



Plc Uutechnic Group Oyj
REVIEW OF FINANCIAL STATEMENTS
for 1 January – 31 December 2017

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

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

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

OUTLOOK

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

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

BUSINESS REPORTING

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

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

Plc Uutechnic Group Oyj, the parent company of Uutechnic Group, is listed on Nasdaq Helsinki. The Group's subsidiaries are wholly owned by the parent company. The parent company is re-

sponsible for the Group's management, strategic planning, financial administration, IT, financing and HR management. The Group's business operations are carried out by the subsidiaries AP-Tela Oy, Japrotek Oy Ab, Uutechnic Oy and Stelzer Rührtechnik International GmbH.

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

Mixing technology business

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

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

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

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

Vessel business

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

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

The previously announced legal proceedings related to quality issues of materials in a delivered project are still underway in a district court in

Sweden. The probable compensation that can be expected to be received as the result of the legal proceedings against the supplier of the materials, Harald Pihl AB, has been taken into consideration in the financial statements.

Roll and pipe business

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

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

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

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

NEW ORDERS AND ORDER BOOK

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

TURNOVER AND PROFITABILITY

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

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

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

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

FINANCIAL STANDING AND LIQUIDITY

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

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

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

EQUITY

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

A financing arrangement made in 2015 involved unsecured subordinated loans granted by two shareholders, totalling EUR 2.0 million. These loans are subordinated loans in accordance with chapter 12 of the Limited Liability Companies Act, and their capital repayments and interest payments must meet the conditions provided in the Act. The annual interest rate on the outstanding loan capital is 4%. In accordance with the loan terms, the loans will be repaid as a one-

off payment on 31 December 2019. However, the company is entitled to repay early. Of the total loan capital, EUR 1 million involved a specific right of exchange. To the extent that loan capital remained unpaid on 31 December 2017, the creditors are entitled to convert EUR 1 million of the capital, in part or in full, into shares in the company at a value of EUR 0.25. This right of exchange was based on the authorisation to issue shares that was approved by the company's Annual General Meeting on 14 April 2015. On 12 December 2017, the company repaid the above-mentioned subordinated loan of EUR 1 million under terms including the special right of exchange.

RESEARCH, PRODUCT DEVELOPMENT AND INVESTMENTS

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

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

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

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

PERSONNEL

At the end of the financial year, Uutechnic Group had 178 (195) employees, of whom 82 (84) were white collar and 96 (111) were blue collar. Of the employees, 115 worked in Finland and 63 in Germany. The reductions in production personnel did not concern the Mixing Technology business.

ENVIRONMENTAL POLICY

Uutechnic Group takes environmental impact into account in all of its business operations. The Group's environmental policy aims at the development of our own operations and customers' processes while also considering environmental

aspects. Responsibility concerns the entire life cycles of the Group's products. We create positive environmental effects in particular by improving the energy efficiency and quality of our customers' processes. In line with our operating principles, we make use of technologies that minimise our environmental impact. We engage in open dialogue about environmental issues and seek to optimise our energy use and reduce our emissions.

SHARES

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

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

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

AUTHORISATION TO ISSUE SHARES

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

general meeting decides to amend or revoke the authorisation before that date. The authorisation revoked all previously granted unused authorisations to issue shares.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

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

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

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

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

REMARKABLE RISKS AND UNCERTAINTY FACTORS AND THEIR MANAGEMENT

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

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

- Turning the Group's loss-making Vessel business into a profitable business or maintaining its profitability requires improvements in competitiveness and the achievement of sufficient operating volumes.
- The Group will continue to implement consolidation processes and pursue identified synergies to improve profitability. It is possible that not all of the identified synergies will be achieved, or that processes will fail.

- The Group aims to grow organically as well as through acquisitions. There is no certainty that the Group will be able to find suitable candidates for acquisition, obtain the financing required for acquisitions or acquire businesses on satisfactory terms.
- Part of the Group's business operations consist of major or large project deliveries. Extensive and complicated projects involve the risk that the future costs and any other risks related to the delivery cannot be estimated sufficiently accurately in the bidding phase. In such cases, the results of the project may prove weaker than expected. Extensive project deliveries involve the risk that quality and delivery problems arising from suppliers of materials or subcontractors cannot be responded to sufficiently early, but the claims for compensation for delayed delivery or deficient performance, for example, may be significant in the project agreements.
- Unfavourable changes in the financial markets may have an effect on the Group's results and the availability of equity and debt financing on competitive terms. Uncertainty in the international economy may lead to payment delays and an increased risk of credit losses.

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

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF DIVIDEND

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

ANNUAL GENERAL MEETING

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

KEY FIGURES FOR THE FINANCIAL STATEMENTS OF UUTECHNIC GROUP

The figures are presented in thousands of euros (EUR 1,000), unless otherwise mentioned. The figures are unaudited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 000 EUR	1.1.2017- 31.12.2017	1.1.2016- 31.12.2016
UUTECHNIC GROUP		
REVENUE	32 076	36 377
Change in inventories of finished goods and work in progress	584	-170
Work performed for own purposes and capitalised	48	149
Other operating income	259	162
Material and services	-16 766	-19 397
Employee benefits expense	-11 032	-11 187
Depreciation and amortisation	-543	-582
Impairment	-12	0
Other operating expenses	-4 526	-4 470
OPERATING PROFIT	88	881
Depreciation, amortization and impairment loss of acquisition	-92	-456
Financing income	-11	6
Financing expenses	-454	-242
PROFIT/LOSS BEFORE TAX	-469	190
Tax on income from operations	-97	526
Profit/loss from continuing operations	-566	716
UUTECHNIC GROUP		
Profit/loss from discontinued operations	0	0
PROFIT/LOSS FOR THE PERIOD	-566	716
Other comprehensive income:		
TOTAL COMPREHENSIVE INCOME	-566	716
Profit attributable to:		
Owners of the parent company	-566	716
Total comprehensive income attributable to:		
Owners of the parent company	-566	716
Earnings per share calculated on profit attributable to equity holders of the parent:		
EPS undiluted, euros/share, continuing operations	-0,01	0,01
EPS diluted, euros/share, continuing operations	-0,01	0,01
EPS undiluted, euros/share	-0,01	0,01
EPS diluted, euros/share	-0,01	0,01
Average number of shares		
Undiluted EPS (FAS and IFRS) divisor, outstanding during the financial year	56 502 890	56 148 248
Diluted EPS (FAS and IFRS) divisor, outstanding during the financial year	56 502 890	56 148 248

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF CASH FLOWS, INDIRECT

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

KEY FIGURES

Business indicators	2017 IFRS	2016 IFRS
Turnover, continuing operations	32 076	36 377
Revenue change, %	-12	311
Operating profit	87	881
% of turnover	0,3	2,4
Profit/loss before taxes	-469	190
% of turnover	-1,5	0,5
Profit/loss for the period	-566	716
% of turnover	-1,8	2,0
Equity holders of the parent	-566	716
% of turnover	-1,8	2,0
Return on equity (ROE), %	-5,6	7,2
Return on investment (ROI), %	-0,1	2,8
Equity ratio, %	68,2	78,2
Net gearing	31,4	30,9
Current Ratio	1,2	1,3
Gross investments in fixed assets	277	1 011
% of turnover	0,9	2,8
Order backlog	12 516	15 899
Consolidated balance sheet total	20 347	23 705
Total number of personnel at the end of the period	178	195
	2017 IFRS	2016 IFRS
Share figures		
Earnings per share, euros	-0,01	0,01
Shareholders' equity, euros	0,18	0,19
Dividend per share, euros	0,00	0
Price earnings ratio (P/E)	-34,9	39,2
Number of shares outstanding at the end of the period	56 501 730	56 505 210
Number of shares outstanding, average	56 502 890	56 148 248
	2017	2016
A share		
- high	0,53	0,74
- low	0,35	0,33
- average	0,45	0,52
- share price at the end of the fiscal year	0,35	0,50
Total market value, million euros	19,9	28,1
Number of shares traded during the fiscal year	7 209 125	14 587 446
Number of shares traded, %	12,76	25,8
Number of shareholders	1 460	1 485

*) proposal by the Board of Directors

INDICATOR CALCULATION FORMULAS

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



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