



Interim  
Report  
September 2011  
February 2012

**VAAHTO**  
SINCE 1874

# Vaahto Group Interim Report

FOR 1 SEPTEMBER 2011 –  
29 FEBRUARY 2012

Vaahto Group's turnover for 1 September 2011 – 29 February 2012 was 26.5 MEUR (compared with 24.9 MEUR for the corresponding period in the previous financial year), with an operating loss of 2.9 MEUR (comparative: 1.3 MEUR). Turnover increased by six per cent from the reference period's level, but the operating result was weaker than in the comparative period. The Group's order backlog decreased by six per cent and stood at 21.1 MEUR at the closing of the period under review. Vaahto Group's profitability is expected to improve in the latter part of the year, but the full-year result is still expected to be negative.

## VAAHTO PAPER TECHNOLOGY

The Paper Technology division's turnover during the period under review was 17.5 MEUR (17.4 MEUR), and the division made an operating loss of 2.1 MEUR (operating loss 0.6 MEUR). Turnover increased by 0.4 per cent from the reference period's figure, but the result remained clearly weaker than that of the comparative period, on account of the low profitability of the project business.

The most significant new order during the period under review was for the modernisation of the pulp dryer at the Södra Cell Mönsterås pulp mill. Profitability was heavily affected by the order from the InvestLesProm Group (ILP) Kama mill in Russia, which, because of delays and economic problems on the customer's side, still caused extra work, administration, and costs.

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 project business unit focuses on offering its key products, headboxes and shoe pressers, to both European and Asian markets.

The company has made a strategic decision to focus on service business in the Vaahto Paper Technology division, where possibilities for utilising Vaahto's paper-tech-

nology expertise have made themselves evident. Investments are being made in product development and expansion of the product range, for attainment of growth. The division's objective is to be a strong Nordic service organisation.

## VAAHTO PROCESS TECHNOLOGY

Vaahto Process Technology's turnover during the period under review was 9.0 MEUR (from 7.5 MEUR) and operating loss 0.8 MEUR (operating loss 0.7 MEUR). The turnover improved 20% from the reference period's level, but the operating result decreased slightly. The negative result was caused by weak profitability in the vessel business.

The market situation where pricing is concerned remained difficult for the division's vessel business, even though the number of confirmed orders and of projects in the tender stage are rapidly growing. The order book doubled in size during the period under review.

Vaahto Process Technology's market situation in the agitator business has remained good, and the size of the order book is unchanged. Objectives for the agitator business have almost been met, and the outlook for our agitator operations for the latter part of the financial year is good. The agitator business is considered one of the strategic areas of focus for the Group.

## RESEARCH AND DEVELOPMENT

The Group's research and development activities have focused on expanding the product range of the Vaahto Paper Technology division. 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 0.5 MEUR

(1.1 MEUR). It consisted mainly of machine and equipment investments and information systems for the Vaahto Paper Technology division's service business.

## FINANCING

The cash flow of the Group's business operations was -0.4 MEUR (-1.3 MEUR), and the cash flow of investments -0.1 MEUR (7.7 MEUR) during the period under review. The interest-bearing liabilities remained at 15.1 MEUR in the period under review. The Group's consolidated balance sheet total was 33.4 MEUR (35.8 MEUR), with an equity ratio of 7.9% (22.8%). Measures have been taken in the Group to improve the equity ratio.

## HUMAN RESOURCES

The average number of personnel employed by the Group during the period under review was 341 (342).

Ari Viinikkala, M.Sc. (Econ.), has been appointed as CFO of Vaahto Group Plc Oyj, serving in this capacity from 1 February 2012.

## AUTHORISATION FOR A SHARE ISSUE

The annual general meeting of 12 December 2011 authorised the Executive Board to decide on the issuing of new shares in one or more tranches. The maximum number of new shares that may be issued is 1,000,000. At maximum, the authorisation for a share issue corresponds to approximately 33% of all shares in the company. This authorisation entitles the Board to decide on all terms of the share issue, including the right to deviate from the shareholders' subscription privilege. The authorisation is valid until 31 December 2012 unless a general meeting amends or revokes the authorisation before that date.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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

## **DEVELOPMENT PROSPECTS**

General uncertainty about the economic situation and a highly challenging market situation in Vaahto Group's main fields of operation continue, making forecasting difficult. The new strategy definitions are expected to improve the Group's competitiveness, but results from this work are not expected to be seen before the end of the year. Therefore Vaahto Group's result for the full financial year is expected to be negative.

## **VAAHTO GROUP INTERIM MANAGEMENT STATEMENT**

Instead of an interim report, Vaahto Group Plc Oyj will publish the management's interim statement for a period of nine months in the second half of the 1 September 2011 – 31 August 2012 financial year. The management's interim report will be published on 29 June 2012.

## **EVENTS AFTER THE END OF THE PERIOD UNDER REVIEW**

The board of Vaahto Group has appointed Ari Viinikkala as acting CEO of Vaahto Group Plc Oyj as of 4th April 2012. Former CEO, Anssi Klinga, has resigned and will pursue his career outside Vaahto Group.

Lahti, 12 February 2012

Board of Directors

# Consolidated Statement of Comprehensive Income, IFRS

1000 EUR	Interim Report 1.9.2011-29.2.2012 6 months	Interim Report 1.9.2010-28.2.2011 6 months	Annual Report 1.9.2010-31.8.2011 12 months
<b>Net sales</b>	<b>26 494</b>	<b>24 914</b>	<b>55 318</b>
Change in finished goods and work in progress	-285	182	547
Production for own use	343	751	1 183
Other operating income	56	168	390
Share of profits of affiliated companies	14	2	-4
Material and services	-13 289	-12 052	-28 614
Employee benefit expenses	-9 954	-8 910	-17 586
Depreciations	-1 002	-1 056	-2 115
Other operating expenses	-5 301	-5 323	-10 424
<b>Operating profit or loss</b>	<b>-2 925</b>	<b>-1 325</b>	<b>-1 304</b>
Financing income	10	287	320
Financing expenses	-420	-402	-963
<b>Profit or loss before taxes</b>	<b>-3 335</b>	<b>-1 440</b>	<b>-1 946</b>
Tax on income from operations	-156	500	-172
<b>Profit or loss for the period</b>	<b>-3 491</b>	<b>-940</b>	<b>-2 118</b>
<b>Other comprehensive income:</b>			
Translation differences	-8	-6	-1
Other comprehensive income, net of tax	-8	-6	-1
<b>Total comprehensive income</b>	<b>-3 500</b>	<b>-946</b>	<b>-2 120</b>
<b>Net profit or loss attributable:</b>			
Equity holders of the parent	-3 476	-998	-2 225
Non-controlling interest	-16	59	107
<b>Total</b>	<b>-3 491</b>	<b>-940</b>	<b>-2 118</b>
<b>Total comprehensive income attributable:</b>			
Equity holders of the parent	-3 484	-1 005	-2 226
Non-controlling interest	-16	59	107
<b>Total</b>	<b>-3 500</b>	<b>-946</b>	<b>-2 120</b>
<b>Earnings per share calculated on profit attributable to equity holders of the parent:</b>			
EPS undiluted, euros/share	-1,16	-0,34	-0,75
EPS diluted, euros/share	-1,16	-0,34	-0,75
Average number of shares (1000 shares)	2 987	2 919	2 953

# Consolidated Balance Sheet, IFRS

1000 EUR	Interim Report 29.2.2012	Interim Report 28.2.2011	Annual Report 31.8.2011
<b>Assets</b>			
Intangible assets	810	1 309	1 030
Goodwill	1 702	1 702	1 702
Tangible assets	10 658	10 919	10 907
Shares in affiliated companies	70	57	57
Non-current trade and other receivables	44	44	44
Other long-term investments	10	11	11
Deferred tax asset	2 140	2 752	2 274
<b>Non-current assets</b>	<b>15 434</b>	<b>16 795</b>	<b>16 026</b>
Inventories	5 385	5 303	5 601
Trade receivables and other receivables	12 283	12 067	14 124
Tax receivable, income tax	2	0	0
Cash and bank	283	1 601	775
<b>Current assets</b>	<b>17 953</b>	<b>18 970</b>	<b>20 500</b>
<b>Total assets</b>	<b>33 387</b>	<b>35 765</b>	<b>36 525</b>
<b>Equity and liabilities</b>			
Share capital	2 872	2 872	2 872
Share premium account	6	6	6
Other reserves	1 995	1 995	1 995
Translation differences	36	41	29
Retained earnings	-3 825	859	-351
<b>Equity attributable to equity holders of the parent</b>	<b>1 083</b>	<b>5 773</b>	<b>4 552</b>
Non-controlling interests	1 202	1 169	1 217
<b>Shareholders' equity</b>	<b>2 285</b>	<b>6 942</b>	<b>5 768</b>
Deferred tax liability	639	597	624
Long-term liabilities, interest-bearing	5 681	8 057	6 831
Non-current provisions	273	245	273
<b>Non-current liabilities</b>	<b>6 593</b>	<b>8 899</b>	<b>7 728</b>
Short-term liabilities, interest-bearing	9 394	4 690	8 269
Trade payables and other liabilities	14 929	15 151	14 573
Tax liability	186	84	186
<b>Current liabilities</b>	<b>24 509</b>	<b>19 925</b>	<b>23 028</b>
<b>Liabilities</b>	<b>31 102</b>	<b>28 823</b>	<b>30 757</b>
<b>Total equity and liabilities</b>	<b>33 387</b>	<b>35 765</b>	<b>36 525</b>

# Key Figures, IFRS

	Interim Report 1.9.2011-29.2.2012 6 months	Interim Report 1.9.2010-28.2.2011 6 months	Annual Report 1.9.2010-31.8.2011 12 months
Operating profit or loss 1000 EUR	-2 925	-1 325	-1 304
Operating profit or loss % of turnover	-11,0	-5,3	-2,4
Return on equity %, 12 months 1)	-173,4	-25,4	-31,0
Return on investment %, 12 months 1)	-30,5	-9,4	-4,2
Earnings per share EUR	-1,16	-0,34	-0,75
Shareholders' equity per share EUR	0,36	1,93	1,52
Solidity %	7,9	22,8	17,8
Gearing	647,4	160,6	248,3
Order backlog 1000 EUR	21 136	27 560	22 401
Gross investments 1000 EUR	532	1 148	1 876
Total average number of personnel	341	342	348

1) Return on equity % and return on investment % have been calculated by converting the profit or loss for the reporting period September 1, 2011 - February 29, 2012 to correspond the profit or loss for the fiscal period.

# Consolidated Flow of Funds Statement, IFRS

1000 EUR	Interim Report 1.9.2011-29.2.2012 6 months	Interim Report 1.9.2010-28.2.2011 6 months	Annual Report 1.9.2010-31.8.2011 12 months
Profit or loss before taxes	-3 335	-1 440	-1 946
Adjustments	1 393	962	2 429
Change in working capital	2 000	-670	-3 470
Financial income and expenses and taxes	-417	-147	-843
<b>Flow of funds from operations</b>	<b>-359</b>	<b>-1 294</b>	<b>-3 831</b>
Investments in tangible and intangible assets	-532	-1 148	-1 879
Income from sales of tangible and intangible assets	423	8 846	8 934
Repayments of loans	0	0	1
<b>Flow of funds from investments</b>	<b>-108</b>	<b>7 698</b>	<b>7 055</b>
Increase of the interest-bearing liabilities	1 175	2 902	5 329
Decrease of the interest-bearing liabilities	-1 200	-8 265	-8 338
<b>Flow of funds from financial items</b>	<b>-25</b>	<b>-5 363</b>	<b>-3 009</b>
<b>Change of liquid funds</b>	<b>-492</b>	<b>1 041</b>	<b>215</b>

# Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

Changes in shareholders' equity 1.9.2011 - 29.2.2012	Share capital	Share premium account	Reserve fund	Translation differences	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity in the beginning of the fiscal period</b>	<b>2 872</b>	<b>6</b>	<b>1 995</b>	<b>29</b>	<b>-351</b>	<b>4 552</b>	<b>1 217</b>	<b>5 768</b>
Total comprehensive income	0	0	0	6	-3 474	-3 468	-15	-3 483
<b>Shareholders' equity at the end of the period</b>	<b>2 872</b>	<b>6</b>	<b>1 995</b>	<b>36</b>	<b>-3 825</b>	<b>1 084</b>	<b>1 202</b>	<b>2 285</b>

Changes in shareholders' equity 1.9.2010 - 28.2.2011	Share capital	Share premium account	Reserve fund	Translation differences	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity in the beginning of the fiscal period</b>	<b>2 872</b>	<b>6</b>	<b>1 995</b>	<b>41</b>	<b>1 864</b>	<b>6 778</b>	<b>1 110</b>	<b>7 888</b>
Total comprehensive income	0	0	0	0	-1 005	-1 005	59	-946
<b>Shareholders' equity at the end of the period</b>	<b>2 872</b>	<b>6</b>	<b>1 995</b>	<b>41</b>	<b>859</b>	<b>5 773</b>	<b>1 169</b>	<b>6 942</b>

Changes in shareholders' equity 1.9.2010 - 31.8.2011	Share capital	Share premium account	Reserve fund	Translation differences	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity in the beginning of the fiscal period</b>	<b>2 872</b>	<b>6</b>	<b>1 995</b>	<b>41</b>	<b>1 864</b>	<b>6 778</b>	<b>1 110</b>	<b>7 888</b>
Total comprehensive income	0	0	0	-12	-2 214	-2 226	107	-2 120
<b>Shareholders' equity at the end of the period</b>	<b>2 872</b>	<b>6</b>	<b>1 995</b>	<b>29</b>	<b>-351</b>	<b>4 552</b>	<b>1 217</b>	<b>5 768</b>

# Segment Information, IFRS

<b>NET SALES BY OPERATING SEGMENTS, IFRS 1000 EUR</b>	<b>Interim Report 1.9.2011-29.2.2012 6 months</b>	<b>Interim Report 1.9.2010-28.2.2011 6 months</b>	<b>Annual Report 1.9.2010-31.8.2011 12 months</b>
Vaahto Paper Technology	17 505	17 438	39 653
Vaahto Process Technology	9 038	7 512	15 707
Net sales between segments	-50	-36	-42
<b>Group total</b>	<b>26 494</b>	<b>24 914</b>	<b>55 318</b>

<b>NET SALES BY MARKET AREAS, IFRS 1000 EUR</b>	<b>Interim Report 1.9.2011-29.2.2012 6 months</b>	<b>Interim Report 1.9.2010-28.2.2011 6 months</b>	<b>Annual Report 1.9.2010-31.8.2011 12 months</b>
Finland	13 263	6 679	14 176
Other Europe	9 672	8 481	16 828
Asia	3 108	9 358	23 096
Africa	368	63	425
North America	83	300	436
Other	0	33	356
<b>Group total</b>	<b>26 494</b>	<b>24 914</b>	<b>55 318</b>

<b>OPERATING PROFIT OR LOSS BY OPERATING SEGMENTS, IFRS 1000 EUR</b>	<b>Interim Report 1.9.2011-29.2.2012 6 months</b>	<b>Interim Report 1.9.2010-28.2.2011 6 months</b>	<b>Annual Report 1.9.2010-31.8.2011 12 months</b>
Vaahto Paper Technology	-2 089	-578	-102
Vaahto Process Technology	-850	-740	-1 202
Operating profit or loss between segments	14	-7	0
<b>Group total</b>	<b>-2 925</b>	<b>-1 325</b>	<b>-1 304</b>

<b>TOTAL AVERAGE NUMBER OF PERSONNEL BY OPERATING SEGMENTS</b>	<b>Interim Report 1.9.2011-29.2.2012 6 months</b>	<b>Interim Report 1.9.2010-28.2.2011 6 months</b>	<b>Annual Report 1.9.2010-31.8.2011 12 months</b>
Vaahto Paper Technology	219	226	223
Vaahto Process Technology	122	116	125
<b>Group total</b>	<b>341</b>	<b>342</b>	<b>348</b>

## 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.