

Interim
Report
January
June 2015

VAAHTO
SINCE 1874

Vaahto Group Interim Report

FOR 1 JANUARY – 30 JUNE 2015

DEVELOPMENT OF BUSINESS OPERATIONS

Turnover from Vaahto Group's continuing operations for the period from January 1 to June 30, 2015 was 10.0M euros (reference period: 8.8M euros) and the operating loss from continuing operations 1.6M euros (0.2M euros).

The turnover increased over the reference period by 1.8M euros thanks to increased orders. The net margins were low, however. The operating result fell by 1.4M euros. The modest operating result was due to the market situation, which remained challenging, and the higher-than-expected cost of some delivery projects. The operating result was further undermined by the fact that the Group's overhead expenses were allocated to notably reduced operations. The overhead expenses are allocated in their entirety to the continuing operations, not to discontinued operations. On the other hand, the operating result of reference period was positively impacted by the completion of a significant project at a higher-than-expected margin.

The order book for the Group's continuing operations as of June 30, 2015, totaled 10.7M euros (9.7M euros). Compared with the reference period, the orders grew by 1.0M euros.

In February, Vaahto Group Plc Oyj announced an arrangement concluded with its key lenders, intended to strengthen the Company's financial position and secure its continued operation. With this agreement, the Company's financiers committed to waive loans totaling 3.9M euros; to convert loan receivables in the amount of 1.2M euros into a subordinated loan; and to grant a grace period for their receivables, continuing until June 30, 2016. At the same time, Vaahto Group Plc Oyj carried out a private placement issuing 10,000,000 new shares at the price of 0.25 euros per share.

As part of the financial stabilization program, the Group has adopted a cost and operations adjustment plan aimed at reducing annual expenditure by more than 0.8M euros. The adjustment plan is to be implemented in the course of 2015 and is expected to cause a one-time adjustment cost of 0.4M euros. The plan is moving ahead as planned, with the cost savings projected to become evident toward

the end of 2015 and have a full impact at the beginning of 2016. The Group's financial situation continues to be difficult, however, and is further challenged by project deliveries requiring more working capital than anticipated. The company is involved in active negotiations concerning remarkable corporate and financial arrangements. More information in chapter "Developments since the end of the review period".

REPORTING OF BUSINESS OPERATIONS

In line with the strategy set out by the Vaahto Group Board of Directors, the Group has this year remained focused on the Process Technology business operations.

AP-Tela Oy was classified as a discontinued operation in the 2014 financial year. All business operations of the Vaahto Paper Technology segment have thus been either sold or classified as discontinued operations. The Vaahto Group reports its business operations as one segment, consisting of Vaahto Process Technology operations.

The negotiations concerning AP-Tela have not yet resulted in a sale, and the Board of Vaahto Group Plc Oyj will reassess the situation later this year.

The effect of discontinued operations on profit/loss is shown on its own line, separate from continued operations. No Group administration costs are allocated to the discontinued operations, which means that these costs are fully borne by the continued operations. As the volume of the continued operations has shrunk, the relative burden of these costs on the continued operations has increased.

VAAHTO PROCESSTECHNOLOGY

The operations of Vaahto Process Technology encompass the continuing operations of the Company in their entirety. The turnover for the period from January 1 to June 30, 2015, came to 10.0M euros (8.8M euros), and the operating loss was 1.6M euros (0.2M euros for the reference period).

The operations of Vaahto Process Technology are divided into two business units:

Japrotek Vessels and Stelzer Mixing Technology. Japrotek Vessels specializes in delivering complete process equipment for demanding applications along with tank-agitator combinations. Stelzer Mixing Technology is focused on agitator products for chemical and food-industry applications and seeks growth in new market areas.

In early 2015, the order book of Japrotek Vessels, the largest business unit within Vaahto Process Technology, was weaker than anticipated, and employer-employee co-determination negotiations were initiated in preparation for a reduction in workload and possible adjustment measures. Order intake increased slightly toward the end of the reporting period, but the order book for the current financial year remains more modest than projections. The challenging market situation in the first half of the year, together with the higher-than-expected cost of some delivery projects, place a burden on the liquidity of the unit. The investment outlook in the forest industry is expected to have a positive effect on the market situation.

The early months were challenging for Stelzer Mixing Technology, and the workforce was adjusted to the reduced workload. In early 2015, however, the order intake started to grow, and by the end of June, the order book had doubled in size from the beginning of the year. The challenge for the rest of the year is to realize the received orders as planned and maintain the positive order development.

FINANCING AND LIQUIDITY

The cash flow from the Group's business operations was -2.2M euros (0.8M euros), and the cash flow from investments -0.1M euros (-0.2M euros) during the period under review. Interest-bearing liabilities amounted to 8.4M euros (18.4M euros) at the end of the period under review. The Group's consolidated balance-sheet total was 14.8M euros (13.3M euros).

On February 16, 2015, Vaahto Group Plc Oyj signed an agreement with its key financiers, according to which the lenders would waive loans totaling 3.9M euros, convert loan receivables in the amount of 1.2M euros into a subordinated loan and grant a grace period for their receivables until June 30, 2016. At the

same time, Vaahto Group Plc Oyj carried out a private placement issuing 10,000,000 new shares at the price of 0.25 euros per share.

As part of the financial stabilization program, the Group has adopted a cost and operations adjustment plan aimed at reducing annual expenditure by more than 0.8M euros. The adjustment plan is to be implemented in the course of 2015 and is expected to cause a one-time adjustment cost of 0.4M euros. The expected cost reduction of 0.8M euros would have its full impact in 2016.

The Group's weak result for the early months of the year, together with the challenging markets, greatly strain its liquidity. In the early months of 2015, orders of Japrotek Oy Ab, a Group subsidiary, were carried out with delays, with their production resources being overburdened in the first six months. This development has strained the Group's working capital and has added to the cost. The Group's financial situation remains extremely challenging and its working capital requires continuous monitoring. According to the Board's current estimate, the working capital at its present level will suffice to cover the operations until the last quarter of 2015. The interim report continues to be in breach of an existing covenant, and the Company will seek assurance from its financiers that no consequences of the breach would arise for the Group. The company is involved in active negotiations concerning significant corporate and financial arrangements. The result of these negotiations will have a crucial impact to the financial situation and the future of Vaahto Group Plc Oyj.

The Group's Board of Directors is involved in active negotiations with the main shareholders and lenders of the Group in order to secure its financial position.

HUMAN RESOURCES

As of June 30, 2015, the average number of personnel employed by the Group in continuing operations was 137 (133).

The interim CEO of the Company from September 1, 2014, until March 31, 2015, was Mr. Topi Karppanen, M.Sc.; Mr. Kalle Rasinmäki, M.Sc. was nominated to serve as CEO from April 1, 2015.

RISKS AND UNCERTAINTY FACTORS

The Group's liquidity remains tight and involves significant risks. The working capital is under active monitoring through cash flow projections. According to the Group's estimate, the current working capital will suffice to cover the operations until the last quarter of 2015. The company is involved in active negotiations concerning significant corporate and financial arrangements. The result of these negotiations will have a crucial impact to the financial situation and the future of Vaahto Group Plc Oyj.

Vaahto Group Plc Oyj has a pending dispute regarding the terms and conditions of an employment contract with a former CEO who has been dismissed. A lower court has approved an action brought by the former CEO against the Company. A provision for compensation in the amount specified in the court decision has been included in the 2014 financial statements. The Company has filed a complaint, but its appeal is still under consideration.

PRIVATE PLACEMENT

On February 15, 2015, the Board of Directors of Vaahto Group Plc Oyj decided on a private placement, offering no more than 10,000,000 new shares for subscription. The shares were subscribed as follows: 3,000,000 shares by Mr. Mikko Laakkonen; 3,000,000 shares by HML Finance Oy; 3,000,000 shares by the Nemea Credit Opportunities Fund (a sub-fund of Nemea Alternative Investment Fund (SICAV) Ltd); and 1,000,000 shares by Lombard International SA's PCP 34443. The issue price of all the shares issued was 0.25 euros per share. The investors subscribed all shares offered to them.

The subscription price was determined in the negotiations between the Company and the investors. The price was determined based on the Company's financial situation and any alternative financing options. The shares were paid for in cash on February 18, 2015.

Vaahto Group Plc Oyj issued a prospectus approved by the Finnish Financial Supervisory Authority on August 7, 2015, for the admission of the 10,000,000 new shares issued in the above placement, as well as the 2,000,000

shares issued according to the decision dated March 10, 2014, to trading on the NASDAQ OMX Helsinki Oy stock exchange. The trading began on August 12, 2015.

EQUITY CAPITAL

Group equity according to the 2014 financial statements was 8.6M euros to the negative. The arrangement completed with the financiers over the first quarter of 2015 had a positive effect on the equity. The arrangement included a waiver of loans in the amount of 3.9M euros, conversion of loan receivables of 1.2M euros into a subordinated loan, and new equity in the form of a private placement of 2.5M euros. As of June 30, 2015, the Group equity was negative 4.0M euros.

The parent company's books include a subordinated loan of 1.175M euros granted by the Company's financiers pursuant to Chapter 12 of the Companies Act. The loan bears an annual interest of five percent, accruing annually. The loan is due for repayment in its entirety in five years from the disbursement, i.e., in 2020. The loan capital, along with any accrued unpaid interest, may only be repaid according to the provisions of the Companies Act.

Japrotek Oy Ab's first quarter of 2015 brought a loss, which resulted in negative equity for the Company. That loss can be attributed to the higher-than-expected cost of some delivery projects and a weaker-than-anticipated order book for the first quarter. The company took some immediate steps to improve the efficiency of its operations and initiated negotiations according to the Employer–Employee Cooperation Act to adjust its operations in line with weakened demand and market situation. The negotiations resulted in a decision to adjust the number of personnel as dictated by the financial situation and order intake in August 2015 at the earliest.

AUTHORIZATION FOR A SHARE ISSUE

The general meeting of April 14, 2015, voted to authorize the Board of Directors to decide on the issue of new shares and options and other special entitlements to shares pursuant to Chapter 10, Section 1 of the Companies Act,

in one or more installments. The maximum number of new shares that may be issued is 10,000,000, including shares issued on the basis of special entitlement. This authorization is valid until May 31, 2016, unless a general meeting amends or revokes the authorization before that date.

PROJECTION FOR THE JANUARY 1 – DECEMBER 31, 2015 FINANCIAL YEAR

With the weaker-than-anticipated order book and result in the first half of the year, and the unusual amount of uncertainty connected with the second half-year projection, the Group management expects the result from continuing operations to be below that of the reference period.

DEVELOPMENTS SINCE THE END OF THE REVIEW PERIOD

As part of the adjustment program and according to the decision of Vaahto Group Plc Oyj's Board, the operations of the Lahti main office will be transferred to the office of Japrotek Oy Ab in Pietarsaari by August 30, 2015. The cost of this transfer is included in the estimated one-off cost of the adjustment program.

The company is involved in active negotiations concerning significant corporate and financial arrangements. The result of these negotiations will have a crucial impact to the financial situation and the future of Vaahto Group Plc Oyj. The negotiations are expected to be closed by September 2, 2015 and the result of the negotiations will be announced without delay.

INTERIM MANAGEMENT STATEMENT

Vaahto Group Plc Oyj will publish the management's interim statement for the first nine months of the 2015 financial year on November 6, 2015.

NOTES REQUIRED BY IAS34

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 December 31, 2014

Dividens paid

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

Lahti, August 28, 2015

VAAHTO GROUP PLC OYJ

Board of Directors

Consolidated Statement of Comprehensive Income, IFRS

1 000 EUR	Interim Report 1.1.-30.6.2015 6 months	Interim Report 1.1.-30.6.2014 6 months	Interim Report 1.4.-30.6.2015 3 months	Interim Report 1.4.-30.6.2014 3 months	Annual Report 1.1.-31.12.2014 12 months
CONTINUING OPERATIONS					
NETTURNOVER	9 974	8 783	5 352	4 407	20 262
Change in finished goods and work in progress	369	47	276	63	-523
Other operating income	90	189	0	1	111
Material and services	-6 115	-3 213	-3 276	-1 796	-9 621
Employee benefit expenses	-4 174	-4 011	-2 127	-2 046	-7 499
Depreciations	-114	-128	-56	-41	-259
Other operating expenses	-1 633	-1 909	-851	-914	-3 929
OPERATING PROFIT OR LOSS	-1 603	-242	-683	-326	-1 457
Financing income	3 960	3 026	7	341	3 036
Financing expenses	-512	-815	-159	-559	-1 152
PROFIT OR LOSS BEFORE TAXES	1 845	1 969	-834	-545	426
Tax on income from operations	49	-67	3	-23	77
PROFIT OR LOSS FOR THE FISCAL YEAR FROM THE CONTINUING OPERATIONS	1 893	1 902	-831	-567	349
DISCONTINUING OPERATIONS					
Profit of loss for the fiscal year from the discontinuing operations	222	-2 076	101	-2 285	-3 658
PROFIT OR LOSS FOR THE FISCAL YEAR	2 116	-174	-730	-2 852	-3 309
OTHER COMPREHENSIVE INCOME:					
Translation differences	0	-5	0	0	-5
Other comprehensive income, net of tax	0	-5	0	0	-5
TOTAL COMPREHENSIVE INCOME	2 116	-179	-730	-2 852	-3 314
Earnings per share calculated on profit attributable to equity holders of the parent:					
EPS undiluted, euros/share, continuing operations	0,17	0,38	-0,08	-0,11	0,06
EPS diluted, euros/share, continuing operations	0,17	0,38	-0,08	-0,11	0,06
EPS undiluted, euros/share, discontinuing operations	0,02	-0,42	0,01	-0,46	-0,67
EPS diluted, euros/share, discontinuing operations	0,02	-0,42	0,01	-0,46	-0,67
EPS undiluted, euros/share	0,19	-0,03	-0,07	-0,57	-0,60
EPS diluted, euros/share	0,19	-0,03	-0,07	-0,57	-0,60
Average number of shares					
-undiluted	11 060 233	4 977 360	11 060 233	4 977 360	5 484 209
-diluted	11 060 233	4 977 360	11 060 233	4 977 360	5 484 209

Consolidated Balance Sheet, IFRS

1 000 EUR	30.6.2015	31.12.2014
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	16	22
Goodwill	1 583	1 583
Tangible assets	2 590	2 751
Available for sale investments	25	25
NON-CURRENT ASSETS	4 214	4 382
CURRENT ASSETS		
Inventories	2 279	1 762
Trade receivables and other receivables	5 890	4 599
Cash and bank	222	544
CURRENT ASSETS	8 390	6 904
NON-CURRENT ASSETS HELD FOR SALE	2 184	1 986
ASSETS	14 788	13 272
SHAREHOLDERS' EQUITY		
SHAREHOLDERS' EQUITY		
Share capital	2 872	2 872
Share premium account	6	6
Fair value reserve and other reserves	8 432	6 060
Translation differences	51	51
Retained earnings	-15 398	-17 568
SHAREHOLDERS' EQUITY	-4 038	-8 579
NON-CURRENT LIABILITIES		
Subordinated loans	1 175	0
Deferred tax liability	589	582
Long-term liabilities, interest-bearing	133	42
Non-current provisions	425	432
NON-CURRENT LIABILITIES	2 322	1 056
CURRENT LIABILITIES		
Short-term liabilities, interest-bearing	7 022	12 558
Trade payables and other liabilities	8 224	6 820
Tax liability, income tax	0	232
Current provisions	800	800
CURRENT LIABILITIES	16 046	20 410
LIABILITIES OF DISPOSAL GROUP HELD FOR SALE		
Interest-bearing liabilities held for sale	43	67
Interest-free liabilities held for sale	414	319
LIABILITIES OF DISPOSAL GROUP HELD FOR SALE	457	386
EQUITY AND LIABILITIES	14 788	13 272

Key Figures, IFRS

1 000 EUR	Interim Report 1.1.-30.6.2015 6 months	Interim Report 1.1.-30.6.2014 6 months	Annual Report 1.1.-31.12.2014 12 months
The business indicators			
Turnover, continuing operations	9 974	8 783	20 262
Operating profit/loss, continuing operations	-1 603	-242	-1 457
% of turnover	-16,1	-2,8	-7,2
Profit/Loss before taxes, continuing operations	1 845	1 969	426
% of turnover	185,0	224,2	21,0
Profit or loss for the period from the discontinuing operations	222	-2 076	-3 658
Earnings per share calculated on profit attributable to equity holders of the parent	2 116	-174	-3 314
% of turnover	17,3	-1,3	-11,9
Return on equity (ROE), %	neg	neg	neg
Return on investment (ROI), %	neg	neg	neg
Equity ratio, %	neg	neg	neg
Gearing	na	na	na
Gross investments in fixed assets	67	181	268
% of turnover	0,7	2,1	1,3
Order backlog, continuing operations	10 688	9 693	9 305
Total number of personnel (average, continuing operations)	137	135	140

Consolidated Flow of Funds Statement, IFRS

1 000 EUR	Interim Report 1.1.-30.6.2015	Interim Report 1.1.-30.6.14	Annual Report 1.1.-31.12.2014
FLOW OF FUNDS FROM OPERATIONS:			
Profit or loss before taxes	2 116	-174	-3 309
Adjustments:			
Depreciations	150	290	540
Impairment losses	0	178	3 650
Unrealized foreign exchange gains and losses	-12	-35	-76
Other income and expenses, no payment related	598	1 701	-265
Debt relief	-3 850	-3 000	-3 000
Financing income and expenses	-512	900	1 117
Sales profit/loss	12	0	0
Taxes	-44	46	4
Flow of funds from operations before the change in working capital	-1 543	-94	-1 339
Change in working capital:	0	0	0
Change in short-term receivables	105	1 991	4 813
Change in inventories	-737	106	1 141
Change in short-term non-interest-bearing creditors	329	-491	-2 050
Flow of funds from operations before financial items and taxes	-1 846	1 511	2 565
Interests and other financial expenses from operations paid	-393	-632	-1 046
Dividends received	1	2	2
Interests and other financial income received	1	2	3
Income taxes paid	0	-42	-48
FLOW OF FUNDS FROM OPERATIONS	-2 238	840	1 475
FLOW OF FUNDS FROM INVESTMENTS:			
Investments in tangible and intangible assets	-67	-181	-268
Income from sales of tangible and intangible assets	0	0	922
FLOW OF FUNDS FROM INVESTMENTS	-67	-181	654
FLOW OF FUNDS FROM FINANCIAL ITEMS:			
Share issue	2 500	1 040	1 040
Withdrawals of short-term loans	301	221	906
Repayments of short-term loans	-819	-1 953	-3 661
Withdrawals of long-term loans	0	0	0
Repayments of long-term loans	0	0	0
FLOW OF FUNDS FROM FINANCIAL ITEMS	1 982	-692	-1 715
Change of liquid funds	-322	-33	414
Liquid assets at the beginning of the fiscal year	544	129	129
Liquid assets at the end of the fiscal year	222	96	544
Change in liquid assets according to the balance sheet	-322	-33	414

Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

Changes in shareholders' equity 1.1.-30.6.2015	Share capital	Share premium account	Unrestricted equity reserve	Reserve fund	Translation differences	Retained earnings	Total
Shareholders' equity at the beginning of the fiscal period	2 872	6	4 065	1 995	51	-17 568	-8 579
Comprehensive income:							
Profit or loss for the period						2 085	2 085
Translation differences					0	0	0
Total comprehensive income					0	2 085	2 085
Transactions with owners:							
Share issue			2 500				2 500
Transaction costs for equity			-44				-44
Deferred taxes due to period changes			0				0
Effect of change in tax rate			0				0
Transactions with owners total	0	0	2 456	0	0	0	2 456
Shareholders' equity at the end of the fiscal period	2 872	6	6 521	1 995	51	-15 483	-4 038

Changes in shareholders' equity 1.1.-30.6.2014	Share capital	Share premium account	Unrestricted equity reserve	Reserve fund	Translation differences	Retained earnings	Total
Shareholders' equity at the beginning of the fiscal period	2 872	6	3 068	1 995	48	-14 251	-6 262
Comprehensive income:							
Profit or loss for the period						-174	-174
Translation differences					3	-8	-5
Total comprehensive income					3	-182	-179
Transactions with owners:							
Share issue			1 040				1 040
Transaction costs for equity			-32				-32
Deferred taxes due to period changes			6				6
Effect of change in tax rate			-17				-17
Transactions with owners total			997				997
Shareholders' equity at the end of the fiscal period	2 872	6	4 065	1 995	51	-14 433	-5 444

Securities and Responsibilities

1 000 EUR

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Granted securities

Debt secured by real estate and corporate mortgages

Loans from financial institutions and pension loans	3 531	6 051
Other loans	2 000	2 000
Credit limits in use	812	3 698
Total	6 343	11 749

Loans from financial institutions are secured by real estate and corporate mortgages and share pledges. Other loans are secured by share pledges and bank deposits. Share pledges are the share capitals of Vaahto Group Plc Oyj's subsidiaries.

Mortgages granted to secure loans and bank guarantees

Real estate mortgages	2 543	2 543
Corporate mortgages	3 582	13 163
Total	6 125	15 706

Other granted securities for own behalf

Deposits	0	1 483
Total	0	1 483

Other granted securities

Vaahto Group Plc Oyj has granted as securities the share capitals of its subsidiaries Japrotek Oy Ab, AP-Tela Oy and Stelzer Rührtechnik International GmbH.

Contingent liabilities and other liabilities

Bank guarantees

Bank guarantee limits total	4 874	4 990
Bank guarantee limits, used	3 608	4 652

Operating lease agreements

Within a year	127	185
More than one year but no more than 5 years	68	234
Total	195	418

Contracts other than financial leasing contracts consist mainly of short-term leasing contracts for IT equipment and software. The terms and conditions of leasing agreements correspond to those of normal operational leasing agreements.

Arrangements according to IFRIC 4

The Group has no arrangements meant in IFRIC 4.

Other rent agreements

The Group has rented production and office buildings for its use with various types of terminable rental agreements.

Rent liabilities

Within a year	379	792
More than one year but no more than 5 years	1 547	3 166
Later	0	1 885
Total	1 926	5 843

Annual rent payments under lease agreements that are in effect until further notice total 379 thousand euros.

1 000 EUR	Interim Report 30.6.2015	Annual Report 31.12.2014
Other contingent liabilities		
Granted guarantees to customers and creditors	15	
Guarantees granted to secure bank guarantee limit	4 959	4 990
Guarantees granted to secure bank loans	1 542	2 552
Guarantees granted to secure guarantee insurances	0	2 175
Guarantees granted to secure rent guarantees	400	400
Others guarantees	0	427
Total	6 916	10 544

Litigation

Vaaho Group Plc Oyj has a pending dispute regarding the terms and conditions of an employment contract with a former CEO who has been dismissed. A lower court has approved an action brought by the former CEO against the company. A provision for compensation in the amount specified in the court decision as been included in the 2014 financial statements. The Company has filed a complaint, but its appeal is still under consideration.

Discontinued Operations

1 000 EUR	Interim Report 1.1.-30.6.2015 6 months	Interim Report 1.1.-30.6.2014 6 months	Annual Report 1.1.-31.12.2014 12 months
Profit or loss of the discontinued operations			
Turnover	2 240	4 529	7 628
Other income	0	119	363
Expenses	-2 008	-4 991	-7 860
Amortizations, Sales gains and losses	0	-1 593	-3 581
Depreciations	-36	-162	-281
Other items	30	0	0
Profit or loss before taxes	227	-2 097	-3 731
Taxes	-5	21	74
Profit or loss from the discontinued operations	222	-2 076	-3 658
Flow of funds from the discontinued operations			
Flow of funds from operations	94	-2 256	-209
Flow of funds from investments	0	0	766
Flow of funds from financial items	-24	-23	-47
Flow of funds total	70	-2 279	511
Non-current assets held for sale of discontinued operations			
	30.6.2015	30.6.2014	31.12.2014
Intangible assets	8	12	8
Tangible assets	1 529	5 140	1 527
Inventories	540	789	428
Receivables	108	2 350	24
Assets total	2 184	8 291	1 986
Liabilities of disposal group held for sale of discontinued operations			
	30.6.2015	30.6.2014	31.12.2014
Non-current liabilities held for sale, interest-bearing	0	43	0
Current liabilities held for sale, interest-bearing	43	47	67
Current liabilities held for sale, interest-free	414	4 788	319
Liabilities total	457	4 878	386

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