

PLC UUTECHNIC GROUP OYJ

REVIEW OF FINANCIAL STATEMENTS

FOR 1 JANUARY – 31 DECEMBER 2016



Review of financial statements for 1 January - 31 December 2016

Uutechnic Group's turnover for the financial year 2016 amounted to EUR 36.4 million (8.9 million), and its operating result was EUR 0.9 million (1.2 million). Uutechnic Group's order book stood at EUR 15.9 million (11.7 million) at the end of the financial year. The earnings per share from continuing operations was EUR 0.01 (0.03).

Key figures	2016	2015	2016	2015
	1-12	1-12	7-12	7-12
Turnover, continuing operations	36 377	8 859	19 435	7 178
Operating profit/loss	881	1 186	-183	807
% of turnover	2,4	13,4	-0,9	11,2
Profit/loss before taxes	190	810	-512	431
Profit/loss for the period from the discontinuing operations		245		-306
Profit/loss for the period	716	954	11	106
Return on equity (ROE), %	7,2	12,4	0,2	2,7
Return on investment (ROI), %	2,8	13,6	-0,1	3,2
Earnings per share (EPS), euroa	0,01	0,03	0,00	0,00
Order backlog 31.12.	15 899	11 680	15 899	11 680

The business arrangement carried out in the financial year 2015 was recognized as a reverse acquisition in the Group's IFRS financial statements. For this reason, the comparison figures for the previous financial year presented in the consolidated financial statements of 31 December 2016 are figures consisting of Uutechnic Oy's 12-month figures and the figures for the rest of the Group (formerly Vaahto Group) for a period of two months. As applicable, the combined figures for Uutechnic Oy, Japrotek Oy Ab, Stelzer Rührtechnik Int. GmbH and AP-Tela Oy—the Group units engaged in business operations—are presented as comparable figures for 2015.

OUTLOOK

The Group seeks 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 main objective for 2017 is to improve the Group's profitability. Based on the strong order book, the Group's turnover is expected to continue to grow and operating profit is expected to improve compared to the previous year, particularly in the second half of the year.

Another key objective is to grow the mixing technology business and strengthen its significance as a success factor for the Group. The main focus in the mixing technology business in 2017 is investing in sales and marketing as well

as finalizing the reorganization of operations. These measures are aimed at improving profitability and creating a foundation for a substantial increase in turnover.

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 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 fertilizer industry and other chemical industries, and environmental technology.

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

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

Mixing technology business

The recently concluded financial year was the first under the new Group structure. At the end of June, the Group announced its decision to centralize its mixing technology business in Finland. The manufacturing of Jamix agitators was relocated from Pietarsaari to Uutechnic Oy's factory in Uusikaupunki at the beginning of September. In a move related to the centralisation of the mixing technology business, the Group's sales company Steva Oy was merged with Uutechnic Oy at the end of June and Steva's personnel were transferred to Uutechnic Oy. The centralisation of operations was aimed at clarifying the structure of the business in Finland and improving productivity.

Restructuring operations between Uutechnic Oy and Stelzer GmbH in the mixing technology business began in earnest in the fourth quarter. The first concrete measure was to divide manufacturing capacity between the companies during the latter part of the year. Integration planning and implementation will continue in the financial year 2017.

Immediately after the end of the financial year, the Group announced it is strengthening its competence in the mixing technology business in line with the Group's strategy by appointing PhD (Eng) Jussi Vaarno as Vice President and a member of the Group Management Team starting from 16 January 2017. At the same time, the Group announced that its objective is to grow the mixing technology business and strengthen its significance as a success factor for the Group.

At the end of the financial year, the Group announced it had received an order for a complete delivery of a leaching autoclave and agitators to Norilsk Nickel's Harjavalta plant. This represented the first significant order for a complete delivery in line with Uutechnic Group's strategy, with Japrotek Oy Ab delivering the leaching au-

toclave and Uutechnic Oy delivering the autoclave agitators.

During the financial year, the mixing technology business had a strong focus on new customer acquisition; for example, by signing new international representation agreements in Poland, China, Singapore, Malaysia and Indonesia, and by participating in international fairs and exhibitions. The Group has also sought new markets in regions including Latin America.

Vessel business

For Japrotek Oy Ab, the financial year was a period of major challenges and opportunities. The heavily loss-making business was restored to profitability and the result for the financial year showed a substantial profit due to higher turnover as well as various measures implemented by the company. The cost reduction targets set at the start of the financial year were achieved.

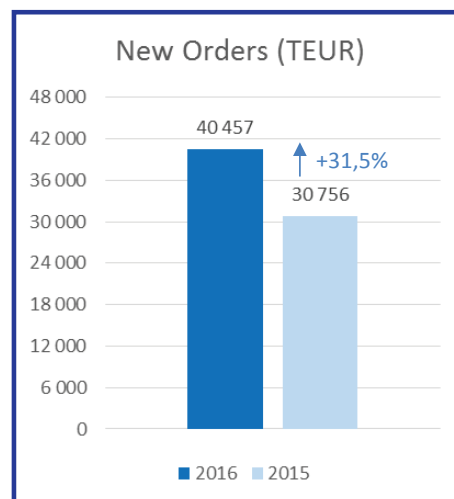
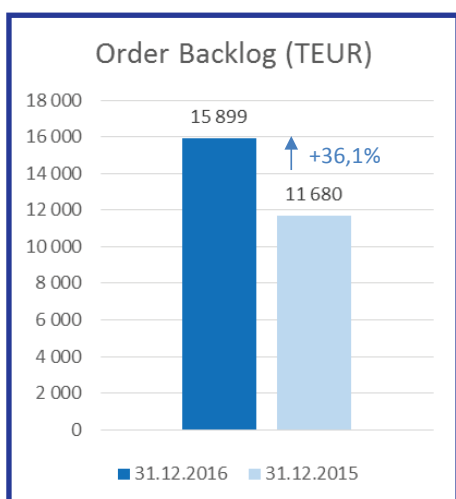
The automation of production and centralising the manufacture of agitators in Uusikaupunki made it possible to rationalise and streamline vessel manufacturing processes. Cost savings were achieved by, among other things, enhancing the efficiency of the subcontracting chain and expanding it. In design, the company's own expertise was strengthened by recruiting more personnel, and a design system development project was launched to reduce costs. Cooperation between the Group companies was strengthened in both design and manufacture.

The vessel business saw its order book improve after a challenging start to the year, and the Group received several significant orders. Some of the deliveries will extend all the way to 2018.

Roll and pipe business

AP Tela Oy's order book was at a record high during the financial year. The company invested in, among other things, increasing its inside turning capacity, managing production load and acquiring more processing and warehousing space.

The largest delivery during the financial year consisted of the design and manufacture of 27 massive drying cylinders. The delivery was made in the fourth quarter of 2016. The project ended up being loss-making and it also had significant negative impacts on other projects. Consequently, AP-Tela's operating result was substantially in the red. AP-Tela started co-determination negotiations at the end of the financial year to adjust its operations.



NEW ORDERS AND ORDER BOOK

Uutechnic Group's order book stood at EUR 15.9 million (11.7 million) at the end of the financial year, up 36.1% year-on-year. The order book extends to 2018.

TURNOVER AND PROFITABILITY

Uutechnic Group's turnover for the financial year 2016 amounted to EUR 36.4 million (8.9 million), and its operating result was EUR 0.9 million (1.2 million). The comparative combined turnover of the Group's operating subsidiaries in the previous financial year was EUR 30.6 million.

Finland represented approximately 48% of the Group's turnover, including indirect exports. The rest of Europe accounted for 40% of turnover, while Asia represented 9%, South America 2% and North America 2%.

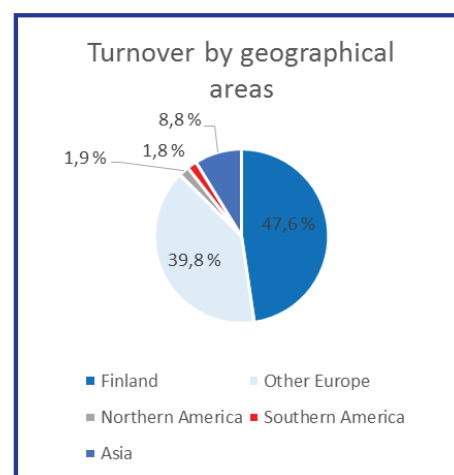
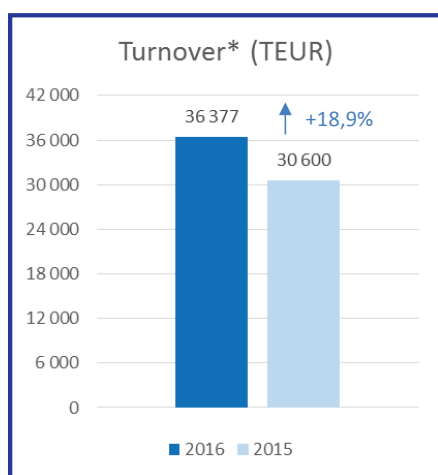
The Group's weaker-than-expected operating result was affected by losses made on a signifi-

cant project in AP-Tela Oy as well as the project's impacts on other manufacturing operations. In spite of the challenges related to the manufacture of the new product, the project was delivered to the customer as agreed. With the exception of AP-Tela, the Group companies achieved a positive operating result.

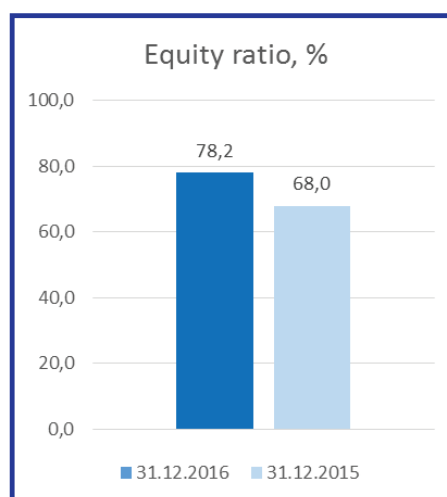
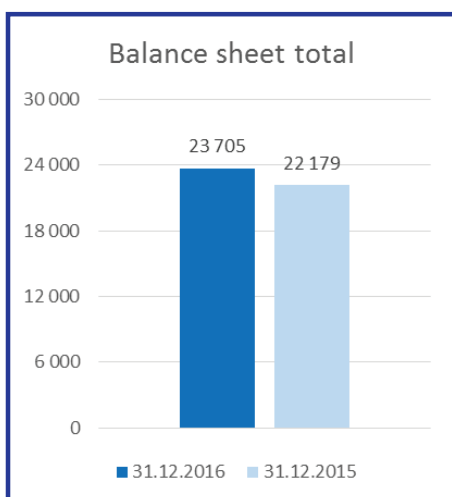
The efficiency improvement programmes started by the Group in the previous financial year, aiming at total savings of EUR 1.5 million compared to 2015, were implemented as planned. The Group will continue to review and streamline processes.

FINANCIAL STANDING AND LIQUIDITY

At the end of the financial year, Uutechnic Group's balance sheet total stood at EUR 23.7 million (22.2 million). The Group's interest-bearing liabilities totalled EUR 5.1 million (5.5 million), including EUR 2.0 million in subordinated loans. The Group's cash flow from operations for the financial year was EUR 0.8 million (1.4 million).



* the figure for the comparison year is the combined turnover of operating subsidiaries



At the end of the financial year, the Group's equity ratio was 78.2% (68.0%) and net gearing was 30.9% (50.5%). Return on investment (ROI) for the financial year was 2.8% (13.6%), and return on equity (ROE) was 7.2% (12.4%).

Non-current assets on Uutechnic Group's balance sheet totalled EUR 11.7 million (11.1 million).

EQUITY

The Group's equity stood at EUR 10.5 million (9.5 million) at the end of the financial year.

Loans granted by two shareholders, totalling EUR 2.0 million, were converted into unsecured subordinated loans in conjunction with a financing arrangement in 2015. 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%. Of the total loan capital, EUR 1 million involves a specific right of exchange. To the extent that loan capi-

tal remains 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 is based on the authorisation to issue shares that was approved by the company's Annual General Meeting on 14 April 2015.

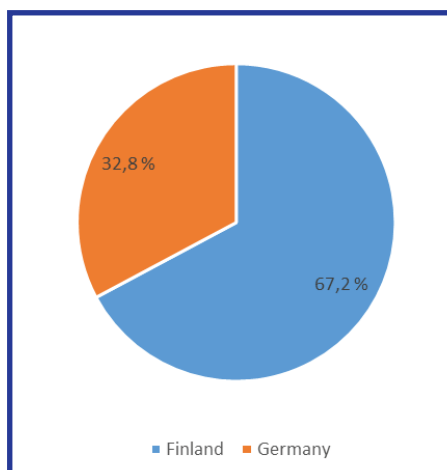
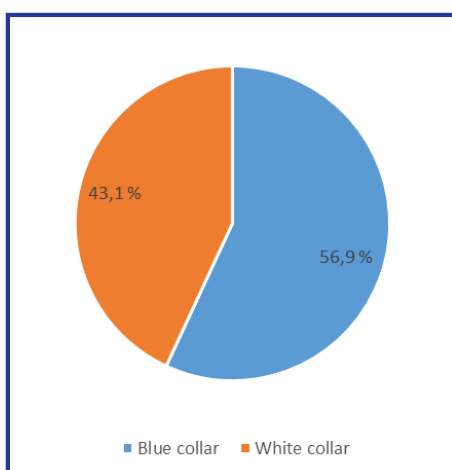
RESEARCH, PRODUCT DEVELOPMENT AND INVESTMENTS

The Group's research and product development activities were focused on the design and implementation of customised customer solutions. The expenses are recognised as an annual cost.

The Group's investments in fixed assets for the financial year totalled EUR 1.0 million (0.02 million). The investments primarily involved equipment purchases as well as processing and warehousing space.

PERSONNEL

At the end of the financial year, Uutechnic Group had 195 (179) employees, of whom 84 (75) were white collar and 111 (104) were blue collar. Of the employees, 131 worked in Finland and 64 in Germany.



AUTHORISATION TO ISSUE SHARES

In accordance with the proposal of the Board of Directors, the Annual General Meeting of 28 April 2016 authorised the Board of Directors to resolve on the issue of at most 10,000,000 new shares or special rights entitling to shares, with at most 1,000,000 of these allocated to the Group's personnel and Board of Directors.

SHARE ISSUES

On 6 June 2016, the Board of Directors of Plc Uutechnic Group Oyj resolved on a directed issue of at most 1,000,000 new shares. According to the resolution, at most 800,000 shares would be offered to the personnel and at most 200,000 shares would be offered to the Board of Directors. The subscription period of the share issue ended on 12 August 2016 and the Board of Directors approved the subscription of 542,000 new shares. The subscription price per share was EUR 0.50. The new shares subscribed in the share issue represented approximately 1.0 per cent of all shares and votes in the company. The members of the company's Board of Directors subscribed in full the shares offered to them.

BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

On 28 April 2016, the Annual General Meeting re-elected Sami Alatalo (Vice Chairman) and Jouko Peräaho (Chairman) and elected Hannu Kottonen and Kristiina Lagerstedt as new Board members. The new members are independent of the company and its major shareholders.

Martti Heikkilä has served as the Group's CEO since 1 December 2015.

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 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:

- Turning the Group's previously loss-making units into profitable units or maintaining the profitability of units requires further 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.
- 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 result 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.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 2 January 2017, the company announced that Nordea Bank Finland will transfer its market-making for Plc Uutechnic Group Oyj to Nordea Bank AB (publ) due to the merger of Nordea Bank Finland and its parent company Nordea Bank AB (publ).

Also on 2 January 2017, Uutechnic Group announced it is strengthening its competence in the mixing technology business in line with the Group's strategy by appointing Jussi Vaarano PhD (Eng) as Vice President and a member of the Group Management Team starting from 16 January 2017. Uutechnic Group's objective is to grow the mixing technology business and strengthen its significance as a success factor for the Group.

On 19 January 2017, the company announced that AP-Tela Oy, a subsidiary of Uutechnic Group, had concluded co-determination negotiations. The negotiations were based on the restructuring of operations and on financial and production-related reasons. The negotiations concerned the company's entire personnel. It was decided that the number of employees would be adjusted according to the company's financial situation and order book. Terminations of employment contracts will concern three persons and temporary layoffs will last 90 days at most.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF DIVIDEND

The parent company's profit for the financial year was EUR 0.5 million. At the end of the financial year, the parent company's distributable funds stood at EUR 10,4 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 the Scandic Park Hotel in Helsinki on 30 March 2017 at 1:00 p.m

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.

The business arrangement carried out in the Group in 2015 was recognised as a reverse acquisition in the Group's IFRS financial statements. For this reason, the comparison figures are figures consisting of Uutechnic Oy's 12-month figures and the figures for the rest of the Group (formerly Vaahto Group) for a period of two months.

Business indicators	2016 IFRS	2015 IFRS
Turnover, continuing operations	36 377	8 859
Revenue change, %	311	286
Operating profit	881	1 186
% of turnover	2,4	13,4
Profit/loss before taxes	190	810
% of turnover	0,5	9,1
Profit/loss for the period	716	245
% of turnover	2,0	2,8
Equity holders of the parent	716	987
% of turnover	2,0	11,1
Return on equity (ROE), %	7,2	12,4
Return on investment (ROI), %	2,8	13,6
Equity ratio, %	78,2	68,0
Net gearing	30,9	50,5
Current Ratio	1,3	1,4
Gross investments in fixed assets	1 011	41
% of turnover	2,8	0,5
Order backlog	15 899	11 680
Consolidated balance sheet total	23 705	22 179
Total number of personnel at the end of the period	195	179
Share figures	2016 IFRS	2015 IFRS
Earnings per share, euros	0,01	0,03
Shareholders' equity, euros	0,19	0,17
Dividend per share, euros *)	0	0
Price earnings ratio (P/E)	39,2	12,3
Number of shares outstanding at the end of the period	56 505 210	55 963 210
Number of shares outstanding, average	56 148 248	29 516 938
Share market development EUR	2016 12kk	2015 12kk
A share		
- high	0,74	0,76
- low	0,33	0,25
- average	0,52	0,42
- share price at the end of the fiscal year	0,50	0,40
Total market value, million euros	28,1	10,4
Number of shares traded during the fiscal year	14 587 446	5 604 336
Number of shares traded, %	25,8	21,6
Number of shareholders	1 485	1 073

*) proposal by the Board of Directors

Consolidated Statement of Comprehensive Income

1 000 EUR

UUTECHNIC GROUP

REVENUE

Change in inventories of finished goods and work in progress	-170	-477
Work performed for own purposes and capitalised	149	
Other operating income	162	34
Material and services	-19 397	-3 522
Employee benefits expense	-11 187	-2 481
Depreciation and amortisation	-582	-137
Other operating expenses	-4 470	-1 089

OPERATING PROFIT

Depreciation, amortization and impairment loss of acquisition

	881	1 186
Depreciation, amortization and impairment loss of acquisition	-456	-76
Financing income	6	
Financing expenses	-242	-300

PROFIT/LOSS BEFORE TAX

Tax on income from operations	526	-102
Profit/loss from continuing operations	716	709

UUTECHNIC GROUP

Profit/loss from discontinued operations	0	245
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PROFIT/LOSS FOR THE PERIOD

Other comprehensive income:

Items that may be reclassified subsequently to profit or loss

Muuntoerot ulkomaisista yksiköistä	0	33
	0	33

TOTAL COMPREHENSIVE INCOME

Profit attributable to:

Owners of the parent company	716	709
Non-controlling interests	0	0
	716	709

Total comprehensive income attributable to:

Owners of the parent company	716	709
Non-controlling interests	0	0
	716	709

Earnings per share calculated on profit attributable to equity holders of the parent:

EPS undiluted, euros/share, continuing operations	0,01	0,02
EPS diluted, euros/share, continuing operations	0,01	0,02
EPS undiluted, euros/share, discontinuing operations	0,00	0,01
EPS diluted, euros/share, discontinuing operations	0,00	0,01
EPS undiluted, euros/share	0,01	0,03
EPS diluted, euros/share	0,01	0,03

Average number of shares

Undiluted EPS (FAS and IFRS) divisor, outstanding during the financial year	56 148 248	29 516 938
Diluted EPS (FAS and IFRS) divisor, outstanding during the financial year	56 148 248	29 516 938

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 000 EUR	1.1.-31.12.2016 12 kk	1.7.-31.12.2016 6 kk	1.1.-30.6.2016 6 kk	1.1.-31.12.2015 12 kk
UUTECHNIC GROUP				
REVENUE	36 377	19 435	16 942	8 859
Change in inventories of finished goods and work in progress	-170	-1 294	1 124	-477
Work performed for own purposes and capitalised	149	-533	682	
Other operating income	162	102	60	34
Material and services	-19 397	-9 800	-9 597	-3 522
Employee benefits expense	-11 187	-5 629	-5 558	-2 481
Depreciation and amortisation	-582	-307	-274	-137
Other operating expenses	-4 470	-2 156	-2 314	-1 089
OPERATING PROFIT	881	-183	1 065	1 186
Depreciation, amortization and impairment loss of acquisition	-456	-228	-228	-76
Financing income	6	6	0	0
Financing expenses	-242	-107	-135	-300
PROFIT/LOSS BEFORE TAX	190	-512	702	-810
Tax on income from operations	526	523	3	-102
Profit/loss from continuing operations	716	11	705	709
Profit/loss from discontinued operations	0	0	0	245
PROFIT/LOSS FOR THE PERIOD	716	11	705	954

CONSOLIDATED STATEMENT OF CASH FLOWS, INDIRECT

1 000 EUR

Cash flows from operating activities

	1.1.-31.12.2016	1.1.-31.12.2015
Profit/loss for the period	716	709
Profit/loss for the period, discontinued operations		245
Depreciation, amortisation & impairment	582	151
Depreciation, amortization and impairment loss of acquisition	456	76
Other non-cash items	-841	-499
Financial income and expenses	236	91
Tax on income from operations	195	163

Flow of funds from operations before the change in working capital

1 343 936

Working capital changes

Increase / decrease in inventories	-44	297
Increase /decrease in trade and other receivables	-1 158	755
Increase / decrease in trade payables	934	-602

Flow of funds from operations before the change in working capital

1 076 1 385

Interest paid	-161	-49
Dividends received	1	
Interest received	4	246
Other financing items	1	
Income taxes paid	-98	-176
Net cash from operating activities	822	1 406

Cash flows from investing activities

Purchase of tangible and intangible assets	-1 011	-42
Proceeds from sale of tangible and intangible assets	0	25
Net cash used in investing activities	-1 011	-16

Cash flows from financing activities

Proceeds from issue of share capital	1 756	0
Dividends paid		-700
Proceeds from current borrowings	18	0
Repayment of current borrowings	-435	-2 750
Proceeds from non-current borrowings	79	2 000
Net cash used in financing activities	1 419	-1 450

Change of liquid funds

1 230 -61

Cash and cash equivalents, opening amount	679	587
Liquid assets received in connection with the acquisition		438
Liquid assets to be transferred to uncontinued operations		-286
Liquid assets at the end of the fiscal year	1 909	679
Change in liquid assets according to the balance sheet	1 230	-61

The allocation of the cash flow items related to the reverse acquisition between the periods has been changed. This has an effect on the net cash from operating activities and net cash flow in financing activities on the reference period. This change has been made in order to make the net cash flow from operating activities more comparative.

INDICATOR CALCULATION FORMULAS

Return on equity % (ROE) =	$\frac{\text{Profit/loss for the period}}{\text{Shareholders' equity (average)}} \times 100$
Return on investment % (ROI) =	$\frac{\text{Profit/loss before taxes} + \text{interest expenses and other financial expenses}}{\text{Shareholders' equity + interest-bearing debts (average)}} \times 100$
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 =	$\frac{\text{Interest-bearing debts - cash and bank deposits and other securities}}{\text{Shareholders' equity}} \times 100$

FORMULAS FOR PER SHARE ITEMS

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 percentual share of the total number of series' shares

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