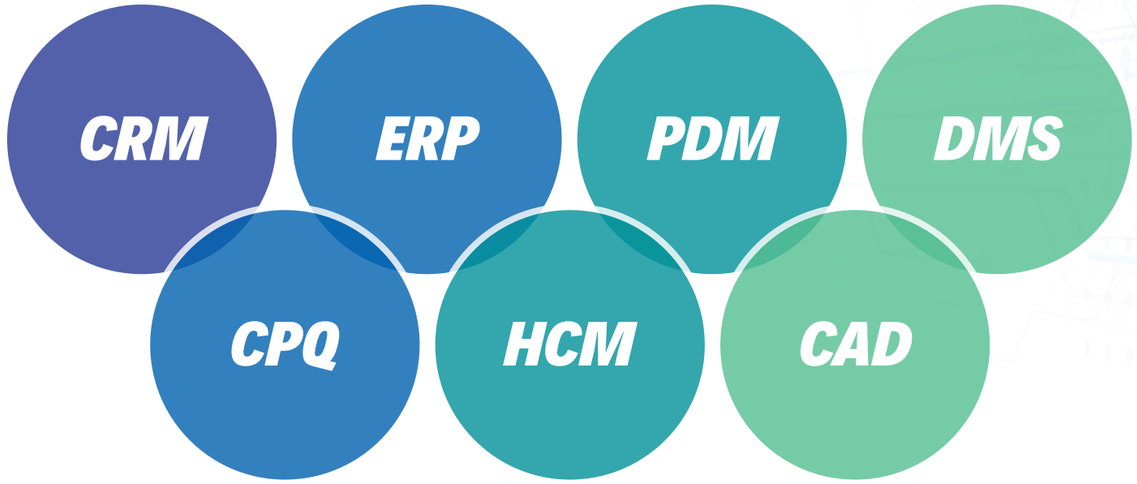
The whole company from the cultural, organisational and managerial perspective, is evolving together with this digitalization change. That's why it has been vital to have strong endorsement from the very top of the company.

Finally, the digital transformation herein spoken represents the first wave across the company from customer relationship management to the factory floor. The second wave will involve the digitalization of products and services, also know as industry 4.0 or IoT solutions, and is a natural continuation and extension to the current ongoing program.

The digital journey continues.

Zakaria Mönkäre
Teknologiajohtaja
Plc Uutechnic Group Oyj





ADMINISTRATION

Hannu Kottonen, Kristiina Lagerstedt, Jouko Peräaho and Sami-Jussi Alatalo

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 -
AP-Tela Oy, managing director 1.11.2017-
Uutechnic Oy, member of the board 1993 -
AP-Tela Oy, member of the board 2015 -

Previous work experience:
Japrotek Oy Ab, managing director 2017 - 2018
Japrotek Oy Ab, member of the board 2015 - 2018
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
International Orienteering Federation (IOF), member of the board 10/2018

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 -
Kemira Group, Chief Auditor 06/2018 -
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:
Barona, Board member and Audit Committee Chairman 05/2018 -
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 -
AP-Tela Oy, managing director 1.11.2017-
AP-Tela Oy, member of the board 2015 -

Previous work experience:
Japrotek Oy Ab, managing director 2017 - 2018
Japrotek Oy Ab, member of the board 2015 - 2018
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
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

Zakaria Mönkäre, b. 1984
Plc Uutechic Group Oyj, technology director

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

Jussi Vaarno, s.1970
Mixing Technology, vice president
Uutechnic Oy, managing director
Stelzer Rührtechnic Int. GmbH, managing director

Finished memberships in 2018:

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

Auditors

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

UUTECHNIC GROUP'S CORPORATE GOVERNANCE STATEMENT FOR THE 2018 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 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 2018 financial period, the Board convened 16 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 12 April 2018 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. Sami Alatalo was elected as the Chairman of the Board. The Board members Hannu Kottonen and Kristiina Lagerstedt are independent of the company and its major shareholders.

Information about Board Members

Presented in the item Board of Directors.

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.

Information about the CEO

Presented in the item Management and Auditors.

Business organisation

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

Information about the Management Team

Presented in the item Management and Auditos.

SHAREHOLDINGS OF THE MANAGEMENT According to the book-entry security system, 31 December 2018	Shares qty	Shares %	Votes qty	Votes %
Board of Directors and CEO				
Kottonen Hannu	50 000	0,09	50 000	0,09
Lagerstedt Kristiina	54 000	0,10	54 000	0,10
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
*Saola Oy is controlled by Sami Alatalo, the chairman of the board of directors				
Group Management Team				
Heikkilä Martti, Development director	130 000	0,23	130 000	0,23
Junninen Leena, Finance Manager	40 000	0,07	40 000	0,07
Mönkäre Zakaria, Technology Director	9 676	0,02	9 676	0,02
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..

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 12 April 2018 selected Ernst & Young Oy, Authorised Public Accountants, as the company's auditor, with Osmo Valovirta, APA, as chief auditor.

The fees paid by the Group for the 2018 financial period to the auditors amounted to EUR 52,634.00 for auditing and EUR 3,504.00 for consulting and other services, for a total of EUR 56,138.00.

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-months 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 2018 was 2,872,302 and the number of shares in the company was 56,501,730.

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, 3,140,714 pcs (5,56 %) of Plc Uutechnic Group Oyj's shares were traded during the 2018 financial year. The share price was 0.31 euros at its lowest and 0.50 euros at its highest, the average share price was 0.40 euros, and the financial year's closing price was 0.33 euros. The total market value of the company's shares on 31 December 2018 stood at 18,6 million euros. The company has a liquidity agreement with Nordea Pankki Suomi Oyj.

The Board's authorizations

The Annual General Meeting of 12 April 2018 authorized the Board of Directors to decide 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 10 April 2019 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 1 459 registered shareholders on 31 December 2018. There were in total 4,459,234 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 11,113,476 or 19,67% 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 10, 2019 starting at 13.00 at Hotel Scandic Simonkettä, Simonkatu 9, Helsinki.

Each shareholder, who is registered on 29 March 2019 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 5, 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 15, 2019.

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 2019, 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 5 April 2019 by 10:00 AM. As regards nominee registered shares this constitutes due registration for the general meeting.

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 1.1.2019 a half year report per 30.6.2019 and business review after the first and the third quarters.

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 published on fiscal period 1.1.-31.12.2018. Some of the information included in the bulletins might be out of date. Stock exchange releases are available on the company's web site at www.uutechnicgroup.fi under News and Media.

28.2.2018	Review of the financial statements for 1 January – 31 December 2017
9.3.2018	Financial statements, corporate governance statement and remuneration statement for 2017 published
19.3.2018	Invitation to the annual general meeting of Plc Uutechnic Group Oyj
23.3.2018	Uutechnic Group received a remarkable order for complete delivery to Norway
12.4.2018	The resolutions of the annual general meeting of Plc Uutechnic Group Oyj and the decisions of the board of directors
27.4.2018	Uutechic Group's business review from January to March 2018
4.6.2018	Uutechnic Group to sell 81% of Japrotek Oy Ab's shares to the company's management. The implementation of this transaction is conditional on the final decisions of the financiers.
29.6.2018	Finalization for selling majority of Japrotek Oy Ab's shares is postponed, financial negotiations will continue.
27.7.2018	Half Year Report 1 January – 30 June 2018
17.9.2018	FIN-FSA impose penalty payment of EUR 50.000 on previous Vaahto Group Olc Oyj for violation of disclosure obligation.
28.9.2018	The sale of 81% Japrotek Oy Ab's shares to the company's management, announced on June 4th 2018, is completed.
25.10.2018	Changes in Plc Uutechnic Group Oyj's management team.
29.10.2018	Business Review, January-September 2018.
27.11.2018	Publication of the Financial Statements 2019.
12.12.2018	Correction to the Half Year Report 1 January – 30 June 2018.
12.12.2018	Correction to the Business Review from January – September 2018.

REVIEW BY THE BOARD
Year of structural change and improved profitability

YEAR 2018 IN BRIEF

Uutechnic Group's turnover from continuing operations for 2018 increased by 15,8% to EUR 22.1 million (19.1 million), and its operating profit also improved clearly to EUR 2.1 million (1.2 million). Uutechnic Group's continuing operations won a record-high volume of EUR 23.5 million (22.6 million) of new orders during the 2018 financial year, and the order book stood at EUR 9.3 million (8.0 million) at the end of the financial year. The earnings per share from the Group's continuing operations was EUR 0,03 (0.01).

On 28 September 2018, Plc Uutechnic Group Oyj announced that the sale of 81% of Japrotek Oy Ab's shares to the company's management was completed. In the Group's financial reporting, Japrotek Oy Ab is classified under discontinued operations and it was included in the Group's consolidated statement of income until 28 September 2018. The transaction sees Uutechnic Group focus increasingly on developing its mixing technology business in accordance with its strategy. The figures in the financial statements 2018 are from continuing operations, except the cash flow statement and some notes. When discontinued figures are included it is mentioned in the same context.

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 and through acquisitions. With regard to potential acquisitions, the aim is to actively survey the market for suitable targets. In addition to the growth target, the Group will continue to focus on enhancing the profitability of its operations. Moreover, the aim is to grow the mixing technology business by strengthening and harmonising the sales and delivery process and expanding into new markets and market segments.

After a few stronger years, global economic growth is slightly slowing down. Uutechnic Group's order book is stronger than in previous years, which will mitigate the impact of possibly decreasing demand. Group's revenue has decreased significantly as a result of the divestment of Japrotek. However, administrative costs will not decrease respectively during the fiscal year 2019, and even being adjusted will still be relatively higher than the previous year. For these reasons, it will be challenging to achieve the same result of 2018 for the financial year 2019.

BUSINESS REPORTING

Uutechnic Group focuses on improving the competitiveness of its customers by providing advanced process technology and a unique service concept worldwide. The product range includes agitators 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, Uutechnic Oy and Stelzer Rührtechnik International GmbH.

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

Mixing Technology Business

The second half of the year was stronger than the first half for the mixing technology business in terms of both turnover and result.

The full-year 2018 turnover and profitability were successfully increased. Order intake reached a historic high, and the average size of projects increased. In addition, projects were executed for new customers and markets. The biggest individual development and investment project, the renewal of the operating system, has proceeded almost as planned; below the cost estimate, but slightly delayed. Deployment will take place in phases, starting in early 2019. In order to increase the efficiency of product sales and operations, a large-scale commercialisation project and increasing the efficiency of internal operations have continued in the mixing technology business.

The full-year result of the mixing technology business was clearly positive and significantly better than the previous year. Growth opportunities through mergers and acquisitions are actively being investigated.

Roll and Pipe Business

The second half of the year was two-fold in the roll and pipe business. The order book hit a historic high, while delivery time challenges were experienced at the same time due to delays in subcontracting and material deliveries. Supplier controls and audits have now been addressed more systematically than before. The result for the second half of the year weakened compared to the first half.

Due to increased demand for rolls and drying cylinders, a product development project was launched to enhance cost efficiency and manufacturability.

Because of challenges in the roll and pipe business during the second half, the full-year result fell short of the previous year but was profitable. The order book for 2019 is record high.

Discontinued operations

In accordance with stock exchange releases issued on 4 June and 28 September, Plc Uutechnic Group Oyj sold 81% of Japrotek Oy Ab's shares to the company's management at a nominal price. The divestment of a majority interest in the company that has reported quite fluctuating profitability was decided on following careful assessments of the strategic alternatives. Japrotek Oy Ab was included in the Group's consolidated reporting as a discontinued operation until 28 September. The result of discontinued operations for the financial year at the end of consolidation stood at approximately EUR 1.1 million negative.

The above-mentioned stock exchange releases provide more detailed information about the effects of the transaction on Uutechnic Group. Interest-bearing subordinated loans of EUR 2.87 million to Japrotek Oy Ab remained in the Group's balance sheet. A write-down of a total of EUR 1.4 million on intangible assets and goodwill and EUR 0.2 million of deferred tax assets were recognised in conjunction with the Japrotek transaction. In addition, the Group retained commercial guarantor liabilities relating to Japrotek's business operations. The guarantor liabilities associated with the divestment of the majority interest will expire step by step on 15 October 2021 at the latest.

NEW ORDERS AND ORDER BOOK

The new orders of continuing operations amounted to a record-high EUR 23.5 million (22.6 million) during the 2018 financial year. The Group's order book stood at EUR 9.3 million (8.0 million) at the end of the financial year. The comparable order book disregarding revenue recognition stood at EUR 11.9 million.

TURNOVER AND PROFITABILITY

Uutechnic Group's turnover from continuing operations for 2018 increased to EUR 22.1 million (19.1 million), and its operating profit improved clearly to EUR 2.1 million (1.2 million).

Finland represented approximately 27% of the Group's turnover, the rest of the Europe accounted for 58% while Asia represented 13% and other countries 2%.

The adoption of IFRS15 introduced the percentage-of-completion method to continuing operations during the year. The change in the revenue recognition principles increased the turnover of the Group's continuing operations by EUR 2.4 million and operating profit by EUR 1.0 million.

FINANCIAL STANDING AND LIQUIDITY

At the end of the financial year, Uutechnic Group's balance sheet total stood at EUR 20.4 million (20.3 million). The Group's interest-bearing liabilities totalled EUR 4.8 million (3.7 million), including EUR 1.0 million in subordinated loans. The Group's cash flow from operations for the financial year was EUR -0.8 million (0.3 million).

At the end of the financial year, the Group's equity ratio was 44.7% (68.22%) and gearing was 42.0% (31.4%). Return on investment for the financial year was 5.6% (reference year neg.) and return on equity was 3.1% (reference year neg.).

Non-current assets on Uutechnic Group's balance sheet totalled EUR 11.7 million (10.6 million).

EQUITY

The Group's equity stood at EUR 10.6 million (9.9 million) at the end of the financial year.

The company has unsecured subordinated loans granted by two shareholders, totalling EUR 1 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.

RESEARCH, PRODUCT DEVELOPMENT AND INVESTMENTS

During the current financial year, the Group has invested strongly in developing the company's internal efficiency and product development, taking into consideration changes in the business environment.

In order to increase the efficiency of product sales and deliveries and achieve synergy benefits, a large-scale commercialisation project and a project to increase the efficiency of internal operations have continued in in the mixing technology business, resulting in the digitisation of product structures. A patent application concerning a new mixing technology-related product was submitted during the financial year. In addition, a research project relating to updating the production strategy was launched in the mixing technology business.

A development project associated with the manufacturing technology of rolls and axially symmetrical products was launched towards the end of last year, aiming to develop and enhance proprietary products and production activities so that we can respond to customers' future service and product needs more cost efficiently.

The Group's capitalised investments for the financial year totalled EUR 0.8 million (0.2 million). The company received EUR 0.1 million of external grants for the development projects.

The Group's investments in fixed assets totaled EUR 0.5 million (0.3 million). The investments were primarily minor purchases of equipment.

PERSONNEL

At the end of the financial year, Uutechnic Group had 117 (128) employees, of whom 54 (59) were white collar and 63 (69) were blue collar. Of the employees, 55 worked in Finland and 62 in Germany.

ENVIRONMENTAL POLICY

Uutechnic Group takes environmental impact into account in 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

On 31 December 2018, Plc Uutechnic Group Oyj had 56,501,730 shares and votes and 1,459 registered shareholders. There were in total 4,459,234 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 11,113,476 shares, or 19.67% 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 12 April 2018 decided 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 entitles 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 a 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 12 April 2018, 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. Sami Alatalo was re-elected as the Chairman of the Board.

Jouko Peräaho has served as the CEO since 9 March 2017.

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 companies listed on Nasdaq Helsinki. The statement of Corporate Governance is published both in Annual report and on web-site.

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

- 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.
- The acquisition prices paid in the context of business combinations and the goodwill generated by them also involve risks. The Group's calculations to test goodwill are based on financial forecasts and assumptions prepared by the management.
- 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 result of the project may prove weaker than expected. In contracts for extensive projects, the claims for compensation for delayed delivery or deficient performance may be significant.
- 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.
- In conjunction with the divestment of the majority of shares in Japrotek Oy Ab, Uutechnic Group's intra-group receivables and guarantor liabilities became external receivables and liabilities. It is possible that the receivables or guarantor liabilities will result in credit losses or payment obligations over time.

The Group seeks to protect itself against remarkable 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 loss for the financial year is EUR -2.9 million. At the end of the financial year, the parent company's distributable funds stood at EUR 4.3 million. The Board of Directors proposes to the Annual General Meeting that no dividend be paid and the result 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 10 April 2019 at 1:00 p.m. The invitation to the Annual General Meeting will be published not later than 15 March 2019.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Stock exchange releases published after the end of the financial year are presented in note nr. 32 in the Group's Financial Statements 2018.

FINANCIAL STATEMENT 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 000 EUR UUTECHNIC GROUP	1.1.2018-31.12.2018	1.1.2017-31.12.2017	Notes
REVENUE	**22 092**	**19 077**	5
Change in inventories of finished goods and work in progress	893	591	
Work performed for own purposes and capitalised	30	48	
Other operating income	60	259	6
Material and services	-9 484	-7 889	
Employee benefits expense	-7 801	-7 671	9
Depreciation and amortisation	-440	-439	8
Impairment	0	-12	
Other operating expenses	-3 271	-2 768	7
OPERATING PROFIT	**2 078**	**1 196**	
Depreciation, amortization and impairment loss of acquisition	-92	-92	
Financing income	47	-9	
Financing expenses	-152	-421	11
PROFIT/LOSS BEFORE TAX	1 881	674	
Tax on income from operations	-235	-100	12
Profit/loss from continuing operations	**1 646**	**574**	
UUTECHNIC GROUP			
Profit/loss from discontinued operations	-1 073	-1 140	3
PROFIT/LOSS FOR THE PERIOD	**573**	**-566**	
Other comprehensive income:			
TOTAL COMPREHENSIVE INCOME	**573**	**-566**	
Profit attributable to:			
Owners of the parent company	1 646	574	
Total comprehensive income attributable to:			
Owners of the parent company	573	-566	
Earnings per share calculated on profit attributable to equity holders of the parent:			13
EPS undiluted, euros/share, continuing operations	0,03	0,01	
EPS diluted, euros/share, continuing operations	0,03	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	56 501 730	56 502 890	
Diluted EPS (FAS and IFRS) divisor, outstanding during the financial year	56 501 730	56 502 890	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 000 EUR	31.12.2017	31.12.2017	Notes
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1 018	1 969	15
Goodwill	3 070	3 534	16
Tangible assets	4 534	4 654	14
Receivables from subordinated loans	2 870		20
Available for sale investments	5		17
Deferred tax asset	180	431	18
NON-CURRENT ASSETS	**11 677**	**10 588**	
CURRENT ASSETS			
Inventories	3 972	2 829	
Trade receivables and other receivables	3 332	2 420	20
Current receivables for revenue recognized in part prior to project completion	868		20
Tax Receivable, income tax	129		
Cash and cash equivalents	379	373	21
CURRENT ASSETS	**8 681**	**5 621**	
NON-CURRENT ASSETS HELD FOR SALE		**4 138**	
ASSETS	**20 358**	**20 347**	
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	
Accumulated earnings	1 326	655	
Owners of the parent company	**10 580**	**9 909**	
EQUITY	**10 580**	**9 909**	22
NON-CURRENT LIABILITIES			
Deferred tax liability	379	381	18
Subordinated loans		1 000	25
Non-current liabilities, interest-bearing	1 654	1 168	25
Non-current provisions	269	254	23
NON-CURRENT LIABILITIES	**3 302**	**2 803**	
CURRENT LIABILITIES			
Current interest-bearing liabilities	2 165	1 552	24
Subordinated loans	1 000		
Trade Payables and Other Liabilities	4 310	3 991	26
Tax liability, income tax	0	132	26
CURRENT LIABILITIES	**7 476**	**5 675**	
LIABILITIES OF DISPOSAL GROUP HELD FOR SALE		**1 960**	
EQUITY AND LIABILITIES	**20 358**	**20 347**	

CONSOLIDATED STATEMENT OF CASH FLOWS, INDIRECT

1 000 EUR	1.1.-31.12.2018	1.1.-31.12.2017	Notes
Cash flows from operating activities			
Profit/loss for the period	1 646	-566	
Profit/loss for the period, discontinued operations	-1 073	0	
Depreciation, amortisation & impairment	497	543	8
Depreciation, amortization and impairment loss of acquisition	92	92	
Impairment losses	1 531		
Gains and losses of disposals of fixed assets and other non-current assets	-1 511	-19	
Other non-cash items	589	227	
Financial income and expenses	124	201	11
Tax on income from operations	0	97	
Flow of funds from operations before the change in working capital	**1 896**	**575**	
Working capital changes			
Increase / decrease in inventories	-1 492	-1 001	
Increase /decrease in trade and other receivables	-2 349	2 654	
Increase / decrease in trade payables	1 436	-1 607	
Flow of funds from operations before the change in working capital	**-509**	**621**	
Interest paid	-92	-213	11
Dividends received	0	2	
Interest received	13	3	
Income taxes paid	-251	-98	
Net cash from operating activities	**-839**	**316**	
Cash flows from investing activities			
Purchase of tangible and intagible assets	-510	-277	14,15
Proceeds from sale of tangible and intangible assets	20	60	
Proceeds from sale of investments	0	24	
Net cash used in investing activities	**-490**	**-193**	
Cash flows from financing activities			
Proceeds from current borrowings	495	16	
Repayment of current borrowings	-490	0	
Proceeds from non-current borrowings	1 096	0	
Repayment of non-current borrowings	0	-441	
Payment of finance lease liabilities	0	-1 000	
Net cash used in financing activities	**1 100**	**-1 425**	
Change of liquid funds	**-228**	**-1 301**	
Cash and cash equivalents, opening amount	608	1 909	
Liquid assets at the end of the fiscal year	379	608	
Change in liquid assets according to the balance sheet	**-228**	**-1 301**	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 000 EUR	Share capital	Share premium account	Unrestricted equity reserve	Translation differences	Retained earnings	Equity Total
EQUITY 1.1.2018	**2 872**	**6**	**6 376**	**0**	**655**	**9 909**
Impact of the introduction of new standards					98	**98**
Adjusted equity	**2 872**	**6**	**6 376**	**0**	**753**	**10 007**
Comprehensive income						
Profit/loss for the period	0	0	0	0	573	**573**
TOTAL COMPREHENSIVE INCOME	**0**	**0**	**0**	**0**	**573**	**573**
Transactions with owners						
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**
Changes in ownership interests in subsidiaries						
TOTAL EQUITY 31.12.2018	**2 872**	**6**	**6 376**	**0**	**1 326**	**10 580**

	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**	**6 120**	**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**

KEY FIGURES

Business indicators	2018 IFRS	2017 IFRS
Turnover, continuing operations	22 092	19 077
Revenue change, %	15,8	
Operating profit		
% of turnover	2 078	1 196
Profit/loss before taxes, continuing operations	9,4	6,3
% of turnover	1881	674
Profit/loss, continuing operations	8,5	3,5
% of turnover	1646	574
Profit/loss, discontinuing operations	7,4	3,0
% of turnover	-1073	-1140
Profit/loss for the period	-4,9	-6,0
% of turnover	573	-566
	2,6	-3,0
Equity holders of the parent	573	-566
% of turnover	2,6	-3,0
Return on equity (ROE), %	3,1	neg.
Return on investment (ROI), %	5,6	neg.
Equity ratio, %	44,7	68,2
Net gearing	42,0	31,4
Current Ratio	1,2	1,2
Gross investments in fixed assets	510	276
% of turnover	2,3	1,4
Order backlog	9 341	8 049
Consolidated balance sheet total	20 358	20 347
Total number of personnel at the end of the period	117	128

Share figures	2018 IFRS	2017 IFRS
Earnings per share, continuing opeartions, euros	0,03	0,01
Earnings per share, euros	0,01	-0,01
Shareholders' equity, euros	0,19	0,18
Dividend per share, euros	0,00	0,00
Price earnings ratio (P/E)	32,6	-34,9
Number of shares outstanding at the end of the period	56 501 730	56 501 730
Number of shares outstanding, average	56 501 730	56 502 890

Share prices €	2018	2017
A share		
- high	0,50	0,53
- low	0,31	0,35
- average	0,40	0,45
- share price at the end of the fiscal year	0,33	0,35
Total amrket value, million euros	18,6	19,9
Number of shares traded during the fiscal year	3 140 714	7 209 125
Number of shares traded, %	5,56	12,76
Number of shareholders	1 459	1 460

*) proposal by the Board of Directors

Due to Japrotek Oy Ab classification as discontinued operations the key figures are presented for two financial years.

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 14, 2019 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.

2. ACCOUNTING PRINCIPLES

Basis of preparation

Uutechnic Group's consolidated financial statement for the financial year 1. January–31. December 2018 is done in accordance with the International Financial Reporting Standards (IFRS) and related interpretations approved for application within the European Union. The consolidated financial statement complies with the IAS and IFRS standards and SIC and IFRIC interpretations effective on 31. December 2018. The consolidated financial statement notes also comply with the provisions of Finnish accounting and corporate law.

The consolidated financial statement is based on original acquisition costs.

Financial year

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

Consolidation principles

The consolidated financial statement include the parent company, Plc Uutechnic Group Oyj, and all of the subsidiaries controlled by the parent company. The control is based on the full ownership of the subsidiaries share capital.

Acquired subsidiaries are consolidated to the consolidated financial statement from the day Group gains control over them. Mutual ownership between group companies is eliminated by using the acquisition cost method. The acquisition cost is allocated to the identifiable assets and liabilities in acquired company and are valued at their fair value on the time of acquisition. The difference between the acquisition cost of a subsidiary and the identifiable acquired assets and liabilities is recognized as goodwill on the balance sheet.

All intra-group business transactions, receivables, liabilities and unrealized 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. 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 recognized in the consolidated financial statement 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 are valued at the book value, or to the lower current value excluding sales costs, If their book value is be generated mostly from asset sale instead of continuous use. In this case, the Group's management is committed to the sale of the asset in question and sale during the next 12 months is expected to be highly likely and considered executable in the intermediate time.

An operation is classified to be discontinued on the date it fulfils either of following preconditions: It fulfils the prerequisites of an asset held for sale or the operation has been disposed of. A discontinued operation is a part of an entity that has been disposed or classified as an asset held for sale and 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.
28.9.2019 Plc Uutechinc Group Oyj announced that the the sale of 81% of Japrotek Oy Ab's shares to the acting management of Japrotek Oy Ab is completed. In Group's financial reporting Japrotek Oy Ab is classified as a discontinuing operation and is consolidated to groups reports until 28.9.2019. The numbers presented in financial statement 2018 consider only continuing operations. Excluding cashflow calculation and some of the notes, in which the subject is mentioned separately. Comparing year 2017 has been changes accordingly.

Application of new or amended standards and interpretations

IFRS 15 Revenue from Contracts with Customers took effect on 1 January 2018. With regard to Uutechnic's products and services, performance obligations satisfied over time in accordance with IFRS 15 primarily include project deliveries and modernisations dimensioned and customised according to the customer's needs, treated as long-term projects and recognised as revenue based on the degree of completion. There is no alternative use for these performance obligations as referred to in IFRS 15, and they comprise a single performance obligation.

The company applies the same principle to performance obligations satisfied over time as to revenue recognition based on the degree of completion (share of costs incurred of the estimated costs of the project). An exception to this main rule are individual long-term projects previously recognised as revenue based on the degree of completion in which the customer has not undertaken to compensate for the costs incurred and a sufficient margin in situations in which the customer unilaterally discontinues the fulfilment of the contract or the customer fails to fulfil their contractual obligations. In future, these individual projects will be treated as performance obligations fulfilled at a point in time. According to the current estimates, the volume of such projects is minor.

The reliefs allowed by the retrospective model have been applied in the adoption of IFRS 15 so that the effect accumulated due to the application of the standard, totalling EUR 0.1 million, has been recognised as an adjustment to the retained earnings at the time of application, and the comparison figures have not been adjusted.

IFRS 9 took effect on 1 January 2018, replacing IAS 39 Financial Instruments. The standard includes revised guidelines on the recognition and measurement of financial instruments. It also covers a new expected credit loss model for calculating impairment on financial assets. In addition, it includes revised general hedge accounting requirements. Its regulations on recognising and derecognising financial instruments on the balance sheet have been retained in accordance with IAS 39. The Group has applied the new standard as of 1 January 2018, and the comparison figures have not been adjusted. With regard to trade receivables and assets based on customer contracts, Uutechnic applies the simplified IFRS 9 model for assessing credit losses, regularly assessing and identifying expected credit losses from receivables. The Group has not applied hedge accounting.

IFRS 16 Leases will take effect on 1 January 2019. Uutechnic Group will adopt the standard as of 1 January 2019 using the simplified retrospective approach, and the comparison figures for the year preceding adoption are not adjusted. Following the adoption of the amended standard, the leases of leased business and production premises will be recognised on the balance sheet. Leases that include a right to use the underlying asset are recognised as assets on the lessee's balance sheet. An asset representing the right to use the underlying asset and a lease liability representing its obligation to make lease payments are recognised on the balance sheet. The lease expense associated with leases is replaced by depreciation of the right-of-use-assets and interest expense for the lease liability. The change in the recognition method also has effects on the notes to the financial statements and key figures.
Uutechnic Group operates in the production and office premises in Uusikaupunki under a lease. Lease liabilities are disclosed in note 28

Uutechnic Group has prepared a preliminary assessment of the effects of IFRS 16 Leases on certain leases in the financial statements. The assessment may still change once the final assessment is completed. Leases are recognised on the balance sheet upon the commencement of the lease as an asset corresponding with the current value of the minimum rents and depreciated over the period of the lease. The amount of interest-bearing liabilities on the consolidated balance sheet increases by the discounted amount of the lease liability. In addition, a change in deferred taxes is recognised under income taxes. In accordance with IFRS 16 Leases,the amount of the asset and liability based on right-of-use is calculated by discounting the future contractual minimum rents. According to a preliminary estimate, an asset of approximately EUR 1,400 thousand and related financial liability will be recognised for the leases on 1 January 2019.

Assets and liabilities in foreign currencies

The consolidated financial statement is presented in euros, which is the functioning 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 statement, 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

Revenue recognition principles prior to 1 January 2018

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

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

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

Revenue recognition principles after 1 January 2018

Uutechnic Group adopted IFRS 15 Revenue from Contracts with Customers on 1 January 2018, replacing the IAS 18 Revenue and IAS 11 Construction Contracts standards. 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. Uutechnic Group adopted the new standard retroactively so that the effect accumulated due to the application of this standard was recognised as an adjustment to the opening balance of retained earnings on the date of adoption for the financial period beginning on 1 January 2018.

The 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.

Subsidies received

Public subsidies are booked as income in the income statement at the same time as the expenses are booked. 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. Group had no affiliated companies during financial year 2018 and 2017.

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. Prerequisites for defered tax receivables bookings are evaluated at the end of every reporting period.

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

prior to 1 January 2018

Financial assets were classified as belonging to the following categories: loans and other receivables and available-for-sale financial assets. Financial assets were 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 were 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 were 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 were entered in the fair value reserve in equity, with the tax effect taken into account. Changes in fair value were transferred from equity to the income statement when the instrument was sold or its value had fallen so that an impairment loss had to be recognised for the instrument. Available-for-sale financial assets were included in long-term assets, except if the intention was to hold them for less than 12 months after the balance sheet date, in which case they were 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.

after 1 January 2018

Financial assets are classified in accordance with IFRS 9 Financial Instruments into financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost. The classification is made based on the purpose of the acquisition and type of cash flows upon the original acquisition. Financial assets are derecognised when the Group has lost the contractual right to cash flows or transferred the risks and benefits of the financial asset to a significant extent outside the Group. Financial assets maturing within the next 12 months are included in current assets. Financial assets at fair value through profit or loss include derivative instruments to which hedge accounting is not applied. All purchases and sales of financial assets are recognised on the transaction date. Unlisted shares are classified into financial assets at fair value through other comprehensive income. When a share is derecognised, the profit or loss previously recognised in other reserves is reclassified to retained earnings and not the income statement.
Financial assets at amortised cost include trade receivables, prepayments and accrued income, assets based on contracts with customers and other receivables. Due to the short-term nature of the receivables, their original book value is equal to the fair value of the receivable. With regard to trade receivables and assets based on customer contracts, Uutechnic applies the simplified IFRS 9 model for assessing credit losses, regularly assessing and identifying expected credit losses from receivables. On the date of the financial statements, the trade receivables on the balance sheet do not include any significant risk concentrations.

Cash and cash equivalents comprise cash in hand, short-term bank deposits and other short-term liquid investments with a period of maturity of no more than three months. Bank overdraft facilities are included in current interest-bearing liabilities. Financial assets are derecognised when the Group has lost the contractual right to cash flows or transferred the risks and benefits to a significant extent outside the Group.

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 maybe used in the Group 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 maybe 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, in IFRS15 the revenue and cost recognition is done according to completion percentage, when projects' revenue and costs can be reliable estimated. Partial revenue recognition is based on estimations about expected revenues and costs and to reliable measurement of projects's progress. If the estimations 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.

1 000 EUR

3. NON–CURRENT ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUING OPERATIONS

On 28 September 2018, Plc Uutechnic Group Oyj announced that the sale of 81% of Japrotek Oy Ab's shares to the company's management was completed mainly as announced on 4 June 2018. In the Group's financial reporting, Japrotek Oy Ab is classified under discontinued operations and it is included in the Group's consolidated statement of income until 28 September 2018.

Profit or loss of the discontinuing operations	1.1.-31.12.2018	1.1.-31.12.2017
Turnover	8 058	12 999
Operative expenses	-8 845	-14 003
Financing incomes / -expenses, sales gains / -losses	-19	-35
Impairment loss	-20	0
Depreciations	-57	-104
Profit/loss before taxes	**-883**	**-1 143**
Taxes	-190	4
Profit or loss of the fiscal period from the discontinuing operations	**-1 073**	**-1 139**
Flow of funds from the discontinuing operations		
Flow of funds from operations	-718	-1 441
Flow of funds from investments	-3	-4
Flow of funds from financial intems	500	1 000
Flow of funds total	**-221**	**-445**
Non-current assets held for sale of discontinuing operations		
Tangible assets		476
Inventories and receivables		3 427
Liquid assets		235
Assets total	**0**	**4 138**
Liabilities of disposal group held for sale of discontinuing operations		
Current liabilities held for sale, interest-free		1 960
Liabilities total	**0**	**1 960**
The total value of from assigned operations	20	0
Cash in the discontinued operations at the time of assignment	13	0

1 000 EUR

4. 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 2018	**Finland**	**Other Europe**	**North-America**	**South-America**	**Asia**	**Africa**	**Group total**
Net turnover	6 182	13 044	136	266	2 464	0	22 092
Assets	12 541	7 817					20 358
Investments	374	136					510

Fiscal year 2017	**Finland**	**Other Europe**	**North-America**	**South-America**	**Asia**	**Africa**	**Group total**
Net turnover	6 700	9 230	113	4	3 020	11	19 077
Assets	13 422	6 925					20 347
Investments	217	60					277

INFORMATION ABOUT KEY CUSTOMERS

The Group's turnover doesn't include revenues from an individual customer exceeding 10 % of the Group's turnover.

1 000 EUR

5. PERFORMANCE OBLIGATIONS TO BE SATISFIED OVER TIME

	1.1.-31.12.2018	1.1.-31.12.2017
Net turnover		
Performance obligations to be satisfied over time	5 254	
Performance obligations to be satisfied at a point in time	16 838	19 077
Total	**22 092**	**19 077**
Order backlog		
Performance obligations to be satisfied over time	8 180	
Performance obligations to be satisfied at a point in time	1 161	8 049
Order backlog total	**9 341**	**8 049**

The amount of the revenue recognized over time method 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 over time method	5 254	
Advances received from the customers	-1 591	
Difference	**3 663**	**0**

6. OTHER OPERATING INCOME

	1.1.-31.12.2018	1.1.-31.12.2017
Other operating income		
Subsidy	18	55
Other income	35	131
Gain on disposal of non-current assets	4	19
Gain from bankrupt's estate	3	54
Total	**60**	**259**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 000 EUR

7. OTHER OPERATING EXPENSES

	1.1.-31.12.2018	1.1.-31.12.2017
Other operating expenses		
Rents	211	204
Overhead costs of production	230	181
Travelling expenses	208	204
IT-costs	565	405
Expenses from real estates and apartments	285	297
Sales costs	358	81
Non-statuory employee benefits	50	40
Costs of bank guarantees and insurances	125	115
Marketing expenses	103	82
Quality and environment expenses	12	11
Management services	109	179
Other expenses	1 015	969
Total	**3 271**	**2 768**

Other operating expenses include fees paid to the auditors	1.1.-31.12.2018	1.1.-31.12.2017
Auditing fees to Authorized Public Accountant Firm Ernst & Young Oy	53	68
Consulting and other fees to Authorized Public Accountant Firm Ernst & Young Oy	4	15
Consulting and other fees to others	15	20
Total	**71**	**103**

8. DEPRECIATION AND IMPAIRMENTS

Depriciations by groups of assets	1.1.-31.12.2018	1.1.-31.12.2017
Intangible assets		
Intangible rights	15	14
Other long-term assets	27	26
Total	**42**	**39**
Tangible assets		
Buildings	60	63
Buildings, financial lease	11	11
Machinery and equipment	266	266
Machinery and equipment, financial lease	13	20
Other tangible assets	47	39
Total	**397**	**399**
Depreciations of goodwill realated to the aquisition in 2015 are presented after operating profit on the Income statement.	92	92
Depreciations and impairments total	**531**	**531**

9. COSTS OF EMPLOYEE BENEFITS

	1.1.-31.12.2018	1.1.-31.12.2017
Costs of employee benefits		
Salaries and fees	6 623	6 493
Pension expenses, defined contribution plan	879	869
Other employee benefits	299	309
Total	**7 801**	**7 671**
Management and Board salaries, fees and benefits		
CEO	176	176
Board members and substitute members	80	108
Total	**256**	**284**
Number of personnel of the Group at the end of the period		
White collar	54	59
Blue collar	63	69
Total	**117**	**128**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. EXPEDINTURE ON RESEARCH AND DEVELOPMENT

	1.1.-31.12.2018	1.1.-31.12.2017
Research and development expenditure	796	189

11. FINANCING EXPENSES

	1.1.-31.12.2018	1.1.-31.12.2017
Financing expenses		
Interest expenses	127	162
Other financing expenses*)	25	259
Total	**152**	**421**

*)In the year 2017 financial expenses is included lease guarantee given to a third party.

1 000 EUR

12. INCOME TAX

	1.1.-31.12.2018	1.1.-31.12.2017
Income taxes in income statement		
Tax on income from operations from the fiscal period	-6	-118
Change in deferred tax liabilities and tax assets	-229	18
Total	**-235**	**-100**

Reconciliation between tax provision on income statement and mathematical tax based on parent company's tax rate	1.1.-31.12.2018	1.1.-31.12.2017
Profit or loss before taxes	1 880	674
Parent company's tax rate at the end of the fiscal period	20 %	20 %
Mathematical tax based on parent company's tax rate	-376	-135
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	-8	-42
Non-deductible income		1
Non-deductible expenses		47
The lossses of the financial year of which deffered tax has not recorded	-220	0
The allocation of previously unrecognized confirmed losses to the taxes of the period	403	68
The deferred tax from previously unrecognized comfirmed losses. Other timing differences	-34	-39
Tax provision on income statement	**-235**	**-100**
Effective tax rate	-13 %	-15 %

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 000 EUR

13. EARNINGS PER SHARE

	1.1.-31.12.2018	1.1.-31.12.2017
Net profit or loss attributable to the shareholders' of the parent, continuing operations, 1000 eur	1646	574
Net profit or loss attributable to the shareholders' of the parent, 1000 eur	573	-566
Average number of shares during the fiscal period	56 501 730	56 502 890
Earnings per share calculated on profit attributable to equity holders of the parent:		
Earnings per share undiluted, euros/share, continuing operations	0,03	0,01
Earnings per share undiluted, euros/share, net profit/loss	0,01	-0,01

14. TANGIBLE ASSETS

1.1.-31.12.2018	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	106	2 557	327	275	35	6 595
Increase				351		105	52	508
Decrease		-27		-2 642	-300	-31	-13	-2 982
Transfers between items				74			-74	-31
Acquisition cost at the end of the period	551	2 717	106	340	27	349	0	4 090
Accumulated depreciations and impairment losses at the beginning of the period		-333	-16	-904	-111	-107	0	-1 471
Depreciations of transfers' and decrease items	0	27		2 159	186	4		2 376
Depreciations and impairment losses		-126	-10	-266	-13	-46		-461
Accumulated depreciations and impairment losses at the end of the period		-432	-26	989	62	-149		444
Book value at the beginning of the period	**551**	**2 411**	**90**	**1 653**	**216**	**168**	**35**	**5 124**
Book value at the end of the period	**551**	**2 285**	**80**	**1 329**	**89**	**200**	**0**	**4 534**

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			-32	-56
Transfers between items		-76		7		41	-61	-89
Acquisition cost at the end of the period	551	2 744	106	2 557	327	275	35	6 595
Accumulated depreciations and impairment losses at the beginning of the period		-204	-5	-554	-71	-52		-886
Depreciations of transfers' and decrease items		-129	-11	-350	-40	-55		-585
Depreciations and impairment losses								
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**

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

The reference period figures include Japrotek Oy Ab, classified as discontinued operations.

15. INTANGIBLE ASSETS

1.1.-31.12.2018	Intangible rights	Other long-term assets	Brands	Brands no depreciaion	Intangible assets total
Acquisition cost at the beginning of the period	84	579	263	1 622	**2 548**
Increase	15				**15**
Decrease	-25	-83		-923	**-1 031**
Transfers between items		31			**31**
Acquisition cost at the end of the period	74	527	263	699	**1 563**
Accumulated depreciations and impairment losses at the beginning of the period	-62	-455	-57		**-574**
Depreciations of transfers' and decrease items	25	74			**99**
Depreciations	-16	-29	-26		**-71**
Accumulated depreciations and impairment losses at the end of the period	-53	-410	-83		**-546**
Book value at the beginning of the period	**22**	**124**	**206**	**1 622**	**1 975**
Book value at the end of the period	**21**	**118**	**180**	**699**	**1 017**

1.1.-31.12.2017	Intangible rights	Other long-term assets	Brands	Brands no depreciaion	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 of transfers' and decrease items					
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**

Intangible rights include activated acquisition costs of patents, trade marks and licences. Goodwill, see Notes to the Consolidated Financial Statements, item 16 "Goodwill".

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

The reference period figures include Japrotek Oy Ab, classified as discontinued operations.

1 000 EUR

16. GOODWILL VALUES

Goodwill, 1 000 EUR	1.1.-31.12.2018	1.1.-31.12.2017
Acquisition cost at the beginning of the period	3 534	3 534
Sale of Japrotek Oy Ab, inpairment loss	-464	
Acquisition cost at the end of the period	3 070	3 534
Book value at the end of the period	**3 070**	**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, 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 2019 in comparison to 2018.

	The expected growth in net sales during the 5-year forecast period %
AP-Tela Oy	6,3 - 10,2
Stelzer Rührtechnic Int. GmbH	0 - 25,1
Uutechnic Oy	0 - 2,5

Discount rate:

The pretax WACC spesified for Uutechnic Group has been used as the discount rate. The discount rates for fiscal period 2018 were:

AP-Tela Oy	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	4,5	81,2
Stelzer Rührtechnic Int. GmbH	51,2	95,9
Uutechnic Oy	67,6	96,2

17. AVAILABLE FOR SALE INVESTMENTS

1 000 EUR	1.1.-31.12.2018	1.1.-31.12.2017
Available for sale investments		
Other shares and holdings, available for sale, not listed	5	0
Total	**5**	**0**

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.

18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	31.12.2018	Allocated to the tax from the period	Allocated to deferred taxes 2018	31.12.2017
Tax losses carried forward	799	-2 015	-900	3 714
Deffered tax assets	180			

Deferred tax liabilities	31.12.2018	Recognized in income statement	Recognized in equity	31.12.2017
Merger of business operations	295	-18		313
Other timing differences	84	-4	20	68
Total	**379**	**-22**	**20**	**381**

1 000 EUR

19. INVENTORIES

	31.12.2018	31.12.2017
Inventories		
Materials and supplies	1 850	1 161
Work in progress	2 097	1 668
Advance payments for inventories	25	0
Total	**3 972**	**2 829**

20. RECEIVABLES

	31.12.2018	31.12.2017
LONG-TERM RECEIVABLES		
Subordinated loan	2 870	0

The subordinated loan receivable is an arrangement agreed upon in connection with the Jarpotek Oy Ab transaction. The loan is a subordinated loan in accordance with the Limited Liability Companies Act, and its capital repayments and interest payments must meet the conditions provided in the Act. The debtor or its subsidiary is not allowed to provide any security for the capital repayments or interest payments. It is allowed to make capital repayments and interest payments only to the extent that the amount of the debtor company's unrestricted capital and all subordinated loans at the time of payment exceed the loss confirmed for the last financial year or included on the balance sheet of more recent financial statements. In the case of bankruptcy or liquidation of the debtor, the debt and interest calculated on the principal is repaid with a lower priority status than other debts but, nevertheless, before paying the distribution quotas based on share capital for the shareholders of the debtor.

The debt is repaid annually after the financial year 2019, provided that the subordinated debts with a higher priority status are paid first. The repayments of all the company's subordinated debts amount to half of the profit of the last financial year. The repayments of the subordinated debt may not endanger the liquidity of the debtor company or violate the covenants of other financiers.

The outstanding principal amount is subject to annual interest euribor 12 kk + 4.5%. However, it has been agreed that the annual interest for 2018 is euribor + 2.5%. The interest on the debt is paid annually on 31 March. If the interest on the debt cannot be paid, the interest is deferred to be paid on the basis of the first financial statements that enable the payment.

SHORT–TERM RECEIVABLES

	31.12.2018	31.12.2017
Trade and other receivables		
Trade receivables*	3 049	2 297
Advance payments for inventories	868	
Other receivables	57	
Prepayments and accrued income	226	123
Total	**4 200**	**2 420**

* Trade receivables do not include any significant risk concentrations.

Ageing analysis of trade receivables		
Not due	1 581	1 657
Past due less than 180 days	1 049	640
Past due more than 180 days	418	
Total	**3 049**	**2 297**

Prepayments and accrued income	31.12.2018	31.12.2017
Prepayments and accrued income consists of:		
Receivables from the construction contracts recognized under the POC method	868	
Other prepayments and accured income	226	123
Total	**1 094**	**123**

21. CASH AND CASH EQUIVALENTS

	31.12.2018	31.12.2017
Cash and bank		
Cash and bank	379	373
Total	**379**	**373**
Change of liquid funds in the flow of funds statement*)		
Liquid funds at the beginning of the period	608	1909
Liquid funds at the end of the period	379	608
Change of liquid funds in the balance sheet	**-228**	**-1 301**

*) Flow of funds include also discontinued operations

22. OMA PÄÄOMA

Share Capital

Plc Uutechnic Group Oyj's registered and fully paid share capital of 31 December 2018 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 2018.

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 10.5 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. The equity ratio on 31 December 2018 was 44.7 %.

1 000 EUR

22. SHAREHOLDERS' EQUITY

	31.12.2018	31.12.2017
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**	**6 376**
Share issue		
Items due to reverce aquisition		
Share issue expenses		
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	0	33
		-33
Translation differences	**0**	**0**
RETAINED EARNINGS		
Retained earnings		
Retained earnings at the beginning of the period	655	1 188
Adjustment for translation differences		33
Impact of the introduction of nwe standards	98	
Retained earnings	**753**	**1 221**
Profit or loss for the fiscal period		
Profit or loss for the fiscal period	573	**-566**
Profit or loss for the fiscal period	**573**	**-566**
Dividend distribution	**0**	**0**
Retained earnings	**1 326**	**655**
Shareholders of the parent company	**1 326**	**655**
MINORITY INTEREST		
Minority interest		
Total shareholders' equity	**10 580**	**9 909**

1 000 EUR

23. PROVISIONS

Non-current provisions, 1 000 EUR	Warranty provision	Pension provision	Total
Provisions at the beginning of the period	108	146	254
Change of the provisions	15	0	15
Provisions at the end of the period	**123**	**146**	**269**

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.

24. INTEREST–BEARING LIABILITIES

	31.12.2018	31.12.2017
Non-current liabilities, interest-bearing		
Loans from financial institutions	1 471	1 059
Financial leasing	38	59
Subordinated loans from owners		1 000
Loans from institutions	146	50
Total	**1 654**	**2 168**
Current liabilities, interest-bearing		
Loans from financial institutions	2 144	1 532
Subordinated loans from owners	1 000	
Financial leasing	21	20
Total	**3 165**	**1 552**
A reconcilliation between the openning and closing balances of liabilities arising from financing activities		
Interest bearing liabilities at 1 January	3 719	5 144
Cash flows	1 100	-1 374
Interest bearing liabilities at 31 December	**4 819**	**3 719**

1 000 EUR

25. 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	**31.12.2018 SEK**	**NOK**	**ZAR**	**USD**
Foreign currency trade receivables				20,7
Foreign currency account payables				-2,0
Foreign currency cash and bank				
Net exposure in balance sheet	**0,0**	**0,0**	**0,0**	**18,7**

	31.12.2017 SEK	**NOK**	**ZAR**	**USD**
Group total at the end of the fiscal period				
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**	**-12,6**	**-149,9**

Sensitivity analysis The effect of a 10% weakening currencies (against euro) in euro:	**31.12.2018 SEK**	**NOK**	**ZAR**	**USD**
Group total at the end of the fiscal period				
Profit or loss for the period before taxes				**-1,5**
Profit or loss for the period, net of taxes				**-1,2**

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

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 31.12.2018	Increase of the interest expenses resulted from the change of the interest rate +1%
Loans from financial institutions	110	47
Financial leasing	4	1
Subordinated loans from owners	20	
Loans from institutions	3	3
Total	**137**	**51**

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.

In connection with the sale of 81 % Japrotek Oy Ab's shares, Uutechnic Group's intra-group receivables and quarantee liabilities became external claims and liabilities. It is possible that receivables or guarantee liabilities will result in credit losses or overdue payments over time. Group monitors and assesses the risk on the basis of the quartelry performance reports submitted to it by Japrotek.

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 2020. The cash flow statement is based on the earnings forecast for fiscal period 2019 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 0.30.

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 1,37.

1 000 EUR

25. FINANCIAL RISK MANAGEMENT

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

Interest-bearing liabilities Maturing during the fiscal period	2019 during 1-6 months	2019 during 7-12 months	2020	2021	2022	Later	Total
Loans from financial institutions, capital	235	353	560	353	381	176	**2 058**
Loans from financial institutions, interests	23	21	32	17	11	6	**110**
Financial leasing, capital	10	11	21	17			**59**
Financial leasing, interests	1	1	1	1			**4**
Subordinated loans from owners, capital		1 000					**1 000**
Subordinated loans from owners, interests		20					**20**
Loans from institutions, capital			146				**146**
Loans from institutions, interests		2	1				**3**
Total	**269**	**1 408**	**761**	**388**	**392**	**182**	**3 400**

In additon the parent company has unsecured loan in accordance with the Finnish Companies Act, EUR 2,9 million, from Japrotek Oy Ab. The terms of the loan are presented in the note 20, receivables.

Interest-free liabilities Maturing during the fiscal period	2019 during 1-6 months	2019 during 7-12 months	2020	2021	2022	Later	Total
Trade payables	1 148						**1 148**
Total	**1 148**						**1 148**

Cash flows of financial receivables according to the payment plan

Short-term receivables Maturing during the fiscal period	Earlier matured	2019	2020	2021	2022	Later	Total
Trade receivables	1 467	1 581					3 049
Total	**1 467**	**1 581**					**3 049**

25. FINANCIAL RISK MANAGEMENT

Maturing times and effective interest rates (weighted averages) of interest-bearing liabilities 31.12.2018

	Maturing times, years	Interest rate %
Loans from financial institutions	4	2,35
Subordinated loans from owners	1	4,00

Credit limits in use
In the end of the fiscal year 31.12.2018 the Group had credit limits in use total 1.56 million euros.
The average interest rate of the credit limits at the end of the fiscal year was 1,8 %.

Unused credit limits
In the end of the fiscal year 31.12.2018 the Group had unused book limits total 2,66 million euros.

1 000 EUR

26. SHORT–TERM LIABILITIES

	31.12.2018	31.12.2017
Trade payables and other liabilities		
Advance payments received	3 320	1 156
Trade payables	1 148	1 232
Other short-term liabilities	788	2 134
Accruals and deferred income	1 220	1 153
Total	**6 476**	**5 675**
Accruals and deferred income consist of:		
Accrued employee expenses	503	555
Interest liabilities	129	88
Other accruals and deferred income	588	509
Total	**1 220**	**1 153**
Tax liability		
Tax liability, income tax		132
Total	**0**	**132**

27. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of other than derivative contracts, 1 000 EUR

Financial assets	Book value 31.12.2018	Fair value 31.12.2018	Book value 31.12.2017	Fair value 31.12.2017
Trade receivables and other receivables	3 332	3 332	2 420	2 420
Cash and cash equivalents	379	379	373	373

Financial liabilities	Book value 31.12.2018	Fair value 31.12.2018	Book value 31.12.2017	Fair value 31.12.2017
Long-term loans from financial institutions	1 617	1 617	1 109	1 109
Subordinated loans from owners	1 000	1 000	1 000	1 000
Long-term financial leasing	38	38	59	59
Short-term loans from financial institutions	907	907	1 532	1 532
Short-term financial leasing	21	21	20	20
Trade payables and other liabilities	4 310	4 310	3 991	3 991

1 000 EUR

28. SECURITIES AND RESPONSIBILITIES

SECURITIES AND RESPONSIBILITIES

1 000 EUR	31.12.2018	31.12.2017
Granted securities		
Dept secured by real estate and corporate mortgages		
Loans from financial institutions	2 205	1 529
Credit limits in use	1 556	1 061
Total	**3 761**	**2 590**
Mortgages granted to secure loans and bank guarantees		
Real estate mortgages	4 743	4 743
Corporate mortgages	19 211	22 238
Total	**23 954**	**26 981**
Other granted securities for own behalf		
Deposits	9	9
Total	**9**	**9**

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.

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

Contigent Liabilities and Other Liabilities	31.12.2018	31.12.2017
Bank quarantees		
Bank guarantee limits total	8 100	11 500
Bank guarantee limits in own use	1 467	4 813
Bank guarantees granted on behalf of others*)	1 831	

*) Company acts as guarantor for Japrotek delivery and warranty guarantees up to EUR 1,350 million, of which EUR 214 thousand was in use on 31.12.2018. In addition, prior to the arrangement, the Company has outstanding liabilities for Japrotek's work and warranty guarantees up to 1,617 million on 31.12.2018.

Operating lease agreements	31.12.2018	31.12.2017
Within a year	31	28
More than one year but no more than 5 years	57	23
Total	**88**	**52**

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

1 000 EUR

28. SECURITIES AND RESPONSIBILITIES

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

	31.12.2018	31.12.2017
Rent liabilities		
Within a year	195	572
1 - 5 years	733	2 244
Later	550	2 244
Total	**1 477**	**5 060**

Rent liabilities include EUR1 466 thousand to related parties.

Other contingent liabilities on own behalf		
Granted guarantees to customers by parent company	52	784
Guarantees granted to secure bank guarantee limit	6 750	11 500
Guarantees granted to secure rent guarantees	0	165
Total	**6 802**	**12 449**
Other liabilities granted on behalf of others		
Guarantees granted to secure bank guarantee limit	1 350	
Total	**1 350**	**0**

Reference period include also discontinued operations.

1 000 EUR

29. 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.-31.12.2018	1.1.-31.12.2017
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	227	226
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
Consultation fee to the entity whre the chairman of the board and a major shareholder excercises control	28	
Sale of a car to the former CEO of the Group, loss		6
Long-term loans		
Long-term loans from the major shareholders of parent company	1 000	1 000
Employee benefits for the management		
Salaries and fees of the parent company management		
CEO:		
Peräaho Jouko	176	149
Heikkilä Martti		27
Other Group Management	569	490
Board members:		
Alatalo Sami	36	36
Peräaho Jouko		28
Kottonen Hannu	22	22
Lagerstedt Kristiina	22	22

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.

30. 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

31. SHARES AND SHAREHOLDERS

According to the book-entry security system, Plc Uutechnic Group Oyj had 1 459 registered shareholders on 31 December 2018. There were in total 4,459,234 nominee-registered shares.

MAJOR SHAREHOLDERS According to the book-entry security system, on 31 December 2018	Shares		Votes	
	no	%	kpl	%
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	545 000	0,96	545 000	0,96
Total for 10 largest	**47 970 196**	**84,90**	**47 970 196**	**84,90**

*) nominee-registered shares

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

1 000 EUR

31. SHARES AND SHAREHOLDERS

BREAKDOWN OF SHARE OWNERSHIP BY AMOUNT OF HOLDINGS According to the book-entry security system, on 31 December 20178	Shareholders no.	%	Shares no.	%	Votes no.	%
1 - 100						
101 - 1 000	247	16,91	12 344	16,91	12 344	16,91
1 001 - 10 000	561	38,40	283 235	38,40	283 235	38,40
10 001 - 100 000	512	35,04	1 778 390	35,04	1 778 390	35,04
100 001 - 1 000 000	116	7,94	3 471 414	7,94	3 471 414	7,94
	25	1,71	50 956 347	1,71	50 956 347	1,71
Nominee-registered shares	**1461**	**100,00**	**56 501 730**	**100,00**	**56 501 730**	**100,00**
	6		4 459 234	7,89	4 459 234	7,89
			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 2018	Shareholders no.	%	Shares no.	%	Votes no.	%
Companies	56	3,84	12 517 078	22,15	12 517 078	22,15
Financial and insurance institutions	9	0,62	405 606	0,72	405 606	0,72
Public corporations	3	0,21	226 725	0,40	226 725	0,40
Households	1384	94,86	38 881 279	68,81	38 881 279	68,81
Non-profit organizations	2	0,14	201	0,00	201	0,00
Foreign countries	5	0,34	11 607	0,02	11 607	0,02
	1459	**100,01**	**52 042 496**	**92,10**	**52 042 496**	**92,10**
Nominee-registered shares	6		4 459 234	7,89	4 459 234	7,89
			56 501 730	**100,00**	**56 501 730**	**100,00**

SHARE HOLDINGS OF THE MANAGEMENT According to the book-entry security system, on 31 December 2018	Shares no.	Shares %	Votes no.	Votes %
Board of directors and CEO				
Kottonen Hannu	50 000	0,09	50 000	0,09
Lagerstedt Kristiina	54 000	0,10	54 000	0,10
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
Mönkäre Zakaria, Technology Director	9 676	0,02	9 676	0,02
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.

32. EVENTS AFTER THE END OF THE FISCAL YEAR

STOCK EXCHANGE RELEASES PUBLISHED AFTER THE END OF FISCAL YEAR

13.2.2019	Notification according to chapter 9, section 6 and 7 of the Securities Market Act
28.2.2019	Rewiew of Financial Statements for January-December 2018
4.3.2019	Notification according to chapter 9, section 5,6 and 7 of the Securities Market Act
6.3.2019	Plc Uutechnic Group Oyj's Liquidity Providing Agreement

FINANCIAL STATEMENT OF THE PARENT COMPANY

Table of Contents

INCOME STATEMENT OF THE PARENT COMPANY, FAS

1000 EUR	1.1.-31.12.2018	1.1.-31.12.2017	Notes
NET TURNOVER	**1 727**	**1 494**	2
Other income	255	72	3
Personnel expenses	-1 171	-1 245	5
Depreciations and impairment losses	-25	-35	6
Other operating expenses	-1 116	-779	7
OPERATING PROFIT OR LOSS	**-330**	**-492**	4
Financing income and expenses	-2 838	-350	8
PROFIT OR LOSS BEFORE INCOME TAXES AND APPROPRIATIONS	**-3 168**	**-842**	
APPROPRIATIONS			
Group contribution	270	899	9
PROFIT OR LOSS FOR THE FISCAL YEAR	**-2 898**	**57**	

Financing income and expenses include loan forgiveness to Japrotek Oy Ab EUR 2 772 115,83.

BALANCE SHEET, PARENT COMPANY , FAS

	31.12.2018	31.12.2017	Notes
VASTAAVAA			
NON-CURRENT ASSETS			
Intangible assets	14	21	
Tangible assets	62	41	
Investments	9 603	9 779	
NON-CURRENT ASSETS	**9 679**	**9 841**	11
CURRENT ASSETS			
Receivables from subordinated loans	2 870		
Long-term receivables	913	4 363	
Short-term receivables	1 682	4 177	
Cash and bank	2	2	
CURRENT ASSETS	**5 467**	**8 541**	12
ASSETS	**15 146**	**18 383**	
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Reserve fund	19 397	19 397	
Retained earnings	-9 930	-9 987	
Profit or loss for the fiscal year	-2 898	57	
SHAREHOLDERS' EQUITY	**9 441**	**12 339**	13
LIABILITIES			
Subordinated loan	1 000	1 000	
Long-term interest-bearing liabilities	1 471	1 058	14
Short-term interest-bearing liabilities	1 825	1 230	15
Short-term non-interest-bearing liabilities	1 409	2 755	15
LIABILITIES	**5 704**	**6 043**	
EQUITY AND LIABILITIES	**15 146**	**18 383**	

FLOW OF FUNDS STATEMENT OF THE PARENT COMPANY, FAS

1000 EUR	1.1.-31.12.2018	1.1.-31.12.2017
FLOW OF FUNDS FROM OPERATIONS		
Profit before extraordinary items	-2 820	57
Adjustment items:	0	0
Depreciations according to plan	25	23
Impairment lossess	0	12
Other income and expenses, no payment related	2 724	235
Impairment losses from the shares in Group companies	143	0
Financial income and expenses	44	115
Sales profits and losses	0	-18
Flow of funds before the change in working capital	**116**	**424**
Change in working capital:	0	0
Change in short-term receivables	-580	-1 297
Change in short-term non-interest bearing creditors	-149	296
Flow of funds before financial items and taxes	**-612**	**-577**
Interest and other financial expenses from operations paid	-89	-168
Dividends and other financial income received	0	2
Interests received	10	9
FLOW OF FUNDS FROM OPERATIONS	**-691**	**-735**
FLOW OF FUNDS FROM INVESTMENTS:	0	0
Investments in tangible and intangible assets	-39	-41
Income from sales of tangible and intangible assets	20	21
Other investments	0	24
FLOW OF FUNDS FROM INVESTMENTS	**-19**	3
FLOW OF FUNDS FROM FINANCIAL ITEMS		
Withdrawals of short-term loans	595	760
Repayments of short-term loans	0	-471
Withdrawals of long-term loans	412	0
Withdrawals of short-term loans from subsidiaries	0	1 805
Repayment of short-term group loans to subsidiaries	-1 196	0
Repayment of long-term loans	0	-1 000
Loans granted to subsidiaries	0	-1 000
Group contribution	899	632
FLOW OF FUNDS FROM FINANCIAL ITEMS	**710**	**726**
Change of liquid funds	**0**	**-5**
Liquid assets at the beginning of the fiscal year	2	7
Liquid assets at the end of the fiscal year	2	2
Change in liquid assets according to the balance sheet	0	-5

NOTES TO THE INCOME STATEMENT

1. Accounting Principles for Financial Statements

The financial statement of Plc Uutechnic Group Oyj for the fiscal period 2015 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 depts. 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.-31.12.2018	1.1.-31.12.2017
2. TURNOVER BY BUSINESSES AND MARKET AREAS		
By businesses		
Administration	1 727	1 494
Total	**1 727**	**1 494**
By market areas		
Finland	1 183	1 201
Other Europe	544	293
Total	**1 727**	**1 494**
3. OTHER OPERATING INCOME		
Gains from investments		18
Gains from bankrupt's estate		54
Subsidy	255	0
Total	**255**	**72**
4. OPERATING PROFIT OR LOSS BY BUSINESSES		
Administration	-274	-546
Total	**-274**	**-546**
5. PERSONNEL		
Average number of personnel		
Office staff	11	11
Total	**11**	**11**
Personnel expenses		
Wages and salaries	993	1 041
Pension costs	168	181
Other personnel expenses	10	22
Total	**1 171**	**1 244**
Management's salaries and benefits		
Managing directors	176	176
Board members	80	108
Total	**256**	**284**

	1.1.-31.12.2018	1.1.-31.12.2017
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	25	23
Impairment losses from tangible assets	0	12
Total	**25**	**35**
7. OTHER OPERATING EXPENSES		
Rent expenses	7	11
Non-statutory employee benefits	12	22
Travelling expenses	103	110
It expenses	430	255
Other expenses	564	94
Total	**1 116**	**492**
8. FINANCIAL INCOME AND EXPENSES		
Income from other investments held as non-current assets		
Other		2
Total	**0**	**2**
Other interest and other financial income		
Group companies	36	55
Other	45	1
Total	**81**	**55**
Financial income total	**81**	**56**
Interest and other financial expenses		
Group companies	15	4
Other	131	403
Forgivness of loans	2 772	0
Total	**2 918**	**406**
Financial expenses total	**2 918**	**406**
Financial income and expenses total	**-2 837**	**-350**
9. APPROPRIATIONS		
Group contribution from Uutechnic Oy	270	899
Total	**270**	**899**

NOTES TO THE INCOME STATEMENT

NOTES TO THE BALANCE SHEET

10. SHAREHOLDINGS	Registered office	Number of shares	Group Ownership %
Group Companies			
Company			
AP-Tela Oy	Kokkola	480	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	31.12.2018	31.12.2017
Intangible assets		
Other long-term assets		
Acquisition cost at the beginning of the fiscal year	94	94
Increase	0	0
Acquisition cost at the end of the fiscal year	**94**	**94**
Accumulated depreciations at the beginning of the fiscal year	-73	-66
Depreciation of the fiscal year	-7	-7
Accumulated depreciations of the decrease	0	0
Accumulated depreciations at the end of the fiscal year	**-80**	**-73**
Book value at the end of the fiscal year	**14**	**21**
Intangible assets total	**14**	**21**
Tangible assets		
Machinery and equipments		
Acquisition cost at the beginning of the fiscal year	45	37
Increase	39	41
Decrease	0	-33
Acquisition cost at the end of the fiscal year	**84**	**45**
Accumulated depreciations at the beginning of the fiscal year	-4	-1
Accumulated depreciations of the decrease	0	13
Depreciation of the fiscal year	-18	-16
Accumulated depreciations at the end of the fiscal year	**-22**	**-4**
Book value at the end of the fiscal year	**62**	**41**
Other tangible assets		
Acquisition cost at the beginning of the fiscal year		12
Impairment loss		-12
Acquisition cost at the end of the fiscal year	**0**	**0**
Book value at the end of the fiscal year	**62**	**41**
Tangible assets total		
Investments		
Shares in Group companies		
Acquisition cost at the beginning of the fiscal year	16 715	16 715
Decrease	-136	0
Transfer between items	-32	0
Acquisition cost at the end of the fiscal year	**16 547**	**16 715**
Accumulated depreciations and impairment losses at the beginning of the fiscal year	-6 948	-6 948
Transfer between items	27	0
Impairment losses	-27	0
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	**9 598**	**9 767**
Other shares		
Acquisition cost at the beginning of the fiscal year	13	19
Decrease	-13	-6
Transfer between items	32	
Acquisition cost at the end of the fiscal year	**32**	**13**
Depreciations	-13	0
Accumulated depreciations	13	0
Transfer between items	-27	0
Accumulated depreciations at the end of the fiscal year	**-27**	**0**
Book value at the end of the fiscal year	**5**	**13**
Investments total	**9 603**	**9 779**

12. CURRENT ASSETS	31.12.2018	31.12.2017
Long-term receivables from Group		
Receivables from subordinated loans	913	4 363
Total	**913**	**4 363**
Long-term receivables from other		
Receivables from subordinated loans	2 870	**0**
Total	**2 870**	
Long-term receivables total	**3 783**	**4 363**
Short-term receivables		
Accounts receivable	375	
Total	**375**	**0**
Short-term receivables from Group companies		
Accounts receivable	259	1 018
Loan receivables	587	2 115
Other recevables	270	899
Prepaid expenses and accrued income	18	84
Total	**1 134**	**4 116**
Prepaid expenses and accrued income		
Prepaid expenses and accrued income	173	60
Total	**173**	**60**
Short-term receivables total	**1 682**	**4 177**
Cash and bank	2	2
Cash and bank	**2**	**2**

Capital loan receivables from Group companies

Receivables from subordinated loans from Group companies are capital loans to AP-Tela Oy meant by the Chapter 12 of the Companies Act § 1-2.

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 2018. 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 2018 financial period, the discount rate of AP-Tela was 9,38 %. 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.

Receivables from subordinated loans from others are subordinated loans granted to Japrotek Oy Ab in connection with the sale of 81% of Japrotek Oy Ab's shares to the company's management.

The calculations show no sign of impairment in subordinated loan receivables.

13. SHAREHOLDERS' EQUITY	31.12.2018	31.12.2017
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	17 169
Share issue		
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	-9 930	-9 987
Retained earnings in the end of the fiscal year	**-9 930**	**-9 987**
Profit or loss for the fiscal year	**-2 898**	**57**
Shareholders' equity total	**9 442**	**12 339**
Calculation on distributable assets		
Retained earnings	-9 930	-9 987
Profit for the fiscal year	-2 898	57
Unrextricted equity reserve	17 169	17 169
Distributable assets total	**4 341**	**7 239**
Number of shares by series at the end of the fiscal period	**pcs**	**pcs**
A-share (1 vote/share)	56 501 730	56 501 730
Total	**56 501 730**	**56 501 730**
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**

NOTES TO THE INCOME STATEMENT

14. LONG-TERM LIABILITIES	31.12.2018	31.12.2017
External long-term liabilities		
Loans from financial institutions	1 471	1 059
Subordinated loans from owners		1 000
Total	**1 471**	**2 059**
Long-term liabilities total	**1 471**	**2 059**

15. SHORT-TERM LIABILITIES		
External short-term liabilities, interest-bearing		
Subordinated loans from owners	1 000	
Loans from financial institutions	588	471
Credit limits used	1 237	760
Total	**2 825**	**1 230**
	934	1 805
Total	**934**	**1 805**
Short-term liabilities to Group companies, non-interest-bearing		
Accounts payable	19	344
Total	**19**	**344**
External short-term liabilities, non-interest-bearing		
Accounts payable	66	59
Other liabilities	80	93
Accrued liabilities and deferred income	310	454
Total	**456**	**606**
Accrued liabilities and deferred income consist of:		
Accrued employee expenses	122	121
Interest liabilities	129	88
Accrued tax liabilities	0	235
	56	0
Other accruals and deferred income	2	9
Total	**309**	**454**
Short-term liabilities total	**4 234**	**3 985**

NOTES TO THE INCOME STATEMENT

OTHER NOTES

16. SECURITIES AND RESPONSIBILITIES	31.12.2018	31.12.2017
Granted securities		
Dept secured by corporate mortgages or shares		
Loans from financial institutions	2 059	1 529
Credit limits in use	1 237	760
Total	**3 296**	**2 289**
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 AP-Tela Oy, Uutechnic Oy and Stelzer Rührtechnik International GmbH.		
Book values of the shares in subsidiaries granted as securities total	**9 598**	**9 766**
Liabilities		
Bank quarantees		
Bank guarantee limits total	6 600	10 000
Bank guarantee limits in own use	1 467	4 813
Bank guarantees granted on behalf of others*)	1 831	
*) Company acts as guarantor for Japrotek delivery and warranty guarantees up to EUR 1,350 million, of which EUR 214 thousand was in use on 31.12.2018. In addition, prior to the arrangement, the Company has outstanding liabilities for Japrotek's work and warranty guarantees up to 1,617 million on 31.12.2018.		
Granted guarantees by Group companies		
Granted guarantees to customers and creditors		784
Granted guarantees to secure bank guarantee limits	5 250	10 000
Granted guarantees to secure rent bank guarantees	0	165
Total	**5 250**	**10 949**
Granted guarantees by others		
Granted guarantees to customers and creditors	52	
Granted guarantees to secure bank guarantee limits	1 350	
Total	**1 350**	**0**

THE BOARD OF DIRECTORS' PROPOSAL

The company made loss of EUR 2,897 million. The parent company's distributable funds are EUR 4,341 million. The Board of Directors proposes to the Annual General Meeting that no dividends be distributed and that the loss will be transferred to the retained earnings of the company.

In Uusikaupunki, March 14, 2019

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, 2018. 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 7 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 Subordinated Loan Receivable

We refer to the accounting principles and note 20 in the consolidated financial statements.

At the balance sheet date the subordinated loan receivable from a former group subsidiary amounted to 2,9 M€ representing 14 % of the total assets and 27 % of the total equity. The receivable arose in connection with the sale of the former subsidiary on 28.9.2018.

Valuation of the subordinated loan receivable is a key audit matter because the valuation is dependent on the ability of the former subsidiary to generate cash flow for repayment of the receivable from operations or through refinancing. Negative changes in business operations of the former subsidiary can result in impairment of the receivable and there is a risk, that the receivable will not be paid.

Valuation of loan receivable was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

To address the risk of material misstatement relating to the valuation of the loan receivable we performed, among others, the following audit procedures:

- Discussions with the representatives of the group to get an understanding of the future outlook and the financial position of the former subsidiary.

- Examination of the documentation and management assessment of the matter.
- Assessment of the appropriateness of the group's disclosures relating to the loan receivable.

Revenue Recognition of long–term projects

We refer to the accounting principles and note 5 in the consolidated financial statements

Revenue is recognized over time on the basis of the percentage of completion. The method involves the use of estimates and judgements when 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.

Due to the facts mentioned above revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in the EU Regulation No 537/2014, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

To address the risk of material misstatement relating to revenue recognition over time, we performed, among others, the following audit procedures:

- Discussions with the representatives of the group to get an understanding of the financial status of the projects.
- Assessment that the group's revenue recognition principles are consistent with the applied reporting standards.
- Examination of the financial contract terms and the calculations and estimates used in the revenue recognition.
- Assessment of the appropriateness of the group's disclosures relating to revenue.

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

AUDITOR'S REPORT

cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

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 14.3.2019

Ernst & Young Oy
Authorized Public Accountant Firm

Osmo Valovirta
Authorized Public Accountant

CONTACT INFORMATION

Plc Uutechnic Group Oyj

Muottitie 2, FI-23500 Uusikaupunki, Finland
Tel. +358 20 188 0511
Email: uutechnicgroup@uutechnicgroup.fi
Staff emails: firstname.lastname@uutechnic.fi

www.uutechnicgroup.com

AP–Tela Oy

Kuljettajantie 2, FI-67800 Kokkola, Finland
Tel. +358 20 188 0650
Staff emails: firstname.lastname@aptela.fi
www.aptela.fi

Stelzer Rührtechnik International GmbH

Speckgraben 20, D-34414 Warburg, GERMANY
Tel. +49 5641 903-0
Staff emails: firstname.lastname@stelzer.eu
www.stelzer.eu

Uutechnic Oy

Muottitie 2, FI-23500 Uusikaupunki, Finland
Tel. +358 2 846 8800
Staff emails: firstname.lastname@uutechnic.fi
www.uutechnic.fi

DESIGN: MAINOSTOIMISTO ILMIÖ - WWW.MAINOSILMIO.FI

Plc Uutechnic Group Oyj

ANNUAL REPORT 2018