

INTERIM REPORT

1.9.2009 - 28.2.2010



VAAHTO GROUP INTERIM REPORT

For September 1, 2009 – February 28, 2010

Vahto Group's turnover for September 1, 2009, to February 28, 2010, was 18.2 million euros (compared with 32.3 million euros for the corresponding period in the previous fiscal year), with an operating loss of 3.7 million euros (comparative: operating loss of 2.8 million euros). The turnover saw a decrease of 44% from that of the reference period, undermining the result. Vahto Group's order book decreased by 30% during the period under review; it was 17.1 million euros at the beginning of the period and 12.0 million euros at the end.



Pulp & Paper Machinery

The Pulp & Paper Machinery division's turnover for the period under review was 12.1 million euros (18.7 million euros), with an operating loss of 3.5 million euros (operating loss of 3.5 million euros). The turnover decreased by 35% from that of the reference period, and the division's result was unprofitable.

The market for the Pulp & Paper Machinery division's Projects unit picked up during the period, and the number of significant projects in the offer phase has been on the increase. After the end of the period under review, the division received a headbox order from the Chinese Taishan Gypsum Co. Ltd.

The market situation has improved for this division's Vahto Service unit, and the period saw its order book increase. The product selection for paper machine servicing expanded in line with objectives during the period under review, contributing to the increase in Vahto Service's order book.

During the period under review, the Board of Directors of the parent company decided to establish a production unit for the Pulp & Paper Machinery division in China. According to the objective set, this production unit is to start operations during the 2010–2011 fiscal year.

Process Machinery

The Process Machinery division's turnover for the period under review was 6.2 million euros (14.2 million euros), with an operating loss of 0.3 million euros (operating profit of 0.7 million euros). The turnover decreased by 56% from that of the reference period, and the division's result was unprofitable.

During the period under review, Vahto Ltd. has entered into an agreement with Kavika Oy to sell the HVAC-business of Process Machinery division. The transaction has not a material impact on Process Machinery division's net sales for the period 2009 – 2010. During the period under review Vahto Ltd. booked a light profit from the sale.

The Process Machinery division's market situation is still weak. However, slight improvement was detected in the market during the period under review, and the division's order book increased slightly for both tanks and agitators. The upturn in the order book in the face of the poor market situation was facilitated by the division's strong competitiveness in the energy and environmental sectors.

Research and development

The Group's research and development activities during the period under review concentrated for the most part on improving the competitiveness of the Pulp & Paper Machinery division's key components for paper and board machines, and on expansion of the roll servicing product selection. The scope of the Group's R&D activities remained the same as in the previous fiscal year.

Investments

The Group's capital expenditure for the period came to 0.3 million euros (2.4 million euros). The investments consisted mainly of smaller machinery and equipment acquisitions and of investments in information systems.

Financing

The decrease in debt, including interest, was 3.1 million euros. The total of the consolidated balance sheet was 36.9 million euros (50.1 million euros at the end of previous fiscal period). The Group's equity ratio decreased to 22.3% (compared with 23.2% at the end of the previous fiscal year).

The decrease of the balance sheet during the period under review is mostly because of a payment received at the end of the previous fiscal year for delivery of a significant project, but payments for to suppliers have been made, for the most part, during the current fiscal year. This is also reflected in the operating cash flow in the cash flow calculation and key figures.

Personnel

The number of the Group's personnel averaged 376 over the period (410 in the previous fiscal year).

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 the International Financial Reporting Standards (IFRS) standard IAS 34 ("Interim Financial Reporting").

Forecast of developments

The international market situation has remained weak for the most part, although significant improvement has been detected lately. During the period under review, Vahto Group took extensive measures to improve its competitiveness, and these measures, along with the improved market situation, are expected to result in growth in the Group's order book.

Vahto Group's order book decreased significantly in the previous fiscal year, and the starting point for the current fiscal year therefore was highly challenging. In spite of the cost-adjustment procedures performed, the first half of the fiscal year showed a clearly negative result. Although the Group's profitability is expected to increase toward the end of the financial year, the full-year result will still be clearly negative.

Interim management statement

In the second half of the September 1, 2009, to August 31, 2010, financial year, Vahto Group Plc Oyj will publish an interim management statement instead of an interim report on operations during a nine-month period. The interim management statement will be published on July 2, 2010.

Lahti, April 9, 2010

Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS 1000 EUR	Interim Report 1.9.2009-28.2.2010 6 months	Interim Report 1.9.2008-28.2.2009 6 months	Annual Report 1.9.2008-31.8.2009 12 months
Net sales	18 234	32 280	75 694
Change in finished goods and work in progress	927	-1 085	-3 109
Production for own use	244	566	834
Other operating income	524	35	401
Share of profits of affiliated companies	9	25	13
Material and services	-9 417	-17 369	-43 503
Employee benefit expenses	-8 570	-10 962	-19 708
Depreciations	-1 246	-1 467	-2 423
Other operating expenses	-4 423	-4 781	-10 520
Operating profit	-3 717	-2 758	-2 320
Financing income	10	54	86
Financing expenses	-379	-540	-1001
Profit or loss before taxes	-4 086	-3 244	-3 235
Tax on income from operations	899	843	857
Profit or loss for the period	-3 187	-2 401	-2 378
Other comprehensive income:			
Translation differences	-5	25	21
Cash flow hedging	23	-292	-223
Income tax relating to components of other comprehensive income	-6	76	58
Other comprehensive income, net of tax	12	-191	-144
Total comprehensive income	-3 176	-2 592	-2 522
Net profit or loss attributable:			
To equity holders of the parent	-3 016	-2 372	-2 316
To minority interest	-171	-28	-62
Total	-3 187	-2 401	-2 378
Total comprehensive income attributable:			
To equity holders of the parent	-3 004	-2 564	-2 460
To minority interest	-171	-28	-62
Total	-3 176	-2 592	-2 522
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS undiluted, euros/share	-1.05	-0.83	-0.81
EPS diluted, euros/share	-1.05	-0.83	-0.81
Average number of shares (1000 shares)	2 872	2 872	2 872

CONSOLIDATED BALANCE SHEET, IFRS

CONSOLIDATED BALANCE SHEET, IFRS 1000 EUR	Interim Report 28.2.2010	Interim Report 28.2.2009	Annual Report 31.8.2009
Assets			
Intangible assets	2 086	2 441	2 495
Goodwill	1 702	1 702	1 702
Tangible assets	15 431	15 803	16 012
Shares in affiliated companies	54	62	50
Non-current trade and other receivables	12	13	12
Other long-term investments	44	44	44
Deferred tax asset	2 233	1 446	1 225
Non-current assets	21 562	21 510	21 540
Inventories	4 850	7 993	4 627
Trade receivables and other receivables	10 224	15 724	11 519
Tax receivable, income tax	0	1 017	0
Cash and bank	217	440	12 400
Current assets	15 291	25 174	28 546
Total assets	36 853	46 684	50 086
Equity and liabilities			
Share capital	2 872	2 872	2 872
Share premium account	6	6	6
Other reserves	1 849	1 787	1 855
Translation differences	20	40	20
Retained earnings	1 923	4 865	4 941
Equity attributable to equity holders of the parent	6 669	9 570	9 673
Minority share	1 057	1 262	1 229
Shareholders' equity	7 726	10 832	10 902
Deferred tax liability	580	725	528
Long-term liabilities, interest-bearing	5 760	7 429	6 928
Non-current provisions	268	271	355
Non-current liabilities	6 607	8 425	7 812
Short-term liabilities, interest-bearing	9 716	11 164	6 679
Trade payables and other liabilities	12 672	16 197	24 628
Tax liability	132	67	65
Current liabilities	22 520	27 427	31 372
Liabilities	29 127	35 852	39 184
Total equity and liabilities	36 853	46 684	50 086

KEY FIGURES AND CONSOLIDATED FLOW OF FUNDS STATEMENT, IFRS

KEY FIGURES, IFRS	Interim Report 1.9.2009-28.2.2010	Interim Report 1.9.2008-28.2.2009	Annual Report 1.9.2008-31.8.2009
Operating profit or loss 1000 EUR	-3 717	-2 758	-2 320
Operating profit or loss % of turnover	-20.4	-8.5	-3.1
Return on equity %	-34.2	-19.5	-19.3
Return on investment %	-15.6	-9.4	-8.5
Earnings per share EUR	-1.05	-0.83	-0.81
Shareholders' equity per share EUR	2.32	3.33	3.37
Solidity %	22.3	25.1	23.2
Gearing	197.5	167.6	11.1
Order backlog 1000 EUR	12 015	43 194	17 098
Gross investments 1000 EUR	258	2 385	3 656
Total average number of personnel	376	417	410
CONSOLIDATED FLOW OF FUNDS STATEMENT, IFRS 1000 EUR	Interim Report 1.9.2009-28.2.2010 6 months	Interim Report 1.9.2008-28.2.2009 6 months	Annual Report 1.9.2008-31.8.2009 12 months
Profit or loss before taxes	-4 086	-3 244	-3 235
Adjustments	1 065	1 947	3 422
Change in working capital	-10 794	142	17 229
Financial income and expenses and taxes	-434	-553	-961
Flow of funds from operations	-14 249	-1 707	16 456
Investments in tangible and intangible assets	-258	-2 385	-3 656
Income from sales of tangible and intangible assets	457	7	61
Repayments of loans	0	0	1
Flow of funds from investments	198	-2 378	-3 595
Increase of the interest-bearing liabilities	3 199	6 135	7 349
Decrease of the interest-bearing liabilities	-1 331	-2 007	-8 207
Dividends	0	-333	-333
Flow of funds from financial items	1 868	3 795	-1 191
Change of liquid funds	-12 183	-290	11 670

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS 1000 EUR	Share capital and share premium account	Hedging reserve	Other reserves	Retained earnings	Minority interest	Total
Interim Report 1.9.2009 - 28.2.2010						
Shareholders' equity 1.9.2009	2878	-258	2093	4960	1229	10902
Cash flow hedging:						
increase/decrease (hedging reserve)		23				23
Deferred taxes' share of period movement		-6				-6
Change in translation difference				-5		-5
Reclassifications between items			-3	3		0
Net profits/losses recognized directly to shareholders' equity		17	-3	-2		12
Profit/loss for the period				-3016	-171	-3187
Total profits and losses		17	-3	-3018	-171	-3175
Dividend distribution						0
Shareholders' equity 28.2.2010	2878	-242	2090	1942	1057	7726
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS 1000 EUR						
Interim Report 1.9.2008 - 28.2.2009						
Shareholders' equity 1.9.2008	2878	-93	2100	7537	1336	13757
Cash flow hedging:						
increase/decrease (hedging reserve)		-292				-292
Deferred taxes' share of period movement		76				76
Change in translation difference				25		25
Reclassifications between items			-3	3		0
Net profits/losses recognized directly to shareholders' equity		-216	-3	28		-191
Profit/loss for the period				-2372	-28	-2401
Total profits and losses		-216	-3	-2344	-28	-2592
Dividend distribution				-287	-46	-333
Shareholders' equity 28.2.2009	2878	-310	2097	4905	1262	10832
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, IFRS 1000 EUR						
Annual Report 1.9.2008 - 31.8.2009						
Shareholders' equity 1.9.2008	2878	-93	2100	7537	1336	13757
Cash flow hedging:						
increase/decrease (hedging reserve)		-223				-223
Deferred taxes' share of period movement		58				58
Change in translation difference				21		21
Reclassifications between items			-6	6		0
Net profits/losses recognized directly to shareholders' equity		-165	-6	27		-144
Profit/loss for the period				-2316	-62	-2378
Total profits and losses		-165	-6	-2289	-62	-2522
Dividend distribution				-287	-46	-333
Shareholders' equity 31.8.2009	2878	-258	2093	4960	1229	10902

SEGMENT INFORMATION, IFRS

NET SALES BY OPERATING SEGMENTS, IFRS 1000 EUR	Interim Report 1.9.2009-28.2.2010 6 months	Interim Report 1.9.2008-28.2.2009 6 months	Annual Report 1.9.2008-31.8.2009 12 months
Pulp & Paper Machinery	12 148	18 748	52 092
Process Machinery	6 183	14 155	24 655
Net sales between segments	-96	-623	-1 053
Group total	18 234	32 280	75 694
OPERATING PROFIT OR LOSS BY OPERATING SEGMENTS, IFRS 1000 EUR	Interim Report 1.9.2009-28.2.2010 6 months	Interim Report 1.9.2008-28.2.2009 6 months	Annual Report 1.9.2008-31.8.2009 12 months
Pulp & Paper Machinery	-3 464	-3 450	-2 369
Process Machinery	-255	684	50
Other	0	-1	-1
Operating profit or loss between segments	2	9	-1
Group total	-3 717	-2 758	-2 320
TOTAL AVERAGE NUMBER OF PERSONNEL BY OPERATING SEGMENTS	Interim Report 1.9.2009-28.2.2010 6 months	Interim Report 1.9.2008-28.2.2009 6 months	Annual Report 1.9.2008-31.8.2009 12 months
Pulp & Paper Machinery	241	269	263
Process Machinery	135	148	147
Group total	376	417	410
NET SALES BY MARKET AREAS, IFRS 1000 EUR	Interim Report 1.9.2009-28.2.2010 6 months	Interim Report 1.9.2008-28.2.2009 6 months	Annual Report 1.9.2008-31.8.2009 12 months
Finland	9 051	12 012	22 267
Other Europe	7 628	16 170	45 208
North America	92	252	299
Asia	982	3 839	6 513
Africa	128	0	0
Other	353	7	1 407
Group total	18 234	32 280	75 694

In the 2009-2010 fiscal year, the Group has start applying the IFRS 8 "Operating segments" standard. The operating segments has been defined according to the new standard. The business of Vaahto Group is reported as two operating segments:

Pulp & Paper Machinery and Process Machinery. The operating segments are corresponding the business segments defined according to the previous standard IAS 14 Segment information.

Figures are in thousand euros unless stated otherwise. Figures are unaudited.

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, 2009.

Dividends paid

In the period under review, Vaahto Group Plc Oyj paid no dividends.

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