

Interim
Report
September 2011
November 2012

VAAHTO
SINCE 1874

Vaahto Group Interim Report

FOR 1 SEPTEMBER 2011 – 30 NOVEMBER 2012

Vaahto Group's turnover for 1 September 2011 – 30 November 2012 was 57.2 MEUR (compared with 55.3 MEUR for the reference period 1 September 2010 – 31 August 2011), with an operating loss of 5.7 MEUR (compared with an operating loss of 1.3 MEUR). Turnover grew by 3% from the reference period level, but the operating result was weaker than in the reference period. The Group's order book grew by 13% during the period under review and amounted to 25.4 MEUR on 30 November 2012. The length of the reference period is 12 months, when the length of the reporting period is 15 months.

On 19 June 2012, Vaahto Group Plc Oyj's extraordinary general meeting approved an amendment to the statutes, based on which the company's normal financial year was changed to 1 January–31 December. Consequently, the duration of the current financial year will be sixteen (16) months (1 September 2011–31 December 2012).

VAAHTO PAPER TECHNOLOGY

During the period under review, the turnover was 34.4 MEUR (reference period 39.7 MEUR) and the operating loss 5.0 MEUR (operating loss 0.1 MEUR). The turnover fell 13% from the reference period (12 months), and combined with the weak profitability of the project business, it caused the result to remain clearly weaker than that of the reference period.

There have been clear signs that the market situation of the project business is now very challenging and additionally being affected by the financial situation of the company. The market situation of the service business is intensifying.

As part of the strategy work at Vaahto Group, the possibilities for clarification of the structure and organisation of the project business unit, as well as potential options for business acquisitions or sales, are being analysed.

The company has made a strategic decision to focus on the service business in the Vaahto Paper Technology division, where possibilities for utilising Vaahto's paper technology expertise have made themselves evident.

VAAHTO PROCESS TECHNOLOGY

The turnover of the Vaahto Process Technology division for the period under review was 22.9 MEUR (15.7 MEUR), and its operating loss was 0.7 MEUR (operating loss 1.2 MEUR). The turnover increased by 46% compared to the reference period (12 months). The operating result improved but still remained negative. The result was impacted by the low profitability of the vessel business during the first six months of the financial year.

In terms of pricing, the market situation remained difficult for the division's vessel business, but the number of confirmed orders and of projects in the tender stage is rapidly growing. In August 2012, Japrotek Oy Ab received a substantial order from Sasol Technology (Pty) Limited in South Africa for the design, fabrication and site-assembly of eight large tank structures.

Vaahto Process Technology's market situation in the agitator business has remained good, and the size of the order book has clearly grown. Profitability objectives for the agitator business have almost been met in the period under review. The agitator business is considered part of the Group's strategic area of focus.

RESEARCH AND DEVELOPMENT

During the period under review, the Group's research and development activities have focused on expanding the product range of the Vaahto Paper Technology division's service business. The scope of research and development activities remains at the level seen in the previous financial year.

INVESTMENTS

The Group's capital expenditure during the period under review was 1.3 MEUR (1.9 MEUR). It consisted mainly of machine and equipment investments for the Vaahto Paper Technology division's service business.

ENVIRONMENTAL IMPACT

Vaahto Paper Technology Ltd has on November 2012 received from the Supreme Administrative Court a decision according to which the company's complaint concerning the decision of the Häme Environmental Centre has been rejected. The company's complaint concerned the decision of the Environmental Centre not to lengthen the deadline for the action according to the environmental permit concerning the handling of the flood water of the company's Hollola plant yard area. The surfacing of the storage yard area and construction of the flood water piping as demanded in the environmental permit of the Hollola plant will be accomplished during year 2013.

FINANCING AND TAXES

The cash flow of the Group's business operations was -3.2 MEUR (-3.8 MEUR) and the cash flow from investments -0.9 MEUR (7.1 MEUR) during the period under review. At the end of the period under review, the interest-bearing liabilities amounted to 17.6 MEUR. The Group's consolidated balance sheet total was 29.9 MEUR (36.5 MEUR), with an equity ratio of -3.9% (17.8%). Measures have been taken in the Group to improve the financial position and the equity ratio. The repayment covenant conditions related to the equity ratio of the Group involved in the loans from the credit institutions were violated on the Interim Report date, 31 August 2012, and because of that, those long-term loans had been recorded as current liabilities. The financial negotiations with the financier have now been completed and the Group has received

from the financier a commitment that the violations will not lead to any consequences.

During the fiscal period 2011-2012 the Group has booked total 1.4 MEUR impairment losses related to deferred tax assets recognized for tax losses.

HUMAN RESOURCES

The average number of personnel employed by the Group during the period under review was 334 (348).

Ari Viinikkala, M.Sc. (Econ.), has been appointed the CEO of Vaahto Group Plc Oyj as of 30 November 2012. Ari Viinikkala has served as acting CEO of Vaahto Group Plc Oyj since 4 April 2012.

DIRECTED SHARE ISSUE AND SHARE EXCHANGE AGREEMENT

The company's Board of Directors decided on 19 April 2012 to issue 600,000 new shares and to deviate from the shareholders' subscription privilege, issuing the shares to a group of selected investors instead. Based on the discussions with the investors, the subscription price was agreed at 3.50 EUR per share, thus the total subscription price amounted to 2,100,000 EUR.

The company's Board also decided to approve a share exchange agreement, which was signed on 19 April 2012, concerning the company's subsidiary AP-Tela Oy, as well as a directed share issue based on the agreement in order to carry out a share exchange for the minority shareholders of AP-Tela Oy. Following the share exchange, the Group's share in AP-Tela Oy is 100%.

The company's Board of Directors decided on 2 December 2012 to issue 73,892 new shares to Mikko Laakkonen. The subscription price is EUR 2.03 per share, which was the closing price of the company's share on the Helsinki Stock Exchange maintained by NASDAQ OMX Helsinki Ltd on 30 November 2012. The total subscription price amounted to 150,000.76 EUR.

EXTRAORDINARY GENERAL MEETING ON 19 JUNE 2012

Vaahto Group Plc Oyj's extraordinary general meeting on 19 June 2012 appointed Sami Alatalo as a new Board member. The general meeting also approved an amendment to the statutes, based on which the company's normal financial year was changed to 1 January–31 December. Consequently, the duration of the current financial year will be sixteen (16) months (1 September 2011–31 December 2012).

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34, Interim Financial Reporting.

ESTIMATE FOR THE FINANCIAL YEAR 1 SEPTEMBER 2011–31 DECEMBER 2012

There have been worrying trends in the development of the international financial situation and the market situation of Vaahto Group's main branches of industry has continued on its difficult course. Vaahto Group's operating result for the remaining month of the extended financial year is estimated to remain loss-making. Consequently, it is estimated the result for the entire financial year will be weaker than the 15-month result achieved this far.

Lahti, 10 January 2013

Board of Directors

Consolidated Statement of Comprehensive Income, IFRS

| 1000 EUR | Interim Report 1.9.2012-30.11.2012 3 months | Interim Report 1.9.2011-30.11.2011 3 months | Interim Report 1.9.2011-30.11.2012 15 months | Annual Report 1.9.2010-31.8.2011 12 months |
|--|---|---|--|--|
| Net sales | 8 968 | 14 253 | 57 227 | 55 318 |
| Change in finished goods and work in progress | 1 579 | -286 | 1 034 | 547 |
| Production for own use | 153 | 107 | 830 | 1 183 |
| Other operating income | 43 | 12 | 99 | 390 |
| Share of profits of affiliated companies | 0 | 0 | 16 | -4 |
| Material and services | -4 254 | -6 799 | -27 730 | -28 614 |
| Employee benefit expenses | -4 490 | -4 999 | -22 418 | -17 586 |
| Depreciations | -539 | -501 | -2 592 | -2 115 |
| Other operating expenses | -2 304 | -2 579 | -12 149 | -10 424 |
| Operating profit or loss | -845 | -791 | -5 684 | -1 304 |
| Financing income | 32 | 10 | 63 | 320 |
| Financing expenses | -243 | -192 | -1 198 | -963 |
| Profit or loss before taxes | -1 056 | -974 | -6 818 | -1 946 |
| Tax on income from operations | -29 | -56 | -1 845 | -172 |
| Profit or loss for the period | -1 085 | -1 030 | -8 663 | -2 118 |
| Other comprehensive income: | | | | |
| Translation differences | 0 | 8 | 38 | -1 |
| Other comprehensive income, net of tax | 0 | 8 | 38 | -1 |
| Total comprehensive income | -1 085 | -1 022 | -8 625 | -2 120 |
| Net profit or loss attributable: | | | | |
| Equity holders of the parent | -1 085 | -1 070 | -8 663 | -2 225 |
| Non-controlling interest | 0 | 40 | 0 | 107 |
| Total | -1 085 | -1 030 | -8 663 | -2 118 |
| Total comprehensive income attributable: | | | | |
| Equity holders of the parent | -1 085 | -1 062 | -8 625 | -2 226 |
| Non-controlling interest | 0 | 40 | 0 | 107 |
| Total | -1 085 | -1 022 | -8 625 | -2 120 |
| Earnings per share calculated on profit attributable to equity holders of the parent: | | | | |
| EPS undiluted, euros/share | -0,24 | -0,36 | -2,53 | -0,75 |
| EPS diluted, euros/share | -0,24 | -0,36 | -2,53 | -0,75 |
| Average number of shares (1000 shares) | 3 903 | 2 986 | 3 431 | 2 953 |

Consolidated Balance Sheet, IFRS

| 1000 EUR | Interim Report 30.11.2012 | Annual Report 31.8.2011 |
|--|------------------------------|----------------------------|
| Assets | | |
| Intangible assets | 378 | 1 030 |
| Goodwill | 1 720 | 1 702 |
| Tangible assets | 10 252 | 10 907 |
| Shares in affiliated companies | 74 | 57 |
| Non-current trade and other receivables | 43 | 44 |
| Other long-term investments | 3 | 11 |
| Deferred tax asset | 773 | 2 274 |
| Non-current assets | 13 243 | 16 026 |
| Inventories | 6 211 | 5 601 |
| Trade receivables and other receivables | 9 498 | 14 124 |
| Tax receivable, income tax | 0 | 0 |
| Cash and bank | 934 | 775 |
| Current assets | 16 643 | 20 500 |
| Total assets | 29 886 | 36 525 |
| Equity and liabilities | | |
| Share capital | 2 872 | 2 872 |
| Share premium account | 6 | 6 |
| Other reserves | 4 925 | 1 995 |
| Translation differences | 56 | 29 |
| Retained earnings | -8 898 | -351 |
| Equity attributable to equity holders of the parent | -1 038 | 4 552 |
| Non-controlling interests | 0 | 1 217 |
| Shareholders' equity | -1 038 | 5 768 |
| Deferred tax liability | 703 | 624 |
| Long-term liabilities, interest-bearing | 8 066 | 6 831 |
| Non-current provisions | 322 | 273 |
| Non-current liabilities | 9 091 | 7 728 |
| Short-term liabilities, interest-bearing | 9 576 | 8 269 |
| Trade payables and other liabilities | 11 910 | 14 573 |
| Tax liability | 347 | 186 |
| Current liabilities | 21 833 | 23 028 |
| Liabilities | 30 924 | 30 757 |
| Total equity and liabilities | 29 886 | 36 525 |

Key Figures, IFRS

| | Interim Report 1.9.2011-30.11.2012 15 months | Annual Report 1.9.2010-31.8.2011 12 months |
|--|---|---|
| Operating profit or loss 1000 EUR | -5 684 | -1 304 |
| Operating profit or loss % of turnover | -9,9 | -2,4 |
| Return on equity % 1) | -293,02 | -31,0 |
| Return on investment % 1) | -24,0 | -4,2 |
| Earnings per share EUR | -2,53 | -0,75 |
| Shareholders' equity per share EUR | 0,00 | 1,52 |
| Solidity % | -3,9 | 17,8 |
| Gearing | -1 609,6 | 248,3 |
| Order backlog 1000 EUR | 25 357 | 22 401 |
| Gross investments 1000 EUR | 1 282 | 1 879 |
| Total average number of personnel | 334 | 348 |

1) Return on equity % and return on investment % have been calculated by converting the profit or loss for the reporting period 1 September 2011 - 30 November 2012 to correspond the profit or loss for the fiscal period.

Consolidated Flow of Funds Statement, IFRS

| 1000 EUR | Interim Report 1.9.2011-30.11.2012 15 months | Annual Report 1.9.2010-31.8.2011 12 months |
|---|---|---|
| Profit or loss before taxes | -6 818 | -1 946 |
| Adjustments | 3 756 | 2 429 |
| Change in working capital | 1 153 | -3 470 |
| Financial income and expenses and taxes | -1 307 | -843 |
| Flow of funds from operations | -3 216 | -3 831 |
| Investments in tangible and intangible assets | -1 282 | -1 879 |
| Increase caused by the change in Group structure | -18 | 0 |
| Income from sales of tangible and intangible assets | 399 | 8 934 |
| Repayments of loans | 8 | 1 |
| Flow of funds from investments | -893 | 7 055 |
| Share issue | 1 728 | 0 |
| Increase of the interest-bearing liabilities | 6 204 | 5 329 |
| Decrease of the interest-bearing liabilities | -3 663 | -8 338 |
| Flow of funds from financial items | 4 269 | -3 009 |
| Change of liquid funds | 160 | 215 |

Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

| Changes in shareholders' equity 1.9.2011 - 30.11.2012 | Share capital | Share premium account | Reserve for invested unrestricted equity | Reserve fund | Translation differences | Retained earnings | Total | Non-controlling interests | Total |
|---|---------------|-----------------------|--|--------------|-------------------------|-------------------|---------------|---------------------------|---------------|
| Shareholders' equity in the beginning of the fiscal period | 2 872 | 6 | 0 | 1 995 | 29 | -351 | 4 552 | 1 217 | 5 768 |
| Total comprehensive income | 0 | 0 | 0 | 0 | 27 | -8 652 | -8 625 | 0 | -8 625 |
| Transactions with owners: | | | | | | | | | |
| Share issue | 0 | 0 | 2 100 | 0 | 0 | 0 | 2 100 | 0 | 2 100 |
| Transaction costs for equity | 0 | 0 | -372 | 0 | 0 | 0 | -372 | 0 | -372 |
| Increase in interest in subsidiary | 0 | 0 | 1 112 | 0 | 0 | 105 | 1 217 | 0 | 1 217 |
| Decrease in interest in subsidiary | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1 217 | -1 217 |
| Deferred taxes' share of periods movements | 0 | 0 | 91 | 0 | 0 | 0 | 91 | 0 | 91 |
| Shareholders' equity at the end of the period | 2 872 | 6 | 2 931 | 1 995 | 56 | -8 898 | -1 038 | 0 | -1 038 |
| Changes in shareholders' equity 1.9.2010 - 31.8.2011 | | | | | | | | | |
| Shareholders' equity in the beginning of the fiscal period | 2 872 | 6 | 0 | 1 995 | 41 | 1 864 | 6 778 | 1 110 | 7 888 |
| Total comprehensive income | 0 | 0 | 0 | 0 | -12 | -2 214 | -2 226 | 107 | -2 120 |
| Shareholders' equity at the end of the period | 2 872 | 6 | 0 | 1 995 | 29 | -351 | 4 552 | 1 217 | 5 768 |

Segment Information, IFRS

| NET SALES BY OPERATING SEGMENTS, IFRS 1000 EUR | Interim Report 1.9.2012-30.11.2012 3 months | Interim Report 1.9.2011-30.11.2011 3 months | Interim Report 1.9.2011-30.11.2012 15 months | Annual Report 1.9.2010-31.8.2011 12 months |
|---|--|--|---|---|
| Vaahto Paper Technology | 5 443 | 9 009 | 34 409 | 39 653 |
| Vaahto Process Technology | 3 539 | 5 293 | 22 938 | 15 707 |
| Net sales between segments | -14 | -49 | -120 | -42 |
| Group total | 8 968 | 14 253 | 57 227 | 55 318 |

| NET SALES BY MARKET AREAS, IFRS 1000 EUR | Interim Report 1.9.2012-30.11.2012 3 months | Interim Report 1.9.2011-30.11.2011 3 months | Interim Report 1.9.2011-30.11.2012 15 months | Annual Report 1.9.2010-31.8.2011 12 months |
|---|--|--|---|---|
| Finland | 3 150 | 6 260 | 23 764 | 14 176 |
| Other Europe | 5 427 | 5 484 | 26 773 | 16 828 |
| Asia | -60 | 2 282 | 5 560 | 23 096 |
| Africa | 0 | 131 | 147 | 425 |
| North America | 87 | 55 | 225 | 436 |
| Other | 364 | 42 | 757 | 356 |
| Group total | 8 968 | 14 253 | 57 227 | 55 318 |

| OPERATING PROFIT OR LOSS BY OPERATING SEGMENTS, IFRS 1000 EUR | Interim Report 1.9.2012-30.11.2012 3 months | Interim Report 1.9.2011-30.11.2011 3 months | Interim Report 1.9.2011-30.11.2012 15 months | Annual Report 1.9.2010-31.8.2011 12 months |
|--|--|--|---|---|
| Vaahto Paper Technology | -665 | -693 | -5 017 | -102 |
| Vaahto Process Technology | -179 | -98 | -665 | -1 202 |
| Operating profit or loss between segments | -1 | 0 | -2 | 0 |
| Group total | -845 | -791 | -5 684 | -1 304 |

| TOTAL AVERAGE NUMBER OF PERSONNEL BY OPERATING SEGMENTS | Interim Report 1.9.2012-30.11.2012 3 months | Interim Report 1.9.2011-30.11.2011 3 months | Interim Report 1.9.2011-30.11.2012 15 months | Annual Report 1.9.2010-31.8.2011 12 months |
|--|--|--|---|---|
| Vaahto Paper Technology | 202 | 222 | 212 | 223 |
| Vaahto Process Technology | 125 | 122 | 122 | 125 |
| Group total | 326 | 344 | 334 | 348 |

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, 2011.

Dividends paid

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