

KWH

ANNUAL REVIEW



YEAR
2017

The KWH Group is a company that has its roots both in the 1920s and the 1930s. The Group was established in 1984 when Oy Keppo Ab bought the remaining 50% of shares in Oy Wiik & Höglund Ab from the Wiik family. This was a logical development. Keppo had, in 1981, acquired 50% of the company from the Höglund family. Emil Höglund had been one of the founders of both companies and, therefore, there was a strong sense of community at management level between the companies, despite different business directions.

The major restructuring into an international industrial group in the technical chemical industry was mostly complete in 1992.

Major structural changes were made in the Group in that KWH Pipe and Uponor's infrastructure activities were merged in 2013. The new company, Uponor Infra Ltd, is consolidated in Uponor Corporation. The KWH Group owns 44.7% of the shares.

KWH ANNUAL REPORT 2017

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KWH – THE KNOWLEDGE COMPANY

KWH's mission is to develop knowledge-intensive, highly focused and service-oriented niche operations. These niche operations must take into account the real conditions in the sector concerned and should be built up around unique products, processes or market positions that confer long-term competitive advantages. The operations in question are mainly business-to-business and internationally competitive.

The operations are based on traditional KWH sectors where we have a solid familiarity with the field, a solid strategic position and a strong sectoral presence. In so doing, KWH will be working within its framework as a diversified international industrial group whose core business is the manufacture of coated abrasives and plastic products and the provision of logistics services.



GOALS AND OPERATING PRINCIPLES

- Independent Divisions**
- Leading Companies in Their Field**
- Active Pursuit of Renewal**
- Effective Management and Proper Risk Management**
- Cooperation and Social Responsibility**
- Central Resource Allocation**
- Solid and Lucrative**
- Self-Sufficient Family Business**

HIGH EXPECTATIONS ACHIEVED

The KWH Group achieved the high expectations set for 2017. Turnover increased by 18%, and profits reached the record level we had been hoping for. All the business units, Mirka, Logistics and Invest, reported excellent growth. The KWH Group is now reaping the benefit of a successful product and services development approach in which we focus on the customer.

Despite investment in technical improvements through automation and robotization, the need for qualified personnel has increased. During the year, the workforce increased by around 230. Through continued active recruitment of key resources, as well as continued investment in staff development, we can ensure that we have the necessary personnel resources and expertise available to meet the demands of the business environment of the future, characterized by digitalization and rapid technical development.

The global economy is difficult to predict

Even though the political and geopolitical situations remain unstable, the global economy is in a strong phase of the economic cycle. For the moment, the economic climate appears to be good, but there are many hotspots which could rapidly have a negative impact. We can expect political concerns and increased risk of trade restrictions. In addition, the consequences of the central banks' careful steps towards a normalization of monetary policy are generating uncertainty about the sustainability of prosperity.

For an export-dependent company such as the KWH Group, it is essential to maintain competitiveness in the labour market in Finland. Our competitiveness has improved, partly because of the Competitiveness Agreement and partly because of the trend in labour costs in the most important competitor countries. At present, a shortage of labour appears to be a major threat and a limiting factor for economic progress in many countries.

Striving for constant renewal

All our business groups are planning for continued stable growth. The Group's substantial investment of EUR 53 million during 2017 is further proof of our strong belief in continuing growth in the future. The integration of the latest corporate acquisitions, the Italian company, CAFRO S.p.A. (Mirka) and the Polish company, Winkiel Sp.z o.o. (Prevex) will continue and strengthen development within Mirka and Prevex. Our long-term strategies are built on flexibility, constant renewal through dynamic innovation and readiness to transform our operation rapidly in response to the demands we face.

We expect organic growth to remain good, while we search out new complimentary operations which can be slotted in to one of our three core areas, Mirka, Logistics or Prevex. The KWH Group has the financial strength required to increase the rate of progress if new investment opportunities arise.

Kjell Antus,
CEO



KWH AT A GLANCE

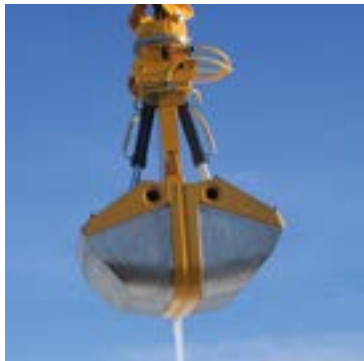
The KWH Group is a Finnish family business with subsidiaries around the world. The Group has three divisions, which are organised by industry.



Mirka

Net, paper and film abrasives, electric and pneumatic power tools, polishing compounds and accessories, complete surface finishing solutions. Superabrasive wheels and tools as well as microfinishing films for the precision industry.

18 subsidiaries and 4 branches worldwide. Production in Finland and Italy. Approximately 97% of the products are exported and sold in more than 100 countries.



KWH Logistics

KWH Freeze (Cold Storage): Cold storages in Vantaa and Inkoo, Finland.

Port & Sea, Freight Forwarding and Industrial Services: port operations, freight forwarding, international transports, and industrial services; complete logistics solutions. Operates in Central Finland and on the west and south coast.



KWH Invest

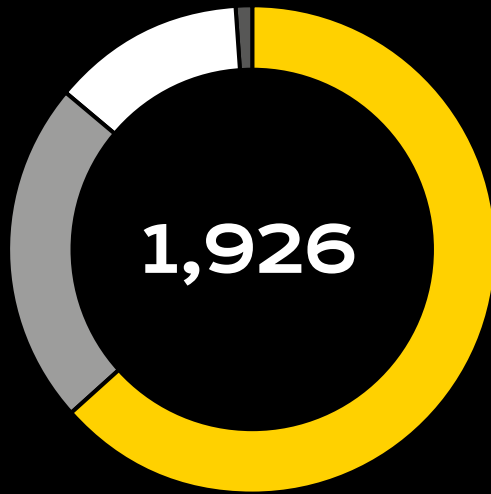
Prevex: water trap systems for kitchen and bathrooms, and customer specified products. The market leader in Scandinavia for kitchen sinks. Factory in Uusikaarlepyy, Finland and in Poznań, Poland. Exports 90%.

Strategic holdings: Uponor Infra Ltd, 44.7%: various plastic pipe systems.



Turnover

- Mirka**
Turnover EUR 271 million
Share of Group Turnover 58%
- KWH Logistics**
Turnover EUR 161 million
Share of Group Turnover 35%
- KWH Invest**
Turnover (Prevex) EUR 34 million
Share of Group Turnover 7%



Personnel

- Mirka**
Personnel 1,223
Share of Group Personnel 63%
- KWH Logistics**
Personnel 440
Share of Group Personnel 23%
- KWH Invest**
Personnel (Prevex) 252
Share of Group Personnel 13%
- KWH-yhtymä**
Personnel 12
Share of Group Personnel 1%

All of our business groups were able to utilize the upturn of the economy: they performed well, and succeeded in strengthening their leading market positions in their sectors. A purposeful niche approach, energetic innovation and an active renewal policy are key factors also in ensuring corporate success in the future.

The Group's financial position is strong, with an equity ratio of 81%, excellent solvency and a balance sheet total of EUR 541.3 million.

At the end of the year, the Group had 1,994 (1,767 year 2016) employees.

PROFIT IMPROVEMENT

31%

YEARS OF STRONG DEVELOPMENT

KWH	2017	2016	2015	2014	2013
CONSOLIDATED INCOME STATEMENT					
Turnover					
Finland. EUR million	174.5	141.8	126.9	150.2	144.8
Exports from Finland. EUR million	212.4	189.1	173.9	158.4	140.5
Foreign Operations. EUR million	82.7	68.4	67.6	59.1	56.3
TOTAL. EUR MILLION	465.0	394.7	364.4	364.1	337.7
Salaries, Wages and Social Charges. EUR million	113.8	98.7	97.1	93.3	86.5
Depreciation and Impairment. EUR million	25.0	24.0	22.2	21.1	20.4
Operating Profit. EUR million	63.0	48.1	40.1	37.3	30.0
Financing Items. EUR million	3.5	1.1	2.1	2.0	2.2
Profit before Taxes. EUR million	59.4	47.1	38.1	35.2	27.8
Taxes according to the Income Statement. EUR million	11.5	10.7	8.7	7.9	6.3
Profit for the Financial Year. EUR million	47.9	36.3	29.4	27.3	25.9
CONSOLIDATED BALANCE SHEET					
Non-current Assets. EUR million	323.0	290.8	277.4	264.7	261.9
Inventories. EUR million	50.2	46.0	46.3	47.4	44.1
Receivables. EUR million	72.9	57.3	54.1	66.4	61.3
Cash in Hand and at Bank. EUR million	95.2	94.9	75.5	49.6	49.5
Shareholders' Equity. EUR million	438.8	396.9	367.4	343	324.1
Liabilities. EUR million	102.5	92.1	85.9	85.2	92.6
Net interest-bearing Liabilities. EUR million	-76.5	-73.5	-54.0	-41.2	-33.5
Balance Sheet Total. EUR million	541.3	489	453.3	428.2	416.8
RATIOS					
Change in Turnover. %	18	8	0	8	8
Exports and Foreign Operations. %	63	65	66	60	58
Share of Group Turnover					
Mirka. %	58	61	64	57	56
KWH Logistics. %	35	33	31	38	39
KWH Invest and others. %	8	7	5	5	5
Return on Capital Employed. %	14	12	10	10	9
Return on Shareholders' Equity. %	12	10	8	8	8
Equity Ratio. %	81	81	81	80	78
Gearing. %	-17	-19	-15	-12	-10
OTHER INFORMATION					
Gros Investments. EUR million	52.7	39.4	35.4	31.5	38.0
Net Investments. EUR million	52.4	37.4	34.7	29.3	37.8
Average Number of Personnel	1,926	1,729	1,652	1,631	2,090
of which abroad	596	477	412	398	716
Turnover per Employee. EUR 1,000	241	228	221	223	209

CALCULATION OF FINANCIAL RATIOS

RETURN ON CAPITAL EMPLOYED

$$\frac{\text{profit before taxes} + \text{interest and other financial expenses}}{\text{balance sheet total} - \text{non-interest-bearing liabilities in average}} \times 100$$

EQUITY RATIO

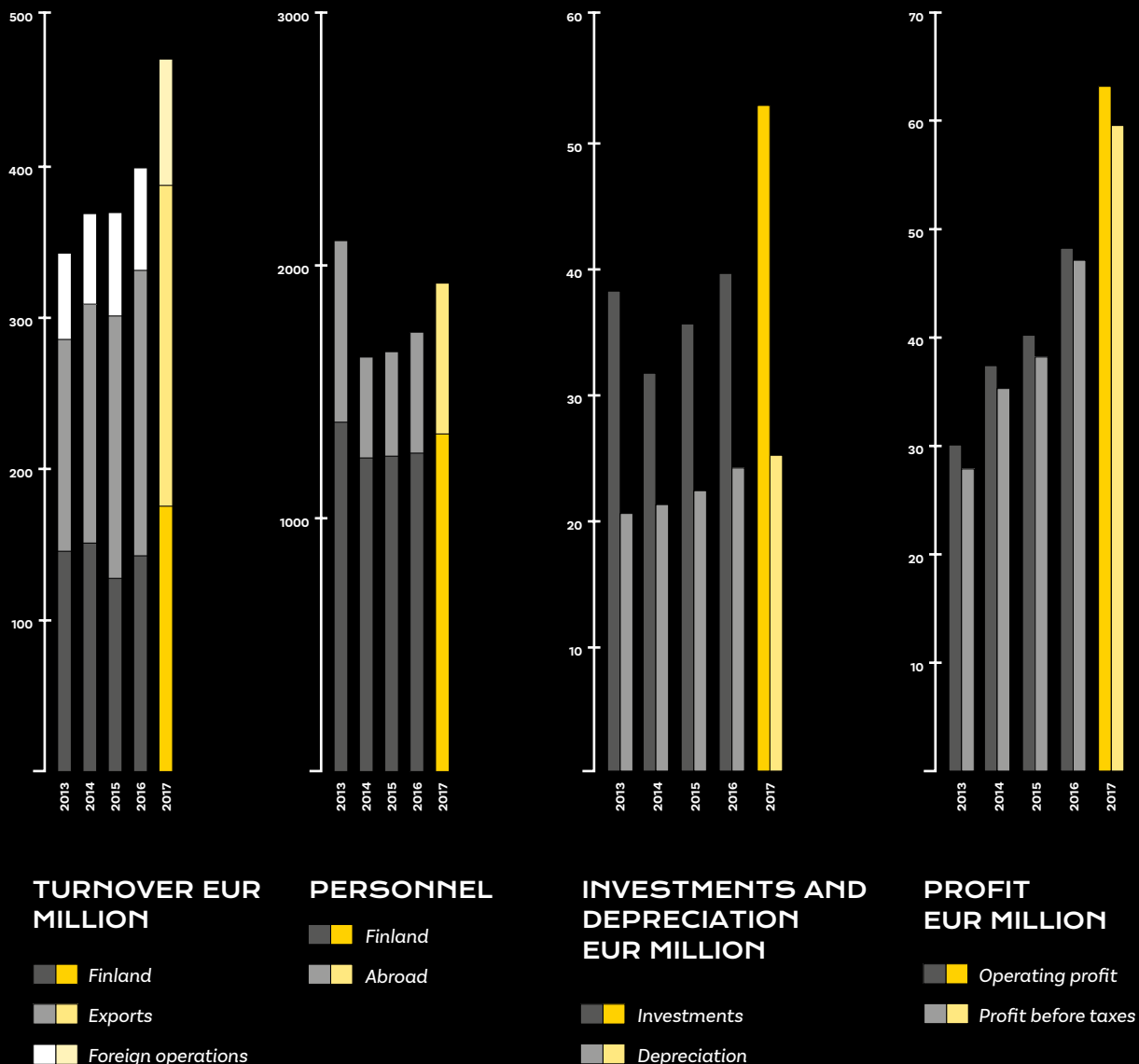
$$\frac{\text{shareholders' equity} + \text{minority interest}}{\text{balance sheet total} - \text{advances received}} \times 100$$

RETURN ON SHAREHOLDERS' EQUITY

$$\frac{\text{net profit}}{\text{shareholders' equity} + \text{minority interest in average}} \times 100$$

GEARING

$$\frac{\text{interest-bearing liabilities} - \text{cash in hand and at bank}}{\text{shareholders' equity} + \text{minority interest}} \times 100$$



Turnover **Eur 465 Million**
 Operating Profit **Eur 63 Million**
 Investments **Eur 53 Million**
 Personnel **1,926**
 Equity Ratio **81 %**

MIRKA



Left to right:

Stefan Sjöberg
CEO

Nina Nyman
Marketing Director

Joachim Rännar
Operations Director

Mats Sundell
R&D Director, Deputy Chief Executive

Theo Sakalis
VP sales, Precision Industry

Jan Torrkulla
Production Director

Olav Hellman
CFO

Simon Bloxham
VP Sales, Surface Finishing



2 017 was a historic year for Mirka in many ways. The year was noteworthy for strong growth and organizational change, as well as a new business unit which began through a corporate acquisition. The success of the year was also reflected in profit growth and increased market shares.

Mirka Ltd is a world leader in surface finishing technology and offers a broad range of groundbreaking sanding solutions for the surface

finishing and precision industry. Our vision is to reach a market position, where customers and stakeholders see us as a market leader and a highly responsible company that drives innovation in our core business sectors. The operation focuses on our customers' needs and on close co-operation with our customers. Thanks to continuous development and our global sales network, we can serve our customers by offering them a broad product range, which includes high-quality sanding and polishing products as well as innovative tools.

Our business units serve the automotive, wood and marine industries, where our typical customers include manufacturers of wooden products, bodyshops, vehicle manufacturers and subcontractors to the automotive industry. Mirka's products and solutions also serve the

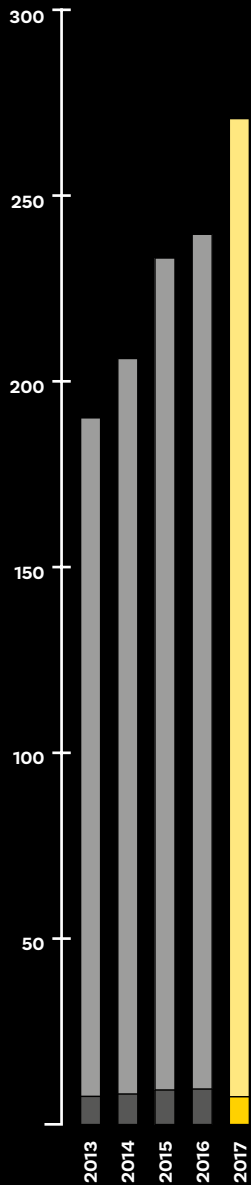
construction and decoration sectors, as well as the composites industry. Our newest innovations also provide solutions for precision industries in the form of diamond and boron nitride tools, as well as microfinishing film products.

RECORD YEAR AND NEW BUSINESS UNITS

ORGANIZATIONAL CHANGE ENSURES RAPID GROWTH

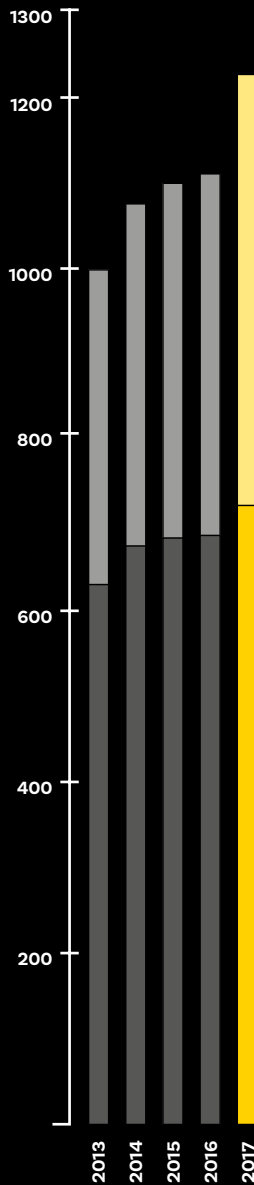
THE ACQUISITION OF CAFRO S.P.A OPENS NEW OPPORTUNITIES AND BROADENS THE PRODUCT RANGE

MIRKA	2017	2016	2015	2014	2013
Turnover, EUR million	271.4	239.7	233.3	206.2	190.2
Change, %	13	3	13	8	8
Exports and foreign operations, %	97	96	96	96	96
Share of group turnover, %	58	61	64	57	56
Investments, EUR million	25,3	16.8	20.1	12.3	21.8
Personnel	1,223	1,108	1,096	1,072	995



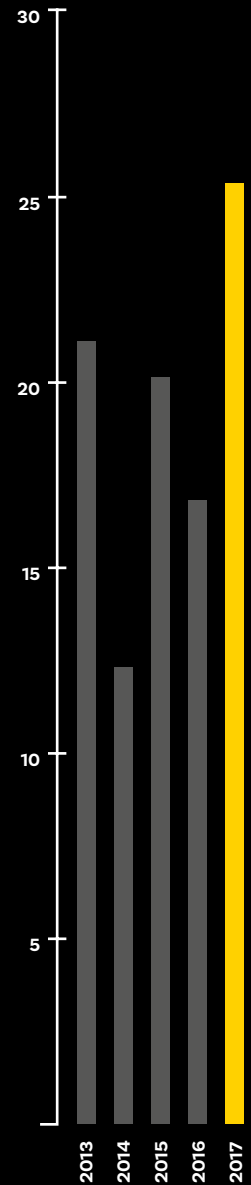
**TURNOVER
EUR MILLION**

Finland
 Exports and foreign operations

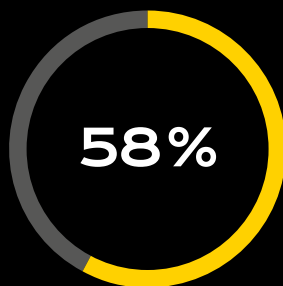


PERSONNEL

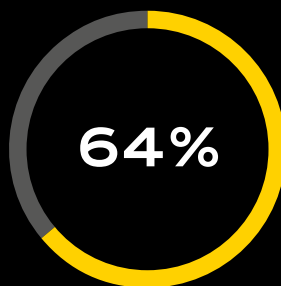
Finland
 Abroad



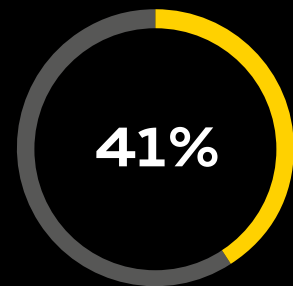
**INVESTMENTS
EUR MILLION**



**SHARE OF
TURNOVER**



**SHARE OF
PERSONNEL**



**SHARE OF CAPITAL
EMPLOYED**

Strong growth in all market areas

In 2017, Mirka's global growth was significantly stronger than the industry average. Our sales have grown exceptionally well, particularly in the EMEA area (Europe, the Middle East and Africa) where we gained market share. The positive trend in the EMEA area reflects the sharp growth in demand for electrical sanding tools. In the Middle East, we grew more slowly than in the other countries in the EMEA area, due both to the general market situation and the trend in oil prices. In the Asia-Pacific Region, we also succeeded in taking market share, despite challenging competition and changed market structures. In North and South America, our sales have also performed better than in the previous year, even though the slow growth in the car market is reflected in results. The downside of having a global business operation is that exchange rate fluctuations have had a negative impact on our results.

Organizational change ensures future growth

Rapid and strong growth, new business areas and changes in global markets demand that the business becomes more flexible and reacts more quickly. In 2017, we implemented the largest organizational change in our history.

Mirka has had small-scale commercial operations in the precision industry for several years, but a traditional organizational structure and a limited product portfolio have hindered growth. Thanks to the new dynamic organizational structure, we are now in a position to develop this business area further. The acquisition of CAFRO S.p.A in June 2017 will also open new doors in the precision industry. CAFRO is a leading manufacturer of Diamond and CBN (Cubic Boron Nitride) wheels as well as PCD (Polycrystalline Diamond) and PCBN (Polycrystalline CBN) tools. The acquisition of CAFRO is a corner stone in the portfolio we are now building in the area of precision grinding.

Digitalization provides new tools for our customers and helps us streamline our operation. In 2017, we launched the myMirka mobile app which users can connect to their Mirka sanders via Bluetooth. The app enables users to measure the machine's vibration levels in real time and to carry out the warranty registration quickly and smoothly. Through the myMirka platform, it is also possible to purchase additional services. Mirka's digital development also opens new opportunities for customer service and data analysis.







New innovations win plaudits

In 2017, we launched several innovations for dust-free sanding. The range of sanders has been supplemented with the Mirka® DEOS electric orbital sander which was launched in the spring. The tool was developed and is manufactured in Finland, and has been awarded the key flag symbol by the Association for Finnish Work. It is unique due to its light weight, compact size and ergonomic design. On the pneumatic side, we launched the Mirka® AP angle polisher, and the Mirka® RPS, a combined polisher and sander.

Our power tools, which are well-known for their innovative design, excellent performance and intelligent features, have once again won international acclaim. The Mirka® AOS-B cordless sander won the Red Dot Design Award for 2017. Ergonomics was the key factor in the design of this tool, the smallest battery-driven sander on the market. The Mirka® LEROS, the lightest wall



and ceiling sander on the market, was introduced in the autumn, and has also gained favourable notice. It was nominated for the Innovation Awards 2017 at the Batimat building and remodelling fair in Paris.



- Headquarters
- ◆ Daughter Company
- + Branch Office

Continuous improvement is part of our culture

Continuous improvement is part of Mirka’s culture, and a natural component of our business operation. This can be seen in the development of production processes and our close collaboration with our customers, as well as in our innovative product development. In 2017, a unique production line came on stream at our factory in Oravais. This enables a number of work stages to be combined, increasing the efficiency of the manufacturing process.

Our commitment to continuous development is also reflected in Mirka’s dedicated efforts to improve occupational health and safety. Our goal is to achieve zero accidents in all our operations. Mirka has in particular focused on preventive measures by increasing employees’ knowledge and awareness of safety at work and by improving safety at workstations and machines. The determined work towards zero accidents has generated results. In 2017 the Finnish Zero Accident Forum awarded occupational safety level classifications to its member workplaces that had invested in the continuous improvement of their occupational safety. Mirka achieved classification level three which means that the standard of occupational safety in the company is heading for the world’s forefront.

Values and goals in focus

Our historic year was also reflected in the number of employees. In 2017, over 100 new employees were added to our workforce. Consequently, a training programme was implemented for all employees in which they had the opportunity to participate and discuss our values and our culture.

We also carried out a job satisfaction survey of all Mirka’s employees in Finland in 2017. The survey showed that our personnel are satisfied, our goals and values are appreciated and many of our employees want to play their part in influencing the future of the workplace.

More streamlined operations

Over the past year, Mirka’s strong global presence has led to a record performance. In 2017, we implemented the largest organizational change in our history, and achieved record growth. In addition, we launched new business areas. In 2018, our focus will be on further developing our operations in line with the new structure. The global market situation is stable, but it is exposed to rapid change. In addition, Asia’s role in world trade is constantly increasing. In 2018, we will launch several new solutions for the precision and surface finishing industries. The growth forecast is strong, and our aim is to identify new synergies between traditional and new business segments.

KWH LOGISTICS



Left to right:

Joakim Laxåback

Managing Director, M. Rauanheimo,
Adolf Lahti Yxpilä, Otto Rodén, A. Jalander,
Kiinteistö Oy Port Handling

Hannu Uusi-Pohjola

Head of Division

Markku Mäkipere

Managing Director, Stevena, Moonway

Peter Lång

Managing Director, KWH Freeze

Bernt Björkholm

Director, Freight Forwarding

Jari Vuontela

Administrative Director, Moonway

Sakari Mäki-Fränti

Managing Director,
Blomberg Stevedoring,
Vaasa Stevedoring

Taru Gammelgård

Business Control, KWH Logistics





INNOVATIVE AND RELIABLE PARTNER IN LOGISTICS

COMPREHENSIVE SOLUTIONS, QUALITY AND FLEXIBILITY

TAILORED SERVICES BASED ON CUSTOMERS' NEEDS

KWH Logistics is one of the largest players in logistics in Finland, with wide-ranging and multifaceted expertise. Through our qualitative operation focusing on innovation and safety we have succeeded in winning our customers' confidence.

With the support of the financially sound KWH Group, we have the resources to construct qualitative, competitive holistic solutions for logistics, which minimise the total costs of the supply chain.

Our operations are divided into four business units; **Cold Storage, Port & Sea, Freight Forwarding** and **Industrial Services**.

KWH LOGISTICS	2017	2016	2015	2014	2013
Turnover, EUR million	161.3	128.9	114.4	138.1	132.5
Change, %	25	13	-17	4	20
Share of group turnover, %	35	33	31	38	39
Investments, EUR million	22.1	10.1	7.6	15.2	14.2
Personnel	440	411	417	420	400

QUALITY AND THE ENVIRONMENT

KWH Logistics quality system is based on ISO-9001, the environmental system on ISO-14001 and the work environment system on OHSAS-18001 standards. The operations in all KWH Logistics companies are controlled by certified systems. In addition, Backman-Trummer and Blomberg Stevedoring have been granted AEO status (Authorised Economic Operator) by the Finnish Customs.

Maintaining a high level of quality remains essential, as this has a major influence on the ability to optimize overall costs in customers' supply chains.

PERSONNEL

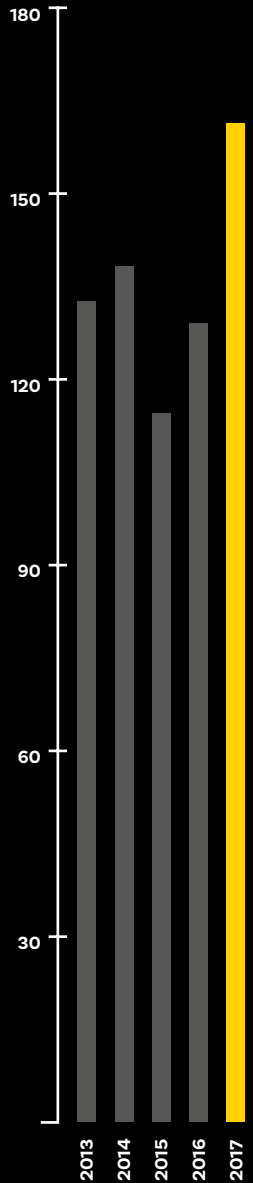
The division had, on average 440 employees. Cold Storage employed 79, Port & Sea 268, Industrial Service 50 and Freight Forwarding and Backman-Trummer's administration had 43 employees.

INVESTMENT

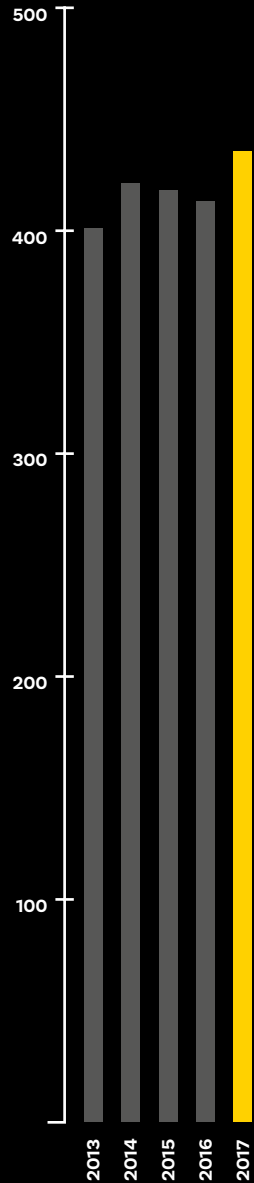
Investment by KWH Logistics increased to EUR 22.1 million. The largest investments were the expansion of KWH Freeze's cold store in Vantaa, Rauanheimo's investments at Vuosaari in Helsinki and Blomberg Stevedoring's new bulk warehouse in Vaasa.

THE OUTLOOK FOR 2018

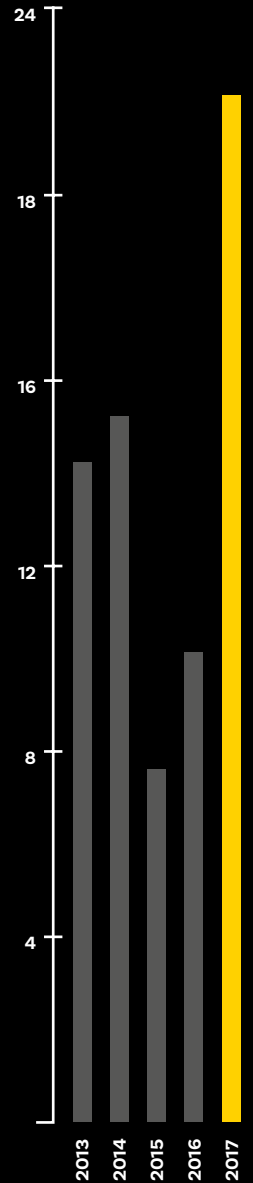
The outlook is positive, and the quantities of goods are expected to increase.



**TURNOVER
EUR MILLION**

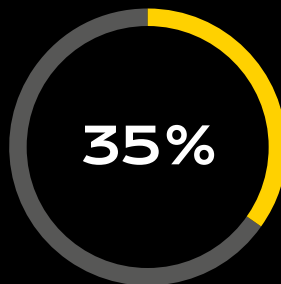


PERSONNEL

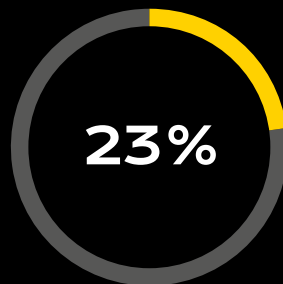


**INVESTMENTS
EUR MILLION**

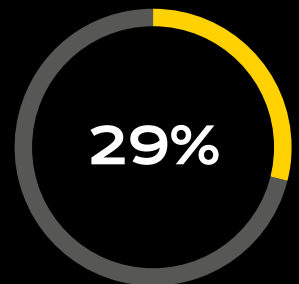
KWH LOGISTICS



**SHARE OF
TURNOVER**



**SHARE OF
PERSONNEL**



**SHARE OF CAPITAL
EMPLOYED**

- 1** KALAJOKI
Blomberg Stevedoring
- 2** KOKKOLA
M. Rauanheimo | Otto Rodén | A. Jalander
Backman-Trummer | Adolf Lahti
- 3** PIETARSAARI
Adolf Lahti
- 4** VAASA
Blomberg Stevedoring | Vaasa Stevedoring
Backman-Trummer
- 5** KRISTIINANKAUPUNKI
Blomberg Stevedoring
- 6** ÄÄNEKOSKI
Adolf Lahti | M. Rauanheimo
- 7** JYVÄSKYLÄ
Adolf Lahti
- 8** VARKAUS
Adolf Lahti
- 9** HÄMEENLINNA
Adolf Lahti
- 10** UUSIKAUPUNKI
Stevena
- 11** NAANTALI
Stevena
- 12** TURKU
Stevena | Moonway
- 13** HANKO
Stevena
- 14** INKOO
KWH Freeze
- 15** HELSINKI
M. Rauanheimo
- 16** VANTAA
KWH Freeze
- 17** KOTKA
Adolf Lahti | M. Rauanheimo
- 18** HAMINA
M. Rauanheimo



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COLD STORAGE

Cold and chilled storage facilities and related handling services for foodstuff.

- *KWH Freeze Ltd*

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PORT & SEA

Port operations and related logistics solutions for both bulk and unitized goods as well as for project cargo.

- *Oy Blomberg Stevedoring Ab*
- *Oy M. Rauanheimo Ab*
- *Stevena Oy*
- *Oy Otto Rodén Ab*
- *A. Jalander Oy*
- *Vaasa Stevedoring Oy*

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FREIGHT FORWARDING

Global logistics solutions by different modes of transportation and related valueadding services.

- *Oy Backman-Trummer Ab*
- *Oy Moonway Ab*

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INDUSTRIAL SERVICES

Handling, storage, and transport of goods, construction excavation, workshop for heavy machinery, in-plant service logistics and other related operations.

- *Oy Adolf Lahti Yxpila Ab*

COLD STORAGE

KWH Freeze — Vantaa and Inkoo

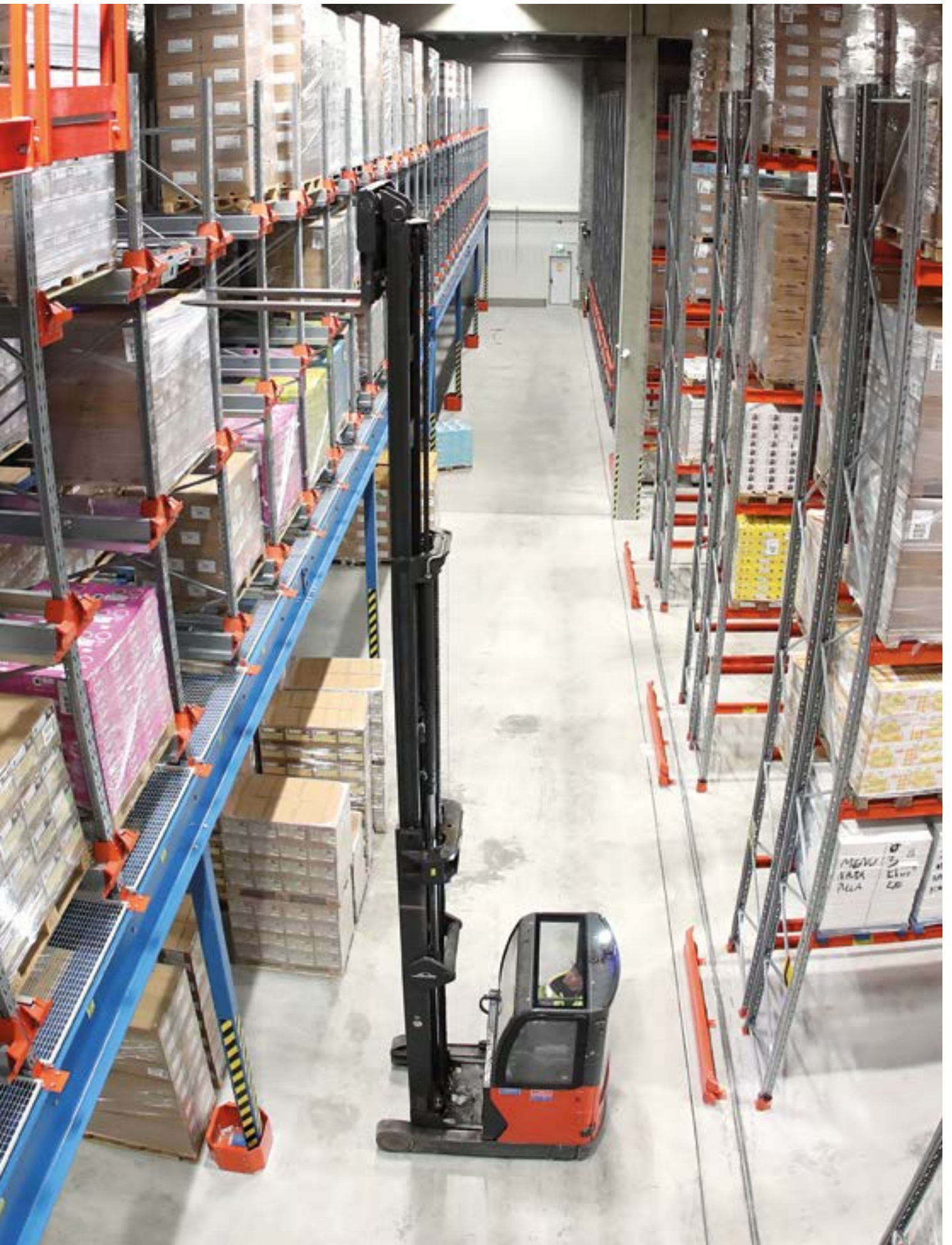
KWH Freeze is Finland's leading cold store company. The operation is largely focused on services for the foodstuffs sector in the form of customised cold storage solutions. As a result of a systematic development effort, KWH Freeze is able to offer its customers the most efficient link in the logistics chain for frozen foods.

KWH Freeze's largest customer group are Finland's leading fresh produce wholesalers, food producers and importers. The operation is monitored using quality, food safety and environmental systems, which are certified under the ISO 9001, ISO 22000 and ISO 14001 standards.

The degree of utilisation of the company's storage space rose in comparison with the preceding year and overall volumes of goods handled increased. Sales rose by 9.3% to EUR 19.7 million.

KWH Freeze's long-term strategy is to expand its storage capacity in line with the expanding market and increasing demand, and to be its customers' primary partner in the industry. The outlook for 2018 is positive.







PORT & SEA

M. Rauanheimo — Kokkola, Hamina-Kotka, Helsinki and Pori

Rauanheimo's operations consists of stevedoring, freight forwarding and customs clearance at the ports of Kokkola, Vuosaari, Tahkoluoto, Hamina and Kotka.

Rauanheimo reports a year of solid growth and excellent profitability. The favourable profitability trend that the company has shown over the past ten years has generated possibilities for further growth and additional acquisitions in growth areas.

The new operation at the port of Vuosaari is now fully operational and performing above expectations. Growth in 2017 was largely due to iron ore from Russia and new goods flows in the port of Vuosaari.

A number of new agreements were signed during the year, which further strengthen the opportunities for growth over the next few years. These included an agreement for the provision of logistics solutions at the port of Tahkoluoto. A new agreement was also signed with the forestry industry relating to the handling of timber and cellulose through the port of Vuosaari in Helsinki.

The flow of goods from Russia via the port of Kokkola increased by around 22%. At the beginning of the year, railway transports from Russia to Kokkola and Raahe commenced. To facilitate development in Russia, a new office was opened in central Moscow.

The operating profit for 2018 is expected to exceed the outcome for 2017. The base of the operation will continue to consist primarily in handling products to and from local industrial

companies, mining and forestry products and Russian transit goods.

Otto Rodén — “Rodén Shipping” — Kokkola

Rodén Shipping offers customised port operator and factory services in Kokkola. The company has years' experience of handling bulk products and chemicals. In Kokkola, it offers stevedore services and internal transports between the port and the large industrial estate, as well as some goods handling at production plants. Rodén Shipping develops niche operations aimed at demanding goods classes such as feed phosphates, fertiliser, potassium sulphate, ammonia and phosphoric acid.

During the year, a total of 712,000 tonnes of goods were handled in the port, an increase of around 8%. Sales fell by 4%. The main reason for this was an internal allocation of the factory services with the sister company. Profitability was good, but due to the allocation it was somewhat below that of the previous year.

A. Jalander — Kokkola

Jalander offers ship clearance services in the Port of Kokkola. The company's good contacts with the authorities, principals and operators ensure that the company can provide excellent and flexible services 24/7. The concept includes the services that the shipping company and the ship require, as well as the preparation and distribution of public information and documentation.

Jalander's customers consist primarily of shipping companies which carry the products of local industry. In recent years, the flow in volume has been stable with around 200 ship calls per year.

Blomberg Stevedoring — Vaasa, Kalajoki and Kristiinankaupunki

Blomberg Stevedoring carries out stevedoring and warehousing operations in the ports of Vaasa, Kalajoki and Kristiinankaupunki. The single largest product group is raw materials for the fodder industry, in which Blomberg Stevedoring is the largest player in Finland. Another important and growing part of the operation is project and breakbulk traffic, as well as pulpwood and raw materials for bioenergy production.

In 2017, a new warehouse with a total area of 3,600 m² was built in Vaasa. Blomberg Stevedoring also invested in a 1,600 m² warehouse in Kalajoki,

and acquired a mobile material handling machine. Skilled personnel is an essential requirement for an efficient and safe operation. In recent years, particular attention has been given to occupational safety at the ports and improvements have been made. As proof of this, Blomberg Stevedoring was awarded an occupational safety certificate.

Traffic in all ports in which Blomberg Stevedoring operates is expected to increase over the next few years. The conditions for growth are good. The positive response from customers is the best recognition of a successful operation.

Stevena — Naantali, Hanko, Turku and Uusikaupunki

For Stevena, 2017 was a year of strong growth. Sales increased to almost EUR 14 million. Stevena set a new record in the quantity of goods handled, 3.4 million tonnes, and the number of ship calls was around 1300. The organisation was streamlined to enable it to respond more effectively to customers' needs, and to requirements on the current operation.

In recent years, Stevena has become one of the most significant port operators for unitised goods traffic in Finland. The business benefited in 2017 particularly from increased ro-ro traffic in Uusikaupunki, and from a new customer in Hanko.

A positive trend was also noted in Turku and Naantali, which are more traditional operating areas for Stevena. The operation grew through new customers and increased warehouse capacity.

The outlook for 2018 is positive. The premises on which the operation is based have been actively developed, so that Stevena is fully prepared to handle substantially increased goods volumes and also to respond to the demands of its growing customer base.

Vaasa Stevedoring — Vaasa

Vaasa Stevedoring specialises in renting of small machines, aerial platforms and scaffolding in the Vaasa area. The customer base consists largely of small construction companies and individuals.

The excellent and flexible service, in combination with modern machinery, has resulted in satisfied customers. Vaasa Stevedoring's progress has been stable over recent years, and the typical cyclical fluctuations which characterise the construction sector have not had any noticeable impact on the operation volumes.



FREIGHT FORWARDING

Backman-Trummer — Vaasa and Kokkola

Thanks to efficient, high-quality and competitive logistics solutions, Backman-Trummer has performed well over the past year, despite fierce competition.

Backman-Trummer has strengthened its strategic position, partly by constructing a shortsea terminal at Vaskiluoto, Vaasa. This terminal is a vital link in Backman-Trummer's competitive and environmentally-friendly logistics solutions, undertaking appropriate assignments for sea transport and thereby reducing the load on the road network and raising traffic safety on the public highway.

Backman-Trummer's competitiveness is based on customised, innovative and customer-specific logistics solutions. The company is actively and continuously developing its logistics products jointly with its customers and partners. Local knowledge, international collaboration networks and tailored logistics solutions have created the conditions for the growth enjoyed in the recent past.

Moonway — Turku

Oy Moonway Ab operates on the global tank container market, with continental Europe as the focal point of operations. The company's special area is bulk container freight, liquids as well as powders.

Moonway uses many different ports in Finland, and is therefore able to offer cost-effective solutions for the industry. The company is a significant tank container operator in Finland, but relatively small in global terms. However, thanks to its international collaboration network, Moonway is able to offer its services globally.

The foodstuffs industry has traditionally been an important customer for Moonway, but the proportion of chemical transports increased during 2017.

Asia's share of Moonway's exports remained unchanged in 2017. One challenge has been getting sufficient import containers to Finland, to enable increased export traffic to Asia.

Container freight's share of global traffic has experienced steady growth. This looks set to continue, and Moonway intends to be part of this steady growth.



INDUSTRIAL SERVICES

Adolf Lahti Yxpila — Kokkola, Pietarsaari, Kotka, Varkaus, Helsinki and Äänekoski

Adolf Lahti is a growing and multifaceted company in the machinery and industrial services sector, with a comprehensive range of machinery. The company offers expertise and modern equipment for most of the work involved in bulk handling, heavy internal transports, factory services, workshop services and maintenance. Adolf Lahti operates in the major industrialised areas and at the ports in Kokkola, Pietarsaari and Vuosaari, as well as in the forestry industry in Pietarsaari, Äänekoski, Varkaus and Kotka. During 2018, operations are being extended to the port of Tahkoluoto in Pori.

The company continued to develop positively during the year. Sales rose by 19%. Profitability was satisfactory, and the operational objectives were

achieved thanks to collaboration with existing and new customers, as well as with sister companies and major local industries in Kokkola, Pietarsaari, Äänekoski and Kotka. The collaboration with the forestry industry in connection with planning and handling of timber raw material flows succeeded particularly well.

During 2018, operations are expected to continue to grow. A modern workshop for servicing and repairing heavy machinery is being set up in Pietarsaari and will be operational at the beginning of 2018. The objective is to extend Adolf Lahti's comprehensive services to new markets.

KWH INVEST



Left to right:

Kjell Antus

Head of Division

Marcin Kowalski

CEO, Winkiel

Thomas Nyström

CFO, Prevox Group

Mikael Lillvik

CEO, Prevox Group





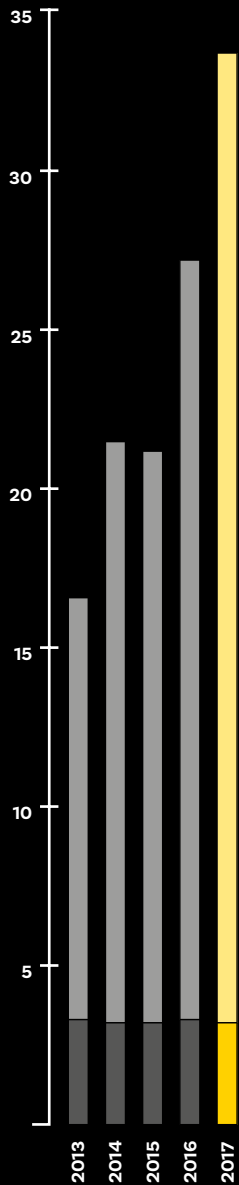
The KWH Invest business group consists of a business unit, Prevox, shareholdings in associates and the management of industrial premises, which are leased to external partners on long leases.

ONE OF THE LARGEST PRODUCERS OF WATER TRAPS IN THE WORLD

THE WORLD'S MOST EFFECTIVE WATER TRAP

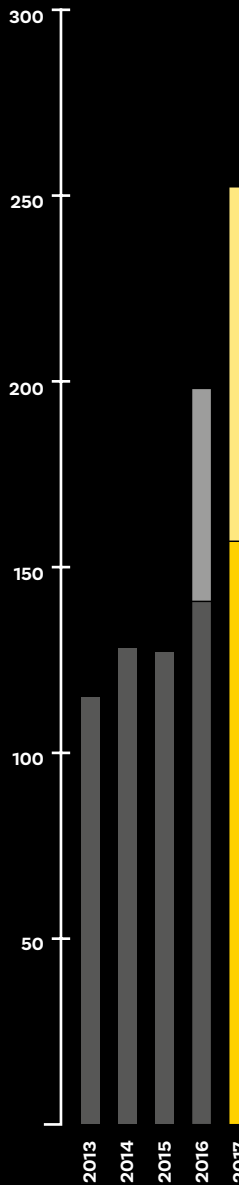
A CLOSE RELATIONSHIP WITH OUR CUSTOMERS

KWH INVEST, PREVEX	2017	2016	2015	2014	2013
Turnover, EUR million	33.7	27.1	21.0	21.4	16.5
Change, %	24.7	29	-2	30	-12
Exports and foreign operations, %	90	88	85	85	80
Share of group turnover, %	7	7	5	5	5
Investments, EUR million	3.7	6.5	4.6	1.5	1.1
Personnel	252	198	127	128	115



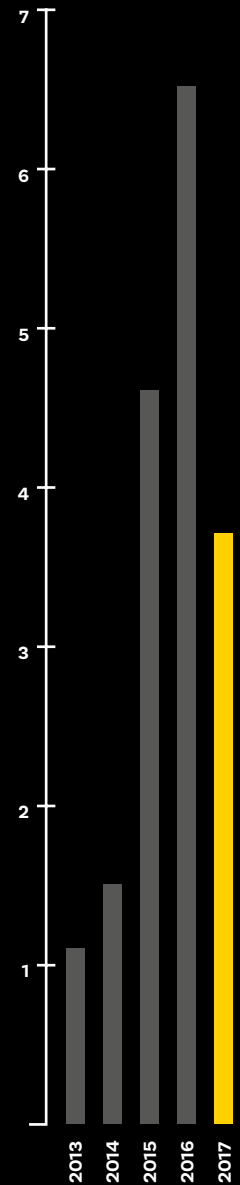
**TURNOVER
EUR MILLION**

Finland
 Exports and foreign operations
 Abroad



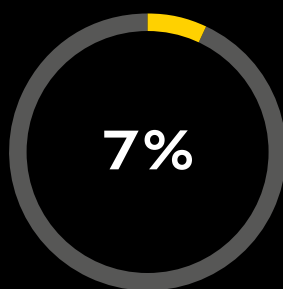
PERSONNEL

Finland
 Abroad

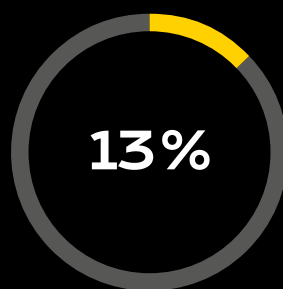


**INVESTMENTS
EUR MILLION**

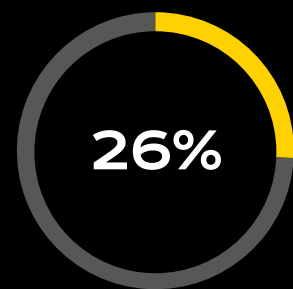
KWH INVEST



**SHARE OF
TURNOVER**



**SHARE OF
PERSONNEL**



**SHARE OF CAPITAL
EMPLOYED**



PREVEX

Prevex produces the world's most effective and space-saving water traps for both sinks and washbasins. Our water traps come pre-assembled and offer a variety of installation options thanks to their unique telescopic design. Our product development and design process combines the customers' requirements with cost-effective production methods.

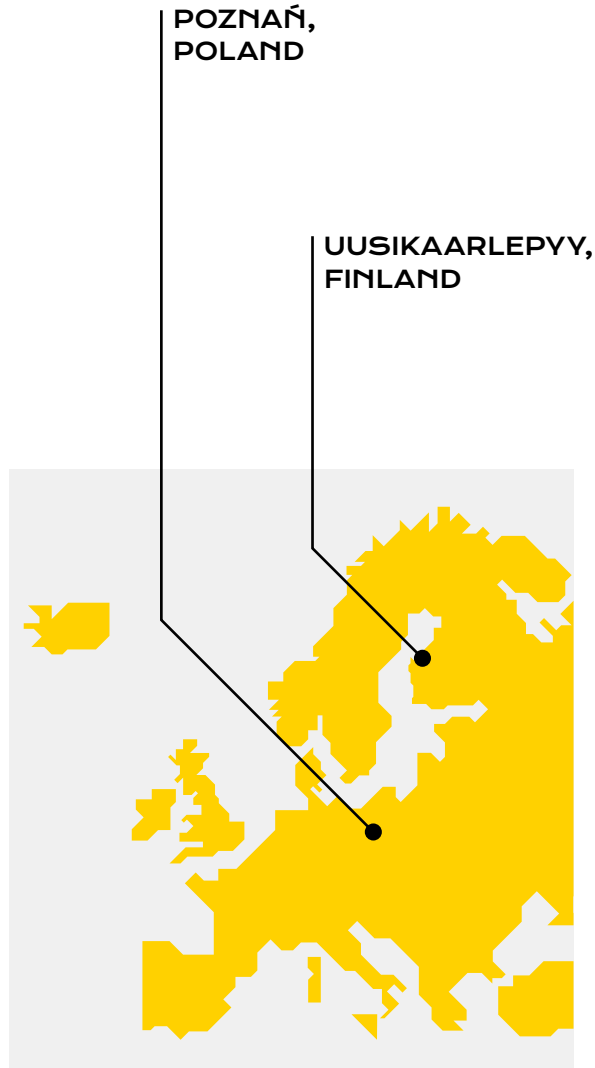
Over the last calendar year, to meet the needs of the market, our investment has included two new packing lines for water trap products. This has enabled us to supply functional and affordable products with a goal to produce a range of packaging styles for both industrial and consumer markets.

We are one of the largest producers of water traps in the world. The KWH Group became a part-owner of PreveX in 1985. Since 2003, the Company has been a wholly-owned subsidiary of the Group.

Collaboration and product renewal are the keys

We have actively and successfully developed a close working relationship with several major players and have earned an excellent reputation as the most reliable and innovative supplier in the water trap sector. As a result, we have achieved the position as market leader in this product sector in the Nordic Region. An important and natural part of our operation is our close collaboration with our customers with whom we jointly develop new and innovative products. This approach is backed by constant efforts to introduce innovative solutions and product improvements.





We are deeply committed to protecting the environment by continuously working to reduce the environmental impact of our production. Both starting points and goals are firmly rooted in our quality and environment policies. Our production lines are highly automated, and we have an efficient production infrastructure.

Our sales organisation was further strengthened throughout the year. We are now represented in the majority of the European markets and our investment strengthening the sales organisation is expected to generate more growth over the next few years.

New product groups

We have expanded our product range with complete concealed cistern toilet flushing systems and design floor drains for showers and wet areas. In addition, we are now able to offer standard pipe fittings for indoor drains. Integrating these products into our sales network is a high priority.

We have also strengthened our product development organisation since we are strongly focused on renewing our product range. This renewal has been made possible through acquisition of Winkiel Sp.z.o.o., which is based in Poznan, Poland, where the new products are produced and supplied. Winkiel Sp.z.o.o.'s water trap production and product models are a major focus; a revision of the product range is currently being carried out.

Encouraging outlook — continued growth

The prospects for the future are good, we will continue to invest in expanding production and updating equipment. We are currently in an exciting phase where growth is tangible and, thanks to our production in Poland, we are considerably closer to our customers in Europe. Our new products will also generate growth, despite continuing fierce competition.



UPONOR INFRA

On 1 July 2013, Uponor Infra Oy began trading, with the merger of the infrastructure solution business units of the KWH Group and Uponor Oyj. Uponor is Uponor Infra Oy's majority shareholder (55.3%), and Uponor Infra Oy is consolidated in Uponor as the Infrastructure segment. The KWH Group owns 44.7% of the shares.

From 2013–2016, the Company went through a major restructuring process with the aim of generating significant synergy and integration effects. The anticipated goals were reached.

The general economic situation has affected demand in Uponor Infra's most important markets. Overall demand in the main markets is expected to be stable.

The Company's sales amounted to EUR 323.4 (287.9) million. Profitability improved compared with previous years, reaching a satisfactory level.

CONSOLIDATED INCOME STATEMENT

EUR 1,000	JAN. 1—DEC. 31, 2017	JAN. 1—DEC. 31, 2016
TURNOVER	464,967	394,716
Other operating income	2,411	1,880
Increase (+) / decrease (-) in inventories of finished goods and work in progress	976	-1,772
Production for own use	3,097	2,300
Materials and services	-198,845	-160,193
Personnel expenses	-113,775	-98,679
Depreciation and impairment	-24,976	-23,981
Other operating expenses	-75,841	-65,897
Share of loss in associate	4,949	-314
OPERATING PROFIT	62,963	48,061
Financial income	309	2,435
Financial expenses	-3,849	-3,501
PROFIT BEFORE TAXES	59,423	46,994
Income tax expense	-11,483	-10,685
PROFIT FOR THE FINANCIAL YEAR	47,940	36,310
Attributable to:		
Equity holders of the parent company	47,944	36,312
Non-controlling interest	-4	-3
PROFIT FOR THE FINANCIAL YEAR	47,940	36,310
STATEMENT OF COMPREHENSIVE INCOME		
PROFIT FOR THE FINANCIAL YEAR	47,940	36,310
Items that may be reclassified to income statement:		
Share of other comprehensive income in associates		
- net total comprehensive income	-342	155
Profits/losses from financial assets available-for-sale		
- net profits/losses	-11	0
- transferred to profit and loss	-31	0
Cash flow hedges		
- net profits/losses	2,547	941
- transferred to profit and loss	-612	-263
Translation differences		
- translation differences for the financial year	-222	-257
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR, NET OF TAX	1,329	576
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	49,269	36,886
Attributable to:		
Equity holders of the parent company	49,273	36,889
Non-controlling interest	-4	-3
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	49,269	36,886

CONSOLIDATED BALANCE SHEET

ASSETS EUR 1,000	DEC. 31, 2017	DEC. 31, 2016
NON-CURRENT ASSETS		
Intangible assets	11,971	10,108
Goodwill	9,996	2,375
Tangible assets	219,441	201,322
Investment property	1,267	1,327
Investments in associates	77,522	72,915
Financial assets available-for-sale	1,748	2,059
Other financial assets	435	70
Deferred tax assets	638	600
	323,018	290,776
CURRENT ASSETS		
Inventories	50,191	46,031
Trade and other receivables	71,974	57,031
Income tax receivables	961	271
Cash and cash equivalents	95,189	94,857
	218,315	198,191
	541,333	488,966

EQUITY AND LIABILITIES EUR 1,000	31.12.2017	31.12.2016
EQUITY		
Share capital	3,756	3,756
Share premium reserve	7,931	7,931
Reserve fund	124	124
Translation differences	154	377
Fair value reserve	1,437	-457
Retained earnings	425,234	384,996
NON-CONTROLLING INTEREST	185	188
EQUITY	438,820	396,915
NON-CURRENT LIABILITIES		
Provisions	2,244	1,725
Deferred tax liabilities	13,805	13,182
Interest bearing liabilities	123	199
Finance lease liabilities	6,748	7,378
Trade and other payables	1,400	150
	24,320	22,634
CURRENT LIABILITIES		
Interest-bearing liabilities	11,271	13,293
Finance lease liabilities	689	619
Trade and other payables	62,152	53,911
Income tax liabilities	4,081	1,594
	78,193	69,417
	541,333	488,966

BOARD OF DIRECTORS



Left to right:

Christian Höglund

M Sc (Econ)
Board Member since 2017

Caj-Anders Skog

M Sc (Econ)
Board Member since 2016

Sofia Kohtala

Hotel and Restaurant Manager
Board Member since 2014

Henrik Höglund

B Sc (Econ)
Chairman since 1998
Board Member since 1974

Johan Heikfolk

LL.M.
Secretary of the Board since 2017

Peter Höglund

B A
Board Member since 1973
Chairman 1988-1997

Ola Tidström

M Sc (Econ)
Vice Chairman since 1993
Board Member since 1975

Janneke Von Wendt

MSc (Econ)
Board Member since 2016



GROUP MANAGEMENT

GROUP MANAGEMENT

Kjell Antus

M Sc (Econ)
Group President, Head of Division,
KWH Invest
Employed since 1989

Hannu Uusi-Pohjola

Engineer
Head of Division, KWH Logistics
Employed since 2003

Johan Heikfolk

LL.M.
General Counsel
Employed since 2017

Carl-Magnus Tidström

M Sc (Econ)
Head of Administration and Finance
Employed since 1997

Mikael Lillvik

Engineer
CEO, Prevx
Employed since 2002

Stefan Sjöberg

M Sc (Econ)
Head of Division, Mirka
Employed since 2011

STATUTORY AUDITORS

Kjell Berts

M Sc (Econ), APA
Ernst & Young Oy

Bengt Nyholm

M Sc (Econ), APA
Ernst & Young Oy

DEPUTY AUDITORS

Anders Svensas

M Sc (Econ), APA
Ernst & Young Oy

Kristian Berg

M Sc (Econ), APA
Ernst & Young Oy

SUPERVISORY AUDITOR

Ernst & Young Oy



T, AUDITORS

Left to right:

**Kjell Antus
Hannu Uusi-Pohjola
Johan Heikfolk
Carl-Magnus Tidström
Mikael Lillvik
Stefan Sjöberg**



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Mirka France Sarl, France

www.mirka.fr

Mirka GmbH, Germany

www.mirka.de

Mirka India Pvt Ltd, India

www.mirka.co.in

Mirka Italia s.r.l., Italy

www.mirka.it

Mirka Mexicana S.A. de C.V., Mexico

www.mirka.com.mx

Mirka Middle East FZCO,

United Arab Emirates

www.mirka.com/ar-AE/ae

Mirka Rus LLC, Russia

www.mirka.ru

Mirka Scandinavia AB, Sweden

www.mirka.se

Mirka Trading Shanghai Co., Ltd, China

www.mirka.com.cn

Mirka Turkey Zimpara Ltd Şirketi, Turkey

www.mirka.com.tr

Mirka (UK) Ltd, United Kingdom

www.mirka.co.uk

Mirka USA Inc., USA

www.mirka-usa.com

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Oy Blomberg Stevedoring Ab

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Oy Moonway Ab

www.moonway.fi

Oy M. Rauanheimo Ab

www.rauanheimo.com

Stevens Oy

www.stevens.fi

Oy Otto Rodén Ab

www.rodenshipping.fi

A. Jalander Oy

www.jalander.com

Vaasa Stevedoring Oy

www.vaasastevedoring.fi

KWH Freeze Ltd

www.kwhfreeze.fi

KWH Invest

KWH Invest

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www.winkiel.pl



The KWH Annual Report 2017 consists of an Annual Review and a Financial Report.

The Annual Review gives a picture of the Group and its Business Operations 2017 and contains the Consolidated Income Statement and the Consolidated Balance Sheet. The Annual Review is also available for download under www.kwhgroup.com. The Annual Review is available in English, Finnish and Swedish.

The Financial Report contains the financial statements including notes and can be ordered from KWH Group Ltd by e-mail info@kwhgroup.com. The Financial Report is available in Swedish.

www.kwhgroup.com

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Portraits: Katja Lösönen

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