

Interim  
Report  
September 2011  
August 2012

**VAAHTO**  
SINCE 1874

# Vaahto Group Interim Report

FOR 1 SEPTEMBER 2011 – 31 AUGUST 2012

Vaahto Group's turnover for 1 September 2011 – 31 August 2012 was 48.3 MEUR (compared with 55.3 MEUR for the corresponding period in the previous financial year), with an operating loss of 4.8 MEUR (compared with an operating loss of 1.3 MEUR). Turnover fell by 13% from the reference period level, causing the operating result to remain weaker than in the reference period. The Group's order book grew by 15% during the period under review and amounted to 25.7 MEUR on 31 August 2012.

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 29.0 MEUR (39.7 MEUR) and the operating loss 4.4 MEUR (operating loss 0.1 MEUR). The turnover fell significantly (27%) from the reference period, and combined with the weak profitability of the project business, it caused the result to remain clearly weaker than that of the reference period.

In the period under review, the most significant new order in the project business was the modernisation of the pulp dryer at the Södra Cell Mönsterås pulp mill. There have been clear signs that the market situation of the project business is intensifying. The market situation of the service business has continued to be fairly good for the time being.

In the period under review, the organisation and business structure of the Vaahto Paper Technology division was clarified. Measures were taken to strengthen the sales and product development operations in particular, while cost-effectiveness was improved by combining overlapping operations.

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. A new intensification programme has been started in the service business, the effects of which are expected to be seen in the final months of the extended financial year.

## VAAHTO PROCESS TECHNOLOGY

The turnover of the Vaahto Process Technology division for the period under review was 19.4 MEUR (15.7 MEUR), and its operating loss was 0.5 MEUR (operating loss 1.2 MEUR). The turnover increased by 24% compared to the reference period. 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 is unchanged. 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 1.1 MEUR (1.9 MEUR). It consisted mainly of machine and equipment investments for the Vaahto Paper Technology division's service business.

## FINANCING AND TAXES

The cash flow of the Group's business operations was -2.9 MEUR (-3.8 MEUR) and the cash flow from investments -0.7 MEUR (7.1 MEUR) during the period under review. At the end of the period under review, the interest-bearing liabilities amounted to 17.2 MEUR. The Group's consolidated balance sheet total was 28.8 MEUR (36.5 MEUR), with an equity ratio of 0.3% (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 has been recorded as current liabilities. The financial negotiations with the financier are currently pending.

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 336 (349).

Ari Viinikala, M.Sc. (Econ.), has been appointed the acting CEO of Vaahto Group Plc Oyj as of 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%.

## **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 is estimated to improve during the remaining months of the extended financial year, but still remain loss-making. Consequently, it is estimated the result for the entire financial year will be weaker than the 12-month result achieved this far. Due to a market situation that is difficult to predict, there remains significant uncertainty over the estimation of the result for the financial year.

In order to secure the company's financial position, discussions are underway to arrange long-term financing and the possibility of organising a share issue is being investigated. In order to revive the Group, the Board is also reviewing opportunities to make structural arrangements.

## **INTERIM REPORT FOR 1 SEPTEMBER 2011–30 NOVEMBER 2012**

The extraordinary general meeting of Vaahto Group Plc Oyj on 19 June 2012 decided that the company's normal financial year would be changed to 1 January–31 December. The company's current financial year 1 September 2011–31 August 2012 is therefore extended to sixteen (16) months, ending on 31 December 2012. Vaahto Group will release its next interim report for fifteen months on 10 January 2013.

Lahti, 10 October 2012

Board of Directors

# Consolidated Statement of Comprehensive Income, IFRS

1000 EUR	Interim Report 1.3.2012-31.8.2012 6 months	Interim Report 1.3.2011-31.8.2011 6 months	Interim Report 1.9.2011-31.8.2012 12 months	Annual Report 1.9.2010-31.8.2011 12 months
<b>Net sales</b>	<b>21 765</b>	<b>30 404</b>	<b>48 259</b>	<b>55 318</b>
Change in finished goods and work in progress	-260	365	-545	547
Production for own use	333	432	677	1 183
Other operating income	0	222	56	390
Share of profits of affiliated companies	2	-5	16	-4
Material and services	-10 187	-16 561	-23 476	-28 614
Employee benefit expenses	-7 974	-8 675	-17 928	-17 586
Depreciations	-1 051	-1 059	-2 053	-2 115
Other operating expenses	-4 544	-5 101	-9 845	-10 424
<b>Operating profit or loss</b>	<b>-1 915</b>	<b>22</b>	<b>-4 839</b>	<b>-1 304</b>
Financing income	22	33	31	320
Financing expenses	-534	-561	-954	-963
<b>Profit or loss before taxes</b>	<b>-2 428</b>	<b>-506</b>	<b>-5 762</b>	<b>-1 946</b>
Tax on income from operations	-1 659	-672	-1 816	-172
<b>Profit or loss for the period</b>	<b>-4 087</b>	<b>-1 178</b>	<b>-7 578</b>	<b>-2 118</b>
<b>Other comprehensive income:</b>				
Translation differences	30	5	38	-1
<b>Other comprehensive income, net of tax</b>	<b>30</b>	<b>5</b>	<b>38</b>	<b>-1</b>
<b>Total comprehensive income</b>	<b>-4 057</b>	<b>-1 173</b>	<b>-7 540</b>	<b>-2 120</b>
<b>Net profit or loss attributable:</b>				
Equity holders of the parent	-4 103	-1 226	-7 578	-2 225
Non-controlling interest	16	48	0	107
<b>Total</b>	<b>-4 087</b>	<b>-1 178</b>	<b>-7 578</b>	<b>-2 118</b>
<b>Total comprehensive income attributable:</b>				
Equity holders of the parent	-4 072	-1 221	-7 540	-2 226
Non-controlling interest	16	48	0	107
<b>Total</b>	<b>-4 057</b>	<b>-1 173</b>	<b>-7 540</b>	<b>-2 120</b>
<b>Earnings per share calculated on profit attributable to equity holders of the parent:</b>				
EPS undiluted, euros/share	-1,13	-0,41	-2,29	-0,75
EPS diluted, euros/share	-1,13	-0,41	-2,29	-0,75
Average number of shares (1000 shares)	3 639	2 986	3 313	2 953

# Consolidated Balance Sheet, IFRS

1000 EUR	Interim Report 31.8.2012	Annual Report 31.8.2011
<b>Assets</b>		
Intangible assets	532	1 030
Goodwill	1 720	1 702
Tangible assets	10 462	10 907
Shares in affiliated companies	74	57
Non-current trade and other receivables	43	44
Other long-term investments	10	11
Deferred tax asset	773	2 274
<b>Non-current assets</b>	<b>13 614</b>	<b>16 026</b>
Inventories	4 632	5 601
Trade receivables and other receivables	9 550	14 124
Tax receivable, income tax	15	0
Cash and bank	954	775
<b>Current assets</b>	<b>15 151</b>	<b>20 500</b>
<b>Total assets</b>	<b>28 765</b>	<b>36 525</b>
<b>Equity and liabilities</b>		
Share capital	2 872	2 872
Share premium account	6	6
Other reserves	4 925	1 995
Translation differences	56	29
Retained earnings	-7 813	-351
<b>Equity attributable to equity holders of the parent</b>	<b>47</b>	<b>4 552</b>
Non-controlling interests	0	1 217
<b>Shareholders' equity</b>	<b>47</b>	<b>5 768</b>
Deferred tax liability	675	624
Long-term liabilities, interest-bearing	4 235	6 831
Non-current provisions	322	273
<b>Non-current liabilities</b>	<b>5 232</b>	<b>7 728</b>
Short-term liabilities, interest-bearing	12 930	8 269
Trade payables and other liabilities	10 210	14 573
Tax liability	347	186
<b>Current liabilities</b>	<b>23 486</b>	<b>23 028</b>
<b>Liabilities</b>	<b>28 719</b>	<b>30 757</b>
<b>Total equity and liabilities</b>	<b>28 765</b>	<b>36 525</b>

# Key Figures, IFRS

	<b>Interim Report</b> <b>1.9.2011-31.8.2012</b> <b>12 months</b>	<b>Annual Report</b> <b>1.9.2010-31.8.2011</b> <b>12 months</b>
Operating profit or loss 1000 EUR	-4 839	-1 304
Operating profit or loss % of turnover	-10,0	-2,4
Return on equity %	-260,6	-31,0
Return on investment %	-25,3	-4,2
Earnings per share EUR	-2,29	-0,75
Shareholders' equity per share EUR	0,01	1,52
Solidity %	0,3	17,8
Gearing	34 406,6	248,3
Order backlog 1000 EUR	25 663	22 401
Gross investments 1000 EUR	1 105	1 879
Total average number of personnel	336	348

# Consolidated Flow of Funds Statement, IFRS

<b>1000 EUR</b>	<b>Interim Report</b> <b>1.9.2011-31.8.2012</b> <b>12 months</b>	<b>Annual Report</b> <b>1.9.2010-31.8.2011</b> <b>12 months</b>
Profit or loss before taxes	-5 762	-1 946
Adjustments	3 048	2 429
Change in working capital	919	-3 470
Financial income and expenses and taxes	-1 096	-843
<b>Flow of funds from operations</b>	<b>-2 891</b>	<b>-3 831</b>
Investments in tangible and intangible assets	-1 105	-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	1	1
<b>Flow of funds from investments</b>	<b>-723</b>	<b>7 055</b>
Share issue	1 728	0
Increase of the interest-bearing liabilities	4 166	5 329
Decrease of the interest-bearing liabilities	-2 101	-8 338
<b>Flow of funds from financial items</b>	<b>3 793</b>	<b>-3 009</b>
<b>Change of liquid funds</b>	<b>179</b>	<b>215</b>

# Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

Changes in shareholders' equity 1.9.2011 - 31.8.2012	Share capital	Share premium account	Reserve for invested unrestricted equity	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>0</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	0	27	-7 567	<b>-7 540</b>	0	<b>-7 540</b>
<b>Transactions with owners:</b>									
Share issue	0	0	2 100	0	0	0	<b>2 100</b>	0	<b>2 100</b>
Transaction costs for equity	0	0	-372	0	0	0	<b>-372</b>	0	<b>-372</b>
Increase in interest in subsidiary	0	0	1 112	0	0	105	<b>1 217</b>	0	<b>1 217</b>
Decrease in interest in subsidiary	0	0	0	0	0	0	<b>0</b>	-1 217	<b>-1 217</b>
Deferred taxes' share of periods movements	0	0	91	0	0	0	<b>91</b>	0	<b>91</b>
<b>Shareholders' equity at the end of the period</b>	<b>2 872</b>	<b>6</b>	<b>2 931</b>	<b>1 995</b>	<b>56</b>	<b>-7 813</b>	<b>47</b>	<b>0</b>	<b>47</b>

  

Changes in shareholders' equity 1.9.2010 - 31.8.2011	Share capital	Share premium account	Reserve for invested unrestricted equity	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>0</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	-12	-2 214	<b>-2 226</b>	107	<b>-2 120</b>
<b>Shareholders' equity at the end of the period</b>	<b>2 872</b>	<b>6</b>	<b>0</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 1.3.2012-31.8.2012 6 months</b>	<b>Interim Report 1.3.2011-31.8.2011 6 months</b>	<b>Interim Report 1.9.2011-31.8.2012 12 months</b>	<b>Annual Report 1.9.2010-31.8.2011 12 months</b>
Vaahto Paper Technology	11 461	22 214	28 966	39 653
Vaahto Process Technology	10 361	8 196	19 399	15 707
Net sales between segments	-56	-6	-106	-42
<b>Group total</b>	<b>21 765</b>	<b>30 404</b>	<b>48 259</b>	<b>55 318</b>

<b>NET SALES BY MARKET AREAS, IFRS 1000 EUR</b>	<b>Interim Report 1.3.2012-31.8.2012 6 months</b>	<b>Interim Report 1.3.2011-31.8.2011 6 months</b>	<b>Interim Report 1.9.2011-31.8.2012 12 months</b>	<b>Annual Report 1.9.2010-31.8.2011 12 months</b>
Finland	7 352	7 497	20 614	14 176
Other Europe	11 674	8 346	21 346	16 828
Asia	2 512	13 737	5 620	23 096
Africa	-221	363	147	425
North America	55	137	138	436
Other	393	324	393	356
<b>Group total</b>	<b>21 765</b>	<b>30 404</b>	<b>48 259</b>	<b>55 318</b>

<b>OPERATING PROFIT OR LOSS BY OPERATING SEGMENTS, IFRS 1000 EUR</b>	<b>Interim Report 1.3.2012-31.8.2012 6 months</b>	<b>Interim Report 1.3.2011-31.8.2011 6 months</b>	<b>Interim Report 1.9.2011-31.8.2012 12 months</b>	<b>Annual Report 1.9.2010-31.8.2011 12 months</b>
Vaahto Paper Technology	-2 263	476	-4 352	-102
Vaahto Process Technology	363	-461	-486	-1 202
Operating profit or loss between segments	-15	7	-2	0
<b>Group total</b>	<b>-1 915</b>	<b>22</b>	<b>-4 839</b>	<b>-1 304</b>

<b>TOTAL AVERAGE NUMBER OF PERSONNEL BY OPERATING SEGMENTS</b>	<b>Interim Report 1.3.2012-31.8.2012 6 months</b>	<b>Interim Report 1.3.2011-31.8.2011 6 months</b>	<b>Interim Report 1.9.2011-31.8.2012 12 months</b>	<b>Annual Report 1.9.2010-31.8.2011 12 months</b>
Vaahto Paper Technology	210	220	215	223
Vaahto Process Technology	121	134	121	125
<b>Group total</b>	<b>331</b>	<b>354</b>	<b>336</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.