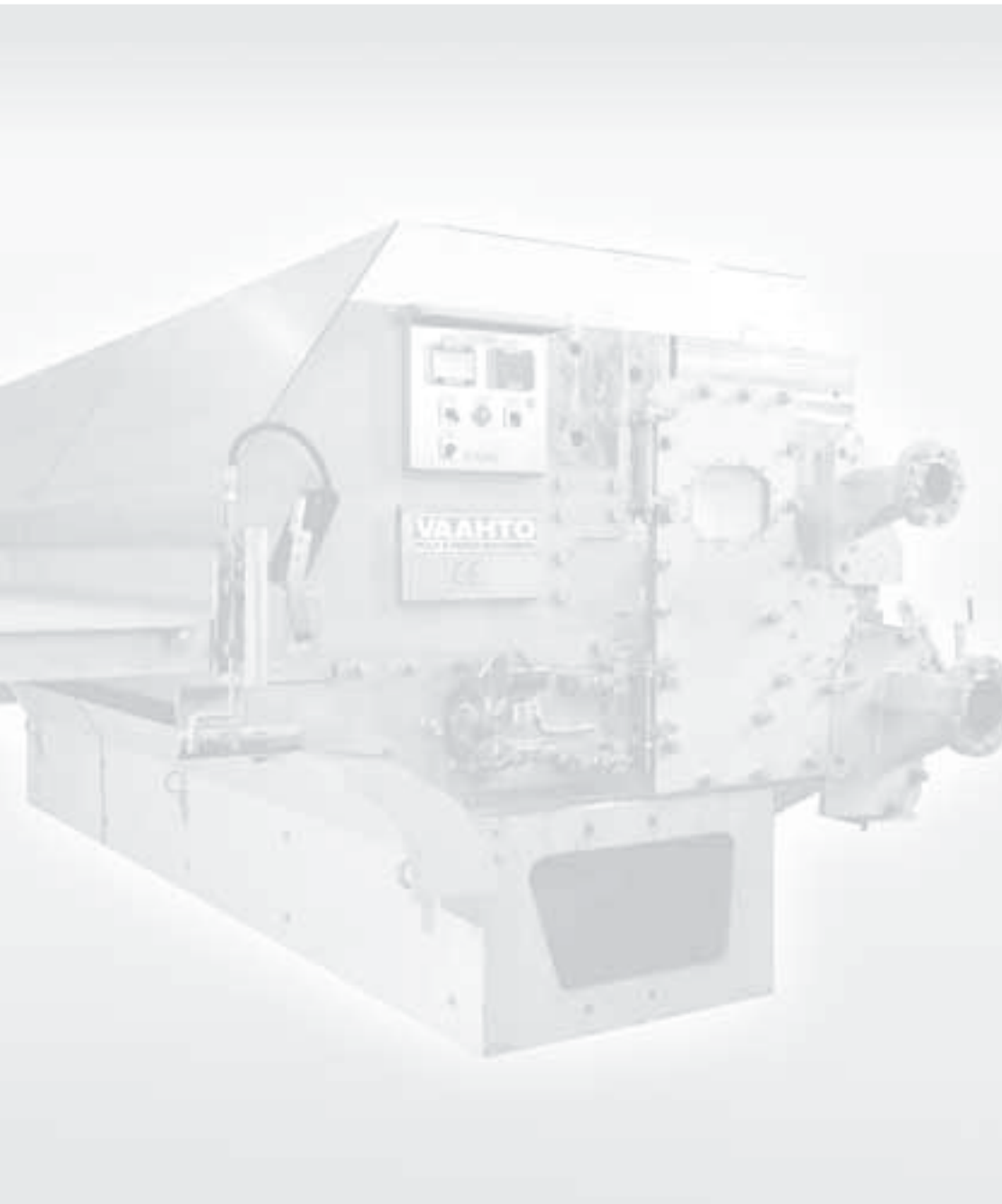


Interim Report



1.9.2006 - 28.2.2007

VAAHTO GROUP INTERIM REPORT

FOR THE PERIOD SEPTEMBER 1, 2006 - FEBRUARY 28, 2007



Vaahto Group's turnover for the period under review was 37.6 million euros (29.0 million euros), with an operating profit of 1.0 million euros (0.1 million euros). The turnover increased 29.9% from that of the reference period. Although the group's profitability improved thanks to increased turnover, it did not meet the targets set for the period. Vaahto Group's order backlog increased during the period under review; it was 49.7 million euros at the beginning of the period under review and 54.7 million euros at the end.

Pulp & Paper Machinery

Despite the tough competition, the Pulp & Paper Machinery division achieved fair sales figures in the period under review. Significant new orders included, e.g., a glass nonwovens production line for Ahlstrom Tver in Russia, the modernization of a board machine for Corenso (a subsidiary of Stora Enso) in the U.S., and headbox projects for Lee & Man and Anhui Shanying in China. The order backlog has developed in accordance with the division's targets toward ever more technologically advanced key components of paper and board machines. The division's roll sales have been good, and the order backlog increased in the period under review. Also, the order backlog for roll servicing was high at the end of the period.

The Pulp & Paper Machinery division's turnover increased from that of the reference period, and the division saw positive results. Continued, focused product development work has improved the division's strategic competitive position further and thus strengthened its position as one of the leading suppliers of technology and services in the demanding paper and board machine market.

Process Machinery

The Process Machinery division's pressure vessel, reactor, and column sales were good during the period under review. The most significant order was for vessels and agitators, received from Belgium by Japrotek Oy Ab, part of the division. The order backlog for vessel business was high at the end of the period under review, and thus the prospects for the latter half of the fiscal year are good.

The spiral heat exchanger business was clearly behind the goals set for the period. The order backlog increased toward the end of the period, and the prospects for the second half of the fiscal year have improved.

The market situation for agitators has shown signs of improvement, and sales were moderate in the period under review. Stelzer Rührtechnik International GmbH, a German company in the division, clearly increased its turnover from that of the reference period, and continued growth is expected for the second half.

The Process Machinery division's turnover was higher than the equivalent figure for the reference period, and the result was profitable. Thanks to the savings in costs and the rationalization activities, the division is well set to improve its profitability further.

Research and development

The group's research and development activities concentrate for the most part on improving the competitiveness of the Pulp & Paper Machinery division's key components for paper and board machines, and that of roll servicing. The scope of the group's R&D activities remained the same as in the previous fiscal period.

Investments

The group's gross investment for the review period came to 0.8 million euros (0.8 million euros). The most significant investment was a new heating system for Vaahto Oy's production facilities. Other investments consisted mainly of machinery and equipment acquisitions.

Financing

The group's liquidity remained at a satisfactory level. Net financial expenses came to 0.3 million euros (0.4 million euros), which is 0.7% of the turnover. The equity ratio increased slightly from that of the reference period, to 34.5% (33.9%).

Personnel

The number of group personnel averaged 408 (411) over the period.

Share issue authorizations

The Board of Directors has no authority to issue new shares, convertible bonds, or bonds with warrants, nor the authorization to obtain or surrender shares.

International financial reporting standards

The interim report was drawn up in accordance with International Financial Reporting Standard (IFRS) IAS 34 ("Interim Financial Reporting").

Forecast of developments

Vaahto Group's operating environment is highly challenging due to the demanding market and competitive situation for the group's main products. However, determined product development and rationalization activities have improved the group's competitiveness markedly. A good order backlog and an advanced product range enable profitable business in the future as well.

Lahti, April 19, 2007

Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

CONSOLIDATED INCOME STATEMENT, IFRS 1000 EUR	Interim Report 1.9.2006-28.2.2007 6 months	Interim Report 1.9.2005-28.2.2006 6 months	Annual Report 1.9.2005-31.8.2006 12 months
Net sales	37 612	28 963	65 414
Change in finished goods and work in progress	1 438	1 062	-835
Production for own use	251	98	359
Other operating income	30	202	602
Material and services	-21 807	-15 040	-33 254
Employee benefit expenses	-10 405	-9 653	-18 641
Depreciations	-905	-895	-1 804
Other operating expenses	-5 205	-4 669	-9 381
Operating profit	1 007	69	2 461
Financing income and expenses	-278	-387	-948
Profit or loss before taxes	729	-318	1 513
Tax on income from operations	-184	42	-451
Profit or loss for the period	545	-276	1 062
Net profit or loss attributable:			
To equity holders of the parent	355	-284	920
To minority interest	190	8	143
Total	545	-276	1 062
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS undiluted, euros/share	0,12	-0,10	0,32
EPS diluted, euros/share	0,12	-0,10	0,32
Average number of shares (1000 shares)	2 872	2 872	2 872

CONSOLIDATED BALANCE SHEET, IFRS 1000 EUR	28.2.2007	28.2.2006	31.8.2006
Assets			
Intangible assets	654	546	599
Goodwill	1 702	1 702	1 702
Investment properties	299	316	308
Tangible assets	14 878	14 928	15 031
Non-current trade and other receivables	14	3	3
Other long-term investments	46	236	46
Deferred tax asset	14	158	1
Non-current assets	17 608	17 889	17 690
Inventories	9 025	9 017	7 501
Trade receivables and other receivables	16 689	13 905	11 695
Tax receivable, income tax	16	61	16
Cash equivalents	0	2 434	3 600
Cash and bank	1 302	1 554	2 391
Current assets	27 031	26 970	25 202
Total assets	44 639	44 860	42 892
Equity and liabilities			
Share capital	2 872	2 872	2 872
Share premium account	6	6	6
Other reserves	2 113	2 038	2 118
Retained earnings	5 256	4 271	5 479
Equity attributable to equity holders of the parent	10 247	9 187	10 475
Minority share	1 308	1 080	1 215
Shareholders' equity	11 555	10 268	11 689
Deferred tax liability	880	721	803
Long-term liabilities, interest-bearing	3 623	4 894	4 313
Non-current provisions	250	267	250
Non-current liabilities	4 754	5 881	5 367
Short-term liabilities, interest-bearing	4 848	4 763	3 826
Trade payables and other liabilities	23 482	23 949	22 009
Current liabilities	28 330	28 711	25 836
Liabilities	33 084	34 593	31 203
Total equity and liabilities	44 639	44 860	42 892

KEY FIGURES AND FLOW OF FUNDS STATEMENT, IFRS

KEY FIGURES, IFRS	Interim Report 1.9.2006-28.2.2007 6 months	Interim Report 1.9.2005-28.2.2006 6 months	Annual Report 1.9.2005-31.8.2006 12 months
Earnings per share EUR	0,12	-0,10	0,32
Shareholders' equity per share EUR	3,57	3,20	3,65
Solidity %	34,5	33,9	39,1
Order backlog 1000 EUR	54 697	52 815	49 723
Gross investments 1000 EUR	800	758	1 859
Total average number of personnel	408	411	410

CONSOLIDATED FLOW OF FUNDS STATEMENT, IFRS 1000 EUR	Interim Report 1.9.2006-28.2.2007 6 months	Interim Report 1.9.2005-28.2.2006 6 months	Annual Report 1.9.2005-31.8.2006 12 months
Profit or loss before taxes	729	-318	1 513
Adjustments	1 175	1 265	2 731
Change in working capital	-5 046	1 701	3 238
Financial income and expenses and taxes	-398	-389	-1 012
Flow of funds from operations	-3 539	2 259	6 470
Investments in tangible and intangible assets	-800	-758	-1 859
Income from sales of tangible and intangible assets	0	18	54
Granted loans	-11	0	0
Flow of funds from investments	-811	-741	-1 805
Increase of the interest-bearing liabilities	1 380	67	650
Decrease of the interest-bearing liabilities	-1 048	-1 989	-3 715
Dividends	-671	-418	-418
Flow of funds from financial items	-339	-2 340	-3 483
Change of liquid funds	-4 689	-822	1 181

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS 1000 EUR	Share capital	Share premium account	Hedging reserve	Other reserves	Retained earnings	Minority interest	Total
Interim Report 1.9.2006 - 28.2.2007							
Shareholders' equity 1.9.2006	2 872	6	6	2 112	5 479	1 215	11 689
Cash flow hedging: amount transferred to the hedged purchasing price	0	0	-1	0	0	0	-1
Change in translation difference	0	0	0	0	-7	0	-7
Reclassifications between items	0	0	0	-3	3	0	0
Net profits/losses recognized directly to shareholders' equity	0	0	-1	-3	-4	0	-8
Profit/loss for the period	0	0	0	0	355	190	545
Total profits and losses	0	0	-1	-3	352	190	537
Dividend distribution	0	0	0	0	-574	-97	-671
Shareholders' equity 28.2.2007	2 872	6	4	2 109	5 256	1 308	11 555

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS 1000 EUR	Share capital	Share premium account	Hedging reserve	Other reserves	Retained earnings	Minority interest	Total
Interim Report 1.9.2005 - 28.2.2006							
Shareholders' equity 1.9.2005	2 872	6	0	2 119	4 897	1 146	11 039
Cash flow hedging: amount transferred to the hedged purchasing price	0	0	-78	0	0	0	-78
Change in translation difference	0	0	0	0	1	0	1
Reclassifications between items	0	0	0	-3	3	0	0
Net profits/losses recognized directly to shareholders' equity	0	0	-78	-3	4	0	-78
Profit/loss for the period	0	0	0	0	-284	8	-276
Total profits and losses	0	0	-78	-3	-281	8	-354
Dividend distribution	0	0	0	0	-345	-74	-418
Shareholders' equity 28.2.2006	2 872	6	-78	2 115	4 271	1 080	10 267

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS 1000 EUR	Share capital	Share premium account	Hedging reserve	Other reserves	Retained earnings	Minority interest	Total
Annual Report 1.9.2005 - 31.8.2006							
Shareholders' equity 1.9.2005	2 872	6	0	2 119	4 897	1 146	11 039
Cash flow hedging: amount transferred to the hedged purchasing price			6				6
Change in translation difference					1		1
Reclassifications between items	0	0	0	-6	6	0	0
Net profits/losses recognized directly to shareholders' equity	0	0	6	-6	7	0	7
Profit/loss for the period	0	0	0	0	920	143	1 062
Total profits and losses	0	0	6	-6	927	143	1 069
Dividend distribution	0	0	0	0	-345	-74	-418
Shareholders' equity 31.8.2006	2 872	6	6	2 112	5 479	1 215	11 689

SEGMENT INFORMATION, IFRS

The business of Vaahto Group is reported as two business segments:
Pulp & Paper Machinery and Process Machinery.

NET SALES BY BUSINESS SEGMENTS, IFRS 1000 EUR	Interim Report 1.9.2006-28.2.2007 6 months	Interim Report 1.9.2005-28.2.2006 6 months	Annual Report 1.9.2005-31.8.2006 12 months
Pulp & Paper Machinery	23 295	16 731	38 436
Process Machinery	14 323	12 240	26 989
Other	0	0	1
Net sales between segments	-7	-7	-12
Group total	37 612	28 963	65 414

OPERATING PROFIT/LOSS BY BUSINESS SEGMENTS, IFRS 1000 EUR	Interim Report 1.9.2006-28.2.2007 6 months	Interim Report 1.9.2005-28.2.2006 6 months	Annual Report 1.9.2005-31.8.2006 12 months
Pulp & Paper Machinery	816	332	1 927
Process Machinery	220	-271	576
Other	-22	16	-21
Operating profit or loss between segments	-7	-8	-22
Group total	1 007	69	2 461

AVERAGE NUMBER OF PERSONNEL BY BUSINESS SEGMENTS	Interim Report 1.9.2006-28.2.2007 6 months	Interim Report 1.9.2005-28.2.2006 6 months	Annual Report 1.9.2005-31.8.2006 12 months
Pulp & Paper Machinery	238	220	226
Process Machinery	170	191	184
Group total	408	411	410

NET SALES BY MARKET AREAS, IFRS 1000 EUR	Interim Report 1.9.2006-28.2.2007 6 months	Interim Report 1.9.2005-28.2.2006 6 months	Annual Report 1.9.2005-31.8.2006 12 months
Finland	10 656	9 911	20 796
Other Europe	16 772	10 928	28 646
North America	135	2 406	3 069
Asia	8 779	5 691	10 482
Other	1 270	27	2 421
Group total	37 612	28 963	65 414

NOTES REQUIRED BY IAS 34

Accounting principles

The interim report was drawn up according to the same accounting principles and calculation methods as the previous financial statement, for the fiscal period that ended on August 31, 2006.

Dividends paid

In the period under review, Vaahto Group Plc Oyj paid a dividend of 0.20 euros per share (for both A and K shares) – i.e., a total of 574,460.40 euros.



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