Annual Report 2013

VAAHTO
SINCE 1874

Vaahto Group

Vaahto Group
is a globally operating high technology company serving process industry in the fields of paper-making technology and process technology.

The shares of the Group's parent company, Vaahto Group Plc Oyj, are quoted on the NASDAQ OMX Exchange in Helsinki, where the company was first listed in 1989.

In Process Technology,
the Group's core competence lies in high quality agitator technology, pressure vessels for demanding applications, and heat exchangers.

Stelzer Mixing Technology
specializes in agitator technology. Its business rests on a strong foundation of solid technological expertise, thorough knowledge of the customers' core processes, and extensive inhouse research and development work.

Japrotek Vessels
designs and manufactures pressure vessels, columns, reactors, heat exchangers, and large vessels assembled on-site for demanding process-industry applications.

In Paper Technology,
Vaahto Service provides technology solutions related to new rolls, roll covers and maintenance for the paper, board, and pulp industries. AP-Tela Oy is a component and custom machine workshop.

VAAHTO GROUP

VAAHTO PROCESS TECHNOLOGY	VAAHTO PAPER TECHNOLOGY
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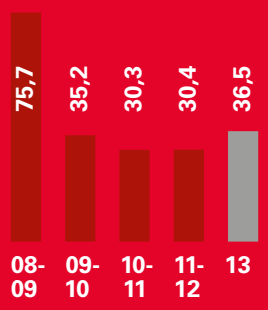
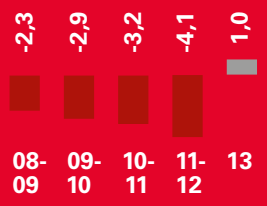
Key Figures

IFRS, MEUR	2013 12 months	2011/2012 16 months
Turnover, continuing operations	**36,5**	30,4
Operating profit or loss, continuing operations	**1,0**	-4,1
Return on investment ROI%	**neg**	neg
Equity ratio%	**neg**	neg
Investments	**0,9**	1,3
Number of personnel average	**256**	333

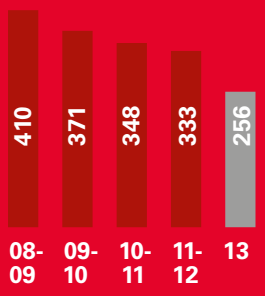
TURNOVER, CONTINUING OPERATIONS MEUR



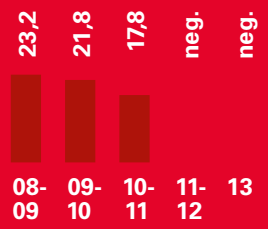
OPERATING PROFIT OR LOSS, CONTINUING OPERATIONS MEUR



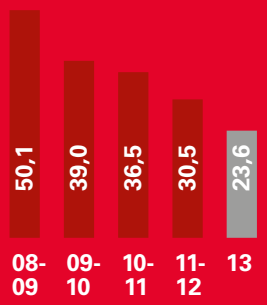
NUMBER OF PERSONNEL AVERAGE



EQUITY RATIO%



CONSOLIDATED BALANCE SHEET TOTAL MEUR



CEO's Review

Vaahto Group's latest financial year featured both positive and negative developments. For Vaahto Process Technology, both turnover and the operating result developed very well, exceeding the goals set for the division, while the Vaahto Paper Technology division clearly fell short of its targets. The main reasons for the negative result were Vaahto Paper Technology's weak order book and low profitability. Vaahto Process Technology's market situation was fairly good throughout the financial year. Japrotek Oy Ab's and Stelzer Rührtechnik International GmbH's significant orders made a very healthy contribution to the result. For example, Japrotek's delivery to Sasol Technology in South Africa involved the design, manufacture, and installation of eight large vessel structures. Stelzer delivered its largest agitator order ever, intended for hightechnology polymer production at an Asian chemical company.

The sale of Vaahto Paper Technology's project-business unit and the spare-parts and small-project operations belonging to the company's service unit to Gebr. Bellmer GmbH Maschinenfabrik was completed on 15 April 2013. This sale was part of Vaahto Group's new strategy to give greater focus to the Process Technology business. In the 2014 financial year, Vaahto Group will continue the strategy change initiated in spring 2013 by preparing for complete divestment of the Paper Technology business.

Vaahto Process Technology is composed of Stelzer Rührtechnik International GmbH, specializing in agitator technology, and Japrotek Oy Ab, which focuses on the manufacture of special vessels for demanding applications. Stelzer's primary market areas for the agitator business are Central Europe and Asia. In terms of market share, Stelzer is among the top three providers of agitator systems for food-industry applications, and it is among the top five suppliers for other industries in which its customers operate. The main markets for Japrotek's vessel business are Finland, Sweden, and Norway. Japrotek's key strengths include its ability to manage demanding deliveries and capacity to build vessel–agitator combinations tailored to customer specifications.

For Vaahto Process Technology, the financial year now closing proved promising. Both the turnover and the profitability of the division saw significant growth. The market situation in the vessel sector was good at the beginning of the period under review but tightened somewhat toward its end. The market situation for the vessel business is expected to remain difficult, especially in Japrotek's main market areas. For this reason, we have increased our efforts to generate growth beyond the key markets, especially in Central Europe and Russia. The situation for agitator business was good, especially in Stelzer's key markets, and the order book's development during the period under review was positive. We continue to invest in the main agitator-related markets, while also increasing our efforts to open new markets, particularly in Russia. The market outlook for the agitator business remains good for 2014.

Agitators and vessels have strong synergy, and our goal is to deliver complete vessel–agitator combinations to end users that minimize the customer's production risk while guaranteeing optimal process results.

We believe that our new strategy of focusing on the business of Vaahto's Process Technology division will improve our profitability as early as in the current financial year. The process of deploying the strategy will continue throughout the year. The advantages of concentration of our efforts should become more obvious in the second half of the year and in the following financial years.

The Group's liquidity remains tight, and we need to continue our efforts to improve the competitiveness, profitability, and solvency of Vaahto Group. The Group's employees play the key role in the success of this endeavor. I wish to thank our personnel for their excellent work and commitment in challenging circumstances, our shareholders for their trust, and all of Vaahto Group's stakeholders for their much-appreciated cooperation.

Vesa Alatalo

CEO

Vaahto Process Technology

Areas of Expertise

In the area of process machinery, the Group's core competence lies in high-quality agitator technology, pressure vessels for demanding applications, and heat exchangers.

The Group's customers are companies operating in industries such as the energy and the environmental industry, the chemical industry, metallurgy, pharmaceuticals, biogas and the food processing industry.

In special cases the design and production of agitators and vessels have strong synergy benefits. On customer´s request the Group's objective is to deliver complete vessel and agitator systems that guarantee high-quality process results to the end user.

Key Figures

MEUR	2013 12 months	2011/2012 16 months
Turnover, continuing operations	32,2	24,1
Profit, continuing operations	2,6	-0,7
Number of personnel average	138	122

The operations of the Vaahto Process Technology division fall into two business areas, covered by the Stelzer Mixing Technology, which specializes in agitator technology, and the Japrotek Vessels unit, which focuses on pressure vessels.

Stelzer Mixing Technology

specializes in agitator technology and is one of Europe's leading agitator manufacturers. Its business rests on a strong foundation of solid technological expertise, thorough knowledge of the customers' core processes, and extensive inhouse research and development work.

Japrotek Vessels

designs and manufactures pressure vessels, columns, reactors, heat exchangers, and large vessels assembled on-site for demanding process-industry applications.

Vaahto Process Technology's earnings grow significantly

Turnover from vessel operations increased substantially, generating a positive operating result.

Market situation in the agitator business was good, and the stock of orders continued growing.

Stelzer Delivers
the largest order in its history

Stelzer Mixing Technology is a leading European agitator manufacturer with expertise covering most industrial agitator applications.

Stelzer's agitator technologies are exported globally. The scope of the deliveries ranges from small magnetically driven agitators with a volume of a few dozen liters to digesters with capacities on the order of thousands of cubic meters.

Our services include manufacture, assembly, commissioning, and testing, along with maintenance and spare-part services for agitator systems and equipment. The unit's global customer support provides our customers with all the support they need.

Our business rests on a strong foundation of solid technological expertise, thorough knowledge of the customers' core processes, and extensive in-house research and development work.

Our customers include companies in the food-processing industry, the chemical industry, the biogas industry, sewage treatment, the paper and pulp industry, mining and hydrometallurgy, the biotech industry, and the pharmaceutical industry.

The agitator solutions are used for homogenizing mixtures, mixing solids and gaseous substances, achieving the desired precipitation and warming speeds, and mixing insoluble substances.

Quality and technical competence as core strengths

Stelzer's success is built on our state-of-the-art technical expertise, high-quality work, solid experience, precision, and reliability. The core of our expertise is formed by high-quality system and process technology know-how; mechanical design expertise; and top-notch manufacturing work in which special materials, such as titanium, high-alloy nickel, and corrosion-resistant steel grades, are used.

The skills of our experienced staff and our product development work combine to yield world-class technology expertise. Computational fluid analysis (CFD studies) enable us to simulate compositions of mixtures; develop and apply process flow models; and analyze turbulence, energy-efficiency, and optimization. For verification of the results company utilizes its own laboratory. We can improve the mixing process by means of our mixture analysis tools without interrupting production.

Our competitive advantages also include high-quality, reliable, and timely deliveries.

The largest order yet, delivered to Asia

Stelzer's primary market areas are Central Europe and Asia. Over 60% of our turnover comes from direct or indirect export sales. As a provider of agitator systems for food-industry applications, we are in the top three, and we are one of the top five in other industries in which our customers operate.

In 2013, the chemical industry made major investments particularly in Asia, and Stelzer could improve its market position in this industry. We also work in increasingly close cooperation with Vaahto Group's other companies.

In November 2012, Stelzer received the largest order in its history. An Asian chemical-industry company ordered very large agitators for high-technology polymer production with total power of 1,200 kW. The challenging process and the scope of the project required precision customization and product development. The agitators were manufactured at Stelzer's Warburg plant, in Germany, and were delivered to Asia in December 2013. Stelzer's experts are also in charge of installing the agitators and bringing them online for production use.

In the food-processing industry, investments fell short of expectations, with investment decisions being postponed. Also, agitator investments of the biogas industry remained low in Central Europe. We delivered a sizeable agitator project to the Swedish Biogas International's Jordberga plant.

Customers ordering larger projects

The breadth of our clientele has leveled out the impact of economic fluctuations during times of international depression. There is a continuing need for agitator systems, and customers are ordering increasingly large projects.

Products and services of Stelzer Mixing Technology

- Design and manufacture of agitator systems
- Analysis and testing
- Assembly and commissioning
- Maintenance and spare part services

Stelzer Mixing Technology's

- primary customers are the food processing industry, biotech and pharmaceuticals, the environmental, and the chemical industry
- important market areas are Central Europe, the Nordic region, and Asia
- success factors are technology, quality, experience, and reliability
- largest order in history has been delivered to Asia

Demand for food products remains fairly steady. The food-processing industry has postponed investments, so we expect growth in the coming years. In Asia, for example, the demand for dairy products and beverages is increasing following the Western model.

In Germany, the biogas-plant agitator investments already made satisfy the current demand. We still anticipate a growth track to emerge in other European countries.

The chemical industry is undergoing renewal and seeking innovations to meet customer needs. New ways of producing and utilizing energy are constantly being sought. There is a constant drive to develop new products from waste and recycled materials. The development of electric cars, rechargeable battery packs, and batteries of various types continues, and agitator systems are needed for the solutions used in their production. Innovations spread to the general public little by little.

By optimizing agitation processes, we are able to improve their energy-efficiency and address the future needs of energy-efficient applications.

Stelzer's aim is to target new market areas, such as Switzerland, Israel, China and Indonesia. The company's structure, production, and systems are in good shape, and its reputation and references are fine. These are the strengths we aim to leverage also in newer markets.

Largest order in Stelzer's history was delivered for polymer industry to Asia.

Products and services of Japrotek Vessels

- Pressure vessels (including agitators)
- Reactors and their auxiliary equipment
- Columns and their components
- Tubular heat exchangers
- Large vessels constructed at the installation site
- Consulting and start-up services

Japrotek Vessels

- serves actors in the paper, pulp, and process industries as well as the metallurgy, energy, and chemical industries
- can cite as its key strengths: quality, capacity to supply products for demanding applications, and vessel–agitator combinations
- key market areas are the Nordic countries
- delivered the largest order of the financial year to Sasol Technology, in South Africa

Japrotek invests in sales beyond its key market areas.

Japrotek Vessels:
Significant growth in sales

Japrotek Vessels designs and manufactures vessels for demanding applications. Our products include pressure vessels, columns, reactors, heat exchangers, and large vessels assembled on the installation site.

Our core strength: special expertise combined with solid experience

Our key strengths include the ability to manage demanding orders and deliver vessel–agitator combinations tailored to customer specifications. Our customers include players in the paper, pulp, metallurgy, energy, and chemical industries, along with other process-based industries.

In addition to traditional stainless and acidproof steel components, we specialize in the design and construction of structures and larger-scale applications for challenging uses that require special materials, such as titanium and nickel alloys and duplex materials.

Our products include pressure vessels for nuclear power plants, titanium-structure pressure-leaching autoclaves for the hydrometallurgy industry, and large nitric acid absorption columns for the fertilizer industry.

Agitators and vessels have strong synergy, and our goal is to deliver complete vessel–agitator combinations to end users that guarantee optimal process results for the customer.

Operations guided by international standards

Pressure vessels are used for storing gases and liquids at pressures that exceed atmospheric pressure. The design and manufacture of pressure vessels is highly regulated. Japrotek's pressure-vessel permits and standards-compliance certificates cover the world's key markets. Our operations are ISO 9001 certified and comply with various industry standards, including the European Pressure Equipment Directive (PED), the US ASME BPVC (American Society of Mechanical Engineers Boiler and Pressure Vessel Code), and the ISO 3834 welding standard.

The ISO 14001 environmental standard has been applied in Japrotek's operations from 2012 onward. Our OHSAS occupational health and safety system was audited in December 2013 and certified in early 2014.

Successful management of standards and permits requires constant training of our personnel. Our transparency also gives our customers proof of our systems' flawless operation, along with the ability to audit them.

A significant delivery to South Africa

Our key market areas are Finland, Sweden, and Norway, but we also deliver vessel–agitator combinations and heavy-duty pressure vessels globally.

The first half of the financial year seemed to indicate an upturn in the markets, but the fall saw another tightening. The sales and earnings of Japrotek Vessels, however, increased significantly in 2013. Our work situation was excellent, and we operated at full capacity.

Japrotek delivered a significant order to Sasol Technology in South Africa. The design, manufacture, and installation of eight large vessel structures began in fall 2012 and was completed in late 2013. The vessels were manufactured at Japrotek's production facilities in Pietarsaari, Finland. This order was part of a tar-separator replacement project implemented and managed by Fluor SA on Sasol Technology's behalf.

The year under review also saw us deliver a direct-leaching reactor to Outotec in Norway and transformer vessels to ABB Transformers, a company operating in Norway's offshore industry. We also delivered several site-erected vessels for Aarhus-Karlshamn AB, in Sweden, and for the German ThyssenKrupp Uhde.

Investing in new market areas

The European economic crisis does not show many signs of easing up, and the market situation remains tight. Japrotek's stock of offers for 2014, however, is good. Order book includes continued orders from existing customers.

We have increased our investments in sales and design, which prepare the conditions for full utilization of our manufacturing expertise.

We also continue to invest in sales beyond our key market areas. We aim to take full advantage of our design and manufacturing know-how, familiarity with the customers' processes, machining of special materials, and good references to succeed in international competition.

Vaahto Paper Technology

Areas of Expertise

In paper technology, Vaahto Group's core competence lies in small-scale projects associated with rolls, roll coating and maintenance. The Group's main customer industries are the paper, board, and pulp industries.

The products and maintenance services provided by the Vaahto Paper Technology division improve customers' competitive edge by increasing the production capacities of paper and board machines, improving the end products' quality, increasing energy-efficiency, and ensuring uninterrupted production.

The division provides its customers with a comprehensive range of services – covering research and design, manufacture, installation and maintenance.

Key Figures

MEUR	2013 12 months	2011/2012 16 months
Turnover, continuing operations	4,5	6,4
Profit, continuing operations	-0,8	-3,4
Number of personnel average	118	211

Vaahto PaperTechnology division consists of business units providing maintenance as well as component and custom machine workshop services.

Vaahto Service

provides technology solutions related to maintenance services for the paper, board, and pulp industries. The objective is to keep production lines running smoothly for the entire life cycle.

Vaahto Group intends to divest operations of the PaperTechnology business

Vaahto PaperTechnology's result in the 2013 financial period was weak.

The sale of Vaahto PaperTechnology division's projects business and the spare part and small projects businesses belonging to its services business to Gebr. Bellmer GmbH Maschinenfabrik of Germany has been completed on 15 April 2013.

Vaahto Group intends to divest or discontinue operations of the PaperTechnology business in its entirety, the primary option being a sale of business.

Vaahto Service
units increased their cooperation

Vaahto Service provides technology solutions for the maintenance and servicing of the production lines of the wood-processing industry. AP-Tela Oy is a component and custom machine workshop serving the wood-processing, steel, maritime, energy, and engineering industries.

Vaahto Service specializes in new rolls, roll servicing and coating, roll components, wearing parts, small-scale modernization projects associated with rolls, relocation of machines and equipment, and maintenance contracts of varying size and scope. AP-Tela Oy is specialized in the manufacturing of long welded and machined axially symmetric parts.

Deeper synergy between Vaahto Service business units

The constantly evolving key services at Vaahto Service include small-scale projects associated with rolls, roll servicing, and coating. We work with all coating methods, from use of rubber, polyurethane, and composite materials to thermal coating. We invest in high product quality and product development. Our strategic focus is on the further development of technical roll coatings.

One of AP-Tela's goals is effective subcontracting of engineering work. Our products include heavy welded steel pipes, cylinders, and cones, along with rolls for the paper, energy, and crane industries. We also provide long lathed pieces, steel structures, and bending of thick plates. Welded press pipes are used in, among other applications, the rolls and cylinders of paper machines, steam and water cylinders, and pressure vessels. AP-Tela's key customers operate in the fields of mechanical engineering and equipment manufacturing.

Last year, Vaahto Service's Tampere unit and AP-Tela, its Kokkola unit, expanded their cooperation in design, production, and sales. This gives us the resources to offer our customers turnkey product and service systems utilizing our entire capacity.

Key strengths: speed and flexibility

Our goal is to boost the productivity of our customers' operations. We also strive to improve process stability and runnability, just as much as the end result.

We pride ourselves on providing services quickly, flexibly, and cost-efficiently. Our other strengths are our broad range of services, high product quality, and rapid delivery turnaround. Our products and services represent the latest technology in their field. Our customers include Europe's leading paper mills, where conditions are challenging and the machine base must be highly efficient. As a mid-sized operator, we are able to react quickly to customers' needs.

Continuing challenges in the marketplace

Vaahto Service's main market areas are Finland and Sweden, in both of which the company has established a position as one of the top three maintenance service providers. Among our biggest domestic customers are UPM, Mirka, Metsä Group, and Andritz. Our most important Swedish customer in 2013 was Mondi, which contracted us for a large roll-servicing project for its Dynäs plant. In the latter part of the year, AP-Tela won a sizable screwed-pipe contract with Andritz.

Our other significant markets include Russia, Eastern Europe, and South America.

With utilization rates of paper machines decreasing, the market situation for the forest industry remains challenging.

Focus on cost management

The uncertain economic situation and changes in global demand for paper have an effect on the paper industry's maintenance needs. Aging machines still require maintenance, and demand for servicing is expected to remain relatively unchanged.

Demand for cardboard products remains high in packaging applications, and the demand for cardboard machines' maintenance and for coating services is staying stable in all market areas. There is excess capacity in the sector, however, so we need to focus on managing our cost structures and product development.

In Russia, roll-coating and maintenance expertise are in demand. Eastern Europe has a larger machine base now, which could translate into new customers.

Products and services of Vaahto Service

- New rolls, roll servicing and coating
- Roll components and wearing parts
- Small-scale modernization projects associated with rolls
- Relocation of machines and equipment
- Maintenance contracts of varying size and scope
- AP-Tela Oy is specialized in manufacturing of long welded and machined axially symmetric parts.

Vaahto Service's

- customers include Europe's leading paper mills
- market areas are Finland, Sweden, Russia, Eastern Europe, and South America
- strenghts are speed, flexibility, and cost-efficiency

Vaahto Service's operations are focused on technical coatings and effective sub-contracting of engineering work.

Investing in employee
safety and training

The health, safety, development, and job satisfaction of a skilled staff support the business objectives of Vaahto Group.

The Group's human resource policy is guided by our strategic business goals. Professional and motivated personnel is a key factor in successful business operations.

The Vaahto Group employed 324 people at the beginning and 231 at the end of the financial year, with 66 of them working at subsidiaries outside Finland. The average number of personnel during the 2013 financial year was 256. The previous financial year's figure was 333. The decrease was due primarily to the sale of the project business of Vaahto Paper Technology.

At the end of the year under review, the Group employed 136 production workers and 95 office workers and supervisors (the latter making up 41% of the staff). In addition to workshop operations, a significant proportion of the Group's activities consists of design work. Women account for about eight percent of the employees. The average age of all Group employees at the end of the financial year was 48 years. The average length of employment was 15.5 years – an indication of continuity and employee satisfaction.

The Vaahto Group's organizational structure has undergone significant changes. Structural changes are being made in pursuit of business objectives, which will, in turn, help to maintain job security and improve job satisfaction.

Health and safety, contributing to work capacity

Health and safety form the foundation for the employees' ability to work. Our goal is to prevent diseases and injuries and to promote health and capabilities at all stages in the worker's career.

The main health and safety risks in the industries in which the Vaahto Group operates are caused by the use of chemicals, heavy machinery, and equipment. Good planning of the work, thorough briefing of workers, and the use of protective equipment are important precautionary measures. Industrial safety committees conduct regular surveys of workplaces in order to identify potential risks. In machine workshops, monitoring the safety of all operations is part of our daily work. Any deviations observed are recorded, and corrective measures are tracked. Accidents are analyzed, with special emphasis placed on the proper use of protective equipment. Over the last financial year, the Group has introduced the LTA index, which measures the frequency of work accidents.

We work in close cooperation with occupational health services. Our goal is to prevent lengthy sick leave, to establish the causes when it does occur, and to make the return to work easy after an absence. To improve the physical and mental well-being of our employees, the Group supports their exercise programs by distributing sports vouchers.

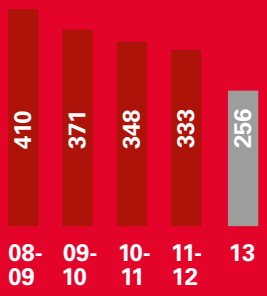
The Group implements an early-intervention workplace policy at its work sites. The model is also intended to make it easier to address physical and psychological pressure both within and outside the workplace. Relations between supervisors and their subordinates are meant to be straightforward and caring. Opportunities to influence one's work are considered important.

Increased training and collaboration

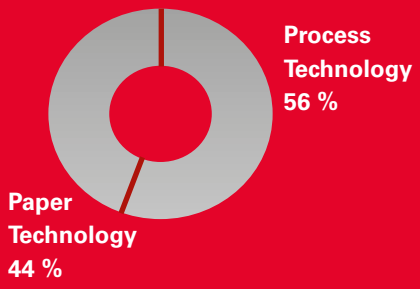
Continuous training and development of our personnel support reaching the Group's business goals and quality objectives. Over the past year, we have considerably strengthened our internal training programs. Our key focus was on information technology skills and use of software. Other targets of training included paper-machine parts, pressure vessels, welding, 3D modeling, accounting, reporting, auditing, and OHSAS and quality systems. In addition, employee competence has been developed via cross-training of individual employees to perform different tasks in the workshop. Variation and changes in one's tasks also contribute to employee motivation.

Our operations depend on good cooperation and communication. Over the past year, we have focused especially on the cooperation and synergy between AP-Tela and Vaahto Service. Collaboration is straightforward and best practices are shared across unit boundaries within the Group.

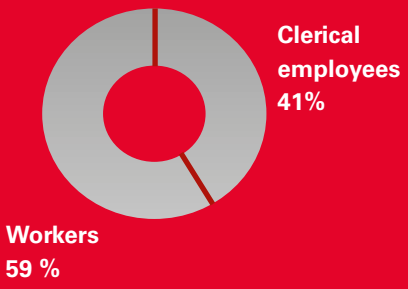
NUMBER OF PERSONNEL AVERAGE



PERSONNEL AVERAGE IN THE BUSINESS SEGMENTS 2013



DIVISION OF PERSONNEL 2013



Monika Arendes-Hillebrand, Jörg-Peter Lindner, Christian Kessen, and Jürgen Rasch want to raise Stelzer to a position among the world's leading agitator manufacturers.

Technology and Teamwork

'Designing, selling, and manufacturing agitator technology involve precision teamwork,' explain Stelzer's project manager **Monika Arendes-Hillebrand**, technical manager **Jörg-Peter Lindner**, CEO **Christian Kessen**, and sales manager **Jürgen Rasch**.

All of them are long-term Stelzer team members who are motivated by design for technologically demanding projects and implementing them in collaboration with the customers. Each project is unique. The work depends on the customer's line of business and the solution needed. The most important objective in the work is to gain and retain the customers' trust. Stelzer's team strives toward that goal by learning to know the functions of the production processes and by offering the best solutions for developing those processes.

Technological competence, quality, price, delivery time, and the installation and maintenance service all are essential factors that aid in getting an order. All of these pieces were in place in the largest project in Stelzer's history, delivered to an Asian polymerindustry company in 2013. Stelzer had already completed several smaller orders for this customer, so the Stelzer team knew how the organisation's processes work and what the critical technical requirements were.

'Our aim is to close increasingly demanding deals and develop Stelzer into a global leader in agitator brands, because our expertise is top-notch,' the Stelzer team members say in proud explanation of their work.

Responsible actions,
a key component of a competitive edge

Vaahto Group follows the principles of responsible business operations. Continuing development of our activities and responsibility for quality, the environment, and safety form the basis for competitive and responsible business operations.

The Vaahto Group has group-level ISO 9001 quality-management system and ISO 14001 environmental management system certification. The group-level certification system was adopted in 2007, and the certificates have been issued by Inspecta Sertifiointi Oy. An extensive service agreement guarantees a high level of service for certification, auditing, and testing services. Group-level audits are performed according to an annual plan.

Quality translates into customer satisfaction

The key objectives addressed by our quality-management policy are customer satisfaction, a good operating result, compliance with product requirements and specifications, personnel commitment, and constant improvement of business operations. The Vaahto Group quality-management team coordinates the quality-related activities of our business units and supports their collaboration on quality and environmental matters.

The ISO 9001 quality-management system is applied in all our business units. Our factories comply with the latest directives and standards for the design and production of pressure vessels (meeting ASME-U, CHINA A2, and PED requirements).

The quality of our products and services is our key strength. We develop our products in collaboration with our customers and international partners.

Our customers conduct audits to confirm that our operations meet their requirements. Results of customer surveys have been good. The satisfaction of our customers is best proven by repeat orders received from existing customers.

AP-Tela receives ISO 14001 environmental certification

The goal of our environmental policy is to minimize the environmental impact of our operations and to take environmental factors into account when developing processes for our customers.

With the certification of AP-Tela Oy in 2013, all Group companies are now ISO 14001 certified.

We aim to minimize our environmental impact by means of internal audits, certification, application of standards, and sound operating guidelines. In 2008, the Vaahto Group entered into an energy-efficiency agreement under which the Group strives to improve its operations' energy efficiency by 10% by the end of 2016.

The positive environmental effects of our operations include greater energy efficiency and quality of our customers' processes.

The Center for Economic Development, Transport and the Environment (ELY) has conducted follow-up environmental-permit-related audits at our sites and found them to be in compliance.

An OHSAS occupational safety system is in place at Japrotek

All business units of the Vaahto Group invest in the continuing improvement of work safety. The guidelines for the use of safety equipment by both our own staff and visitors were updated in all our business units.

In fall 2013, Japrotek prepared and implemented an OHSAS 18001 occupational health and safety system. Inspecta certified the system in early 2014. The OHSAS-compliant system will help us maintain our employees' well-being and capacity to work and to prevent occupational accidents and diseases.

In 2013, Japrotek implemented an OHSAS occupational health and safety system. We invest in the continuing improvement of work safety in all our business units.

Vaahto Group's

Mission

Vaahto Group enhances production processes in the paper, board, pulp, and process industries by developing and manufacturing equipment and services that boost production and improve the products' quality and competitiveness.

Vision

Vaahto Group's objective is to be a global and esteemed supplier of high-quality implementations of technology and consulting services, serving the process industry in the fields of paper-making technology and process machinery.

Strategy

Vaahto Group's strategic goal is to generate added value for its customers by developing high-quality, comprehensive technology solutions and process services that improve the customers' core processes, product quality, and competitiveness.

Board of Directors

Chairman **Reijo Järvinen**, b. 1948, M.Sc. (Chem.)
Attorney Krogerus Oy, Senior Advisor
Member and Chairman of the Vaahto Group Plc Oyj Board of Directors 2010 –
Previous work experience:
Finnvera Oyj, regional director
Most significant positions of trust:
Delipap Oy, member of the Board
Festivo Finland Oy, Chairman of the Board
Suomen Kotikylmiö Oy, member of the Board
Attendance to the Board meetings 2013: 25/25

Sami-Jussi Alatalo, b. 1971, Master of Laws
Ultivista Group, CEO
Member of the Vaahto Group Plc Oyj Board of Directors since 19 June 2012
Previous work experience:
Ultivista Group, CFO
Nordea Group, managerial and specialist positions in Corporate Banking
Most significant positions of trust:
Westpro cc Oy, member of the Board
Attendance to the Board meetings 2013: 25/25

Topi Karppanen, b. 1956, M.Sc. (Tech.),
Coninor Oy, Managing Partner
IMP Teollinen Markkinointi Oy, Managing Partner
Member of the Vaahto Group Plc Oyj Board of Directors since 2010
Previous work experience:
Larox Oyj and Larox Group: President and CEO, 2000 – 2009
Larox Oyj and Larox Group: Executive Vice President, Marketing and Sales, 1991 – 2000
Attendance to the Board meetings 2013: 24/25

Mikko Vaahto, b. 1963, with vocational qualifications in business and administration
Member of the Vaahto Group Plc Oyj Board of Directors since 1994
Attendance to the Board meetings 2013: 22/25

Finished memberships of the Board in 2013

Rainer Häggblom, b. 1956, M.Sc. (For.), M.S.Sc. (Econ. and Business Adm.)
Member of the Vaahto Group Plc Oyj Board of Directors until 10 April 2013
Vision Hunters Ltd. Oy, chairman of the Board and founder
Member and vice-chairman of the Vaahto Group Plc Oyj Board of Directors since 2010
Previous work experience:
Pöyry Forest Industry Consulting Oy, CEO and chairman of the Board
Most significant positions of trust:
The Forest Company Ltd., chairman of the Board
Attendance to the Board meetings 2013: 4/6

Management and Auditors

CEO

Vesa Alatalo, b. 1970, B.Sc. (Eng.), MBA
CEO of Vaahto Group Plc Oyj since 16 January 2014
Previous work experience:
Konecranes Finland Oy, Director, Head of Waste to Energy
Konecranes Lifting Systems GmbH, Managing Director
Konecranes Finland Oy, Director, Head of Workstation Lifting Systems
Konecranes Finland Oy, Product Line Director for Light Lifting Products
Oy SKF Ab, Country Manager, Industrial Sales Division, Finland
Sandvik Mining and Construction Oy Global Product, Line Manager
Orbis Oy, various management positions

Ari Viinikkala, b. 1967, M.Sc. (Econ.)
CEO of Vaahto Group Plc Oyj 30 November 2012 - 15 January 2014
Acting CEO of Vaahto Group Plc Oyj since 4 April 2012
CFO of Vaahto Group Plc Oyj since 1 February 2012
Previous work experience:
Dynea, SVP Finance Europe
GS-Hydro Group, Director, Corporate Controller
KONE Group, financial management positions in Finland and abroad

Group management team

The activities and results of the Group's divisions are the responsibility of the Group management team. The CEOs of the subsidiaries and the managers of the business units are members of the management team of the Group.

Christian Kessen, b. 1963, M.Sc. (Tech.)
Stelzer Rührtechnik International GmbH, CEO 2007 –
Stelzer Rührtechnik International GmbH, Manager of Engineering 1991 – 2006

Tom Tarkkinen, b. 1962, engineer
Japrotek Oy Ab, CEO since 2009
Japrotek Oy Ab, Production Manager 2005–2009
Japrotek Oy Ab, different positions since 1989
Previous work experience:
Westmatic Oy, Desing Engineer

Finished memberships in 2013:

Timo Kerola, b. 1960, M.Sc. (Tech.)
Vaahto Pulp & Paper Machinery Distribution (Shanghai) Co., Ltd., CEO 2006 - 15 April 2013
Previous work experience:
Metso Paper (China) Co., Ltd., Area Vice President
Metso Paper Inc. Beijing Representative Office, Representative
Valmet Karlstad Inc. , Senior Sales Manager, Far East and Oceania
Valmet Karlstad Inc. , Senior Sales Manager, Central and South America
Valmet Korea Inc., Area Sales Manager, Korea, China, Japan and Taiwan

Jyrki Strengell, b. 1960, M.Sc. (Tech.)
Vaahto Ltd, CEO 2009 – 15 April 2013
Vaahto Pulp & Paper Machinery, President since 2009
Vaahto Ltd, Sales Manager 2005–2009
Previous work experience:
Metso Paper Ltd, Järvenpää units, Sales Manager
Enso Gutzeit Ltd, Anjala paper mill, Production and Customer Service Manager
Yhtyneet Paperitehtaat Ltd, Kotka, Walkisoft Development and Production Engineer
Most significant positions of trust:
Banmark Oy, Chairman of the Board of Directors

Pekka Viitasalo, b. 1955, technician
AP-Tela Oy, CEO
1994 - 23 September 2013
Previous work experience:
AP-Konepaja Oy, Project Manager

Auditors

Ernst & Young Oy
chief auditor
Panu Juonala,CPA

Corporate Governance Statement

OF VAAHTO GROUP FOR THE FISCAL YEAR 2013

Applicable regulations

Corporate governance of Vaahto Group is based on the Finnish legislation and the Articles of Association of the Group's parent company, Vaahto Group Plc Oyj.

The company follows the NASDAQ OMX Helsinki corporate governance code 2010 for Finnish listed companies. Vaahto Group deviates from the Finnish Corporate Governance Code Recommendation 9 concerning the gender parity of the Board. Suitable candidates as a Board member to meet the recommendations of the Corporate Governance Code has so far not found.

The governance code issued by the Securities Market Association took effect on 1 October 2010, and it is publicly available, e.g., on the Securities Market Association's Web site via the address www.cgfinland.fi.

Administration of Vaahto Group

In accordance with the Companies Act, the Group's business operations and administration are the responsibility of the following bodies: the Annual General Meeting, which elects the members of the Board of Directors of the parent company, and the CEO, appointed by the Board.

Vaahto Group Plc Oyj's highest decision-making body is the Annual General Meeting, where the shareholders exercise their authority. The Board of Directors is responsible for the company's administration and appropriate operation. As the parent company of the Group, Vaahto Group Plc Oyj is responsible for the management, strategic planning, financial administration and financing, and human resources management of the Group.

The Group's business operations are divided into two divisions, Vaahto Paper Technology and Vaahto Process Technology. The activities and results of these are the responsibility of the Group management team.

Annual General Meeting

The company's highest decision-making body is the Annual General Meeting. An extraordinary general meeting is arranged when necessary. This is called by the Board of Directors. Shareholders are invited to the Annual General Meeting through a meeting invitation published on the company's Web site. The invitation provides the shareholders with the necessary information about the issues to be addressed at the meeting. The meeting notice is also published as a stock exchange release and to any other way decided by the Board of Directors.

The Annual General Meeting must be held no more than six months after the end of the company's fiscal year. The AGM makes decisions on the issues falling under its mandate as determined by the Companies Act, including the verification of the financial statements, the payment of dividends, the discharge from liability of the Board members and the CEO, and the selection and fees of the Board members and the auditors.

The Annual General Meeting is attended by the CEO and a majority of the Board members. A person running for a position on the Board for the first time attends the AGM that decides on the selection.

Board of Directors

Activities of the Board

The Board of Directors of the parent company, which also acts as that of the Group, is responsible for the Group's administration and appropriate operation, and it decides on issues that are highly significant in light of the scope of the Group's operations.

Some of the key responsibilities of the Board are to

- confirm the Group's strategy and objectives, monitor their implementation, and commence corrective measures if these should be necessary
- decide on significant investments as well as acquisitions and real-estate transactions
- handle and approve the interim management statements, interim reports, and financial statements
- decide on the Group's financial policies and financing methods
- approve the dividend policy and make a proposal to the AGM concerning distribution of dividends
- be in charge of arrangement of the Group's risk management and internal monitoring
- appoint and relieve the CEO, and decide on the terms of the CEO's employment
- confirm the Group's strategy and decide on the central principles governing the Group's compensation system

The Board of Directors regularly evaluates its own activities and work methods.

Issues are handled at Board meetings in accordance with an agenda prepared for each meeting. The Group's chief executive officer acts as secretary of the Board. The minutes of each Board meeting are commented upon and accepted at the next meeting.

The Board meets regularly, once a month, and at other times, if necessary. During the 2013 fiscal period, the Board met 25 times. There was 96% attendance by the Board members.

The presenter at Board meetings is the company's CEO or one of the Group's personnel authorized by the CEO. The CEO is responsible for providing the Board with sufficient information for assessing the Group's operations and financial situation. The CEO is also responsible for implementing the Board's decisions and

reports on this to the Board.

The Board members are obliged to provide the Board with sufficient information for assessment of their qualifications and level of independence and to report any changes to this information.

Composition of the Board
According to the Articles of Association, the Board of Directors has a minimum of three and a maximum of six members, whose term of office ends at the end of the first full Annual General Meeting following the election. The Board members are selected by the Annual General Meeting. The chairman and vice-chairman of the Board are selected by the Board from among its members.

The names of candidates proposed for Board positions are published in the invitation to the Annual General Meeting where the candidate is supported by shareholders holding a minimum of 10% of the votes as determined by the number of shares and if the candidate has accepted the candidacy. Names of candidates nominated after publication of the AGM invitation are published separately. A person selected as a Board member must meet the qualifications for the position and have the opportunity to allocate enough time to handle the position.

The Annual General Meeting of 12 December 2011 confirmed that the Board shall have four members. Rainer Häggblom, Reijo Järvinen, Topi Karppanen and Mikko Vaahto were elected for the Board. The Board elected Reijo Järvinen as chairman and Rainer Häggblom as vice-chairman.

The Extraordinary General Meeting of 19 June 2012 confirmed that the Board shall have five members instead of the previous four members. In addition to the previous members of the Board, Sami Alatalo was elected to the member of Board for the next mandate that ends in the end of the next Annual General Meeting.

The Annual General Meeting of 10 April 2013 confirmed that the Board shall have four members. Sami Alatalo, Reijo Järvinen, Topi Karppanen and Mikko Vaahto were elected for the Board. The Board elected Reijo Järvinen as chairman and Sami Alatalo as vice-chairman.

Information about Board members
Presented in the item Board of Directors.

Mikko Vaahto is a major shareholder of the company. Other members of the Board do not own any of the company's shares, nor do they have interdependence with the company in any other way.

Compensation of Board members
The compensation for Board members is determined each year by the Annual General Meeting. The Board members have not received shares in the company as compensation. The company currently has no stock option plan.

The Annual General Meeting of 10 April 2013, decided to pay Board members the following attendance fees as annual compensation amounts: 26,000 euros to the chairman and 19,000 euros to each of the members.

In addition, Board members are entitled to a per diem and travel allowance in accordance with the Group's general travel regulations. No attendance fees are paid to persons employed by Vaahto Group for membership of a subsidiary's board of directors.

Fees paid to Board members in the 2013 financial year for Board duties:

Reijo Järvinen, chairman	26,000 euros
Sami Alatalo	19,000 euros
Rainer Häggblom	5,277 euros
Topi Karppanen	19,000 euros
Mikko Vaahto	19,000 euros

Board committees
The Board has no committees.

Supervisory Board

The company has no Supervisory Board.

CEO

The Board appoints the parent company's CEO, who acts as the Group's president. The CEO is responsible for day-to-day management of the Group in accordance with the Finnish Companies Act, the Articles of Association, and instructions from the Board of Directors. The CEO is neither chairman nor vice-chairman of the Board.

Ari Viinikkala served as CEO until 15 January 2014 and Vesa Alatalo has served as CEO since 16 January 2014.

Information about the CEO
Presented in the item Management and Auditors

Business organization

The Group's operations have been separated into two divisions: Vaahto Paper Technology and Vaahto Process Technology. The activities and results of these are the responsibility of the Group management team. The CEOs of the subsidiaries and the managers of the business units of the management team of the Group.

Information about the other members of the Group's management
Presented in the item Management and Auditors.

Compensation of the CEO and other members of the company's management

The CEO's salary and other financial benefits are decided by the Board. Compensation for other members of the management is decided upon by the CEO and the chairman of the Board.

The Group currently has no stock option plan.

No special conditions for retirement or pension benefits have been specified for the members of the Group's management. According to the employment contract of acting CEO Ari Viinikkala, both the company and the CEO are entitled to terminate the contract without any particular reason. In such a case, the period of notice on either side is three months. If the company terminates the contract, the CEO will be paid a sum of money corresponding to the total salary for 12 months in addition to the salary paid during the period of notice.

Salaries and fees paid to the CEO for the 2013 fiscal year:

Ari Viinikkala	177,725 euros

Body responsible for the duties of the audit committee

The company has no audit committee; instead, the duties of the audit committee are attended to by the Board of Directors of the company.

Internal monitoring, risk management and internal audit

Internal monitoring:
The Group's business and administration are primarily monitored and controlled by means of the Group's management system. The Group has a financial reporting system whose purpose is to provide the Group and profit center management with sufficient information for planning, control, and monitoring of operations.

Risk management:
The objective of the Group's risk management process is to identify any risks that pose a threat to the business operations, evaluate them, and develop the necessary risk management methods. Business-related risks of material, consequential, and liability losses are covered by appropriate insurance policies.

Internal auditing:
With regard to the nature and scope of its business operations, the Group has not deemed it appropriate to establish a separate internal auditing organization. Rather, its tasks are included in the duties of the business organization.

Insider administration

Vaahto Group Plc Oyj follows the NASDAQ OMX Helsinki Insider Guidelines. The public insider register includes statutory insiders and insiders as determined by the Board of Directors of the company. In accordance with the Securities Markets Act, permanent insiders comprise the company's Board members, CEO, and auditors. In addition, the company has defined as insiders those members of the company's top management who regularly receive insider information and are entitled to make decisions concerning developments and business arrangements related to the issuer of shares. Subsidiary-specific insider registers include persons who regularly receive insider information in the course of their duties.

Vaahto Group Plc Oyj's public and subsidiary-specific insider registers are maintained by the company. The insider register can be seen at the company's head office.

The company's insiders are not allowed to trade in shares of the company within the 21 days before publication of a financial statement or interim report.

Audit

In accordance with the Articles of Association, the company's statutory audit is performed by one or two qualified auditors, who must be auditors or auditing firms certified by Finland's Central Chamber of Commerce. The auditors' term ends at the end of the first full Annual General Meeting after the election.

The Board's proposal for auditor(s) is indicated in the invitation to the Annual General Meeting, or, if an auditor candidate is not known to the Board at the time the invitation is published, the name of the candidate(s) shall be published separately.

The Annual General Meeting of 10 April 2013, selected public auditing firm Ernst & Young Oy as the company's auditor, with Panu Juonala, CPA, as chief auditor.

Auditors' fees from the Group in the 2013 fiscal period totaled 122,828 euros, of which audit fees accounted for 88,672 euros, with consulting and other fees accounting for the remaining 34,157 euros.

Information

Each year, the company publishes an annual report and an interim report in both Finnish and English. The interim report is published for the first six months of the fiscal period. For Q1 and for Q1–Q3 of the fiscal period, the company publishes an interim management statement instead of an interim report.

Information about financial statements, interim reports, and interim management statements is published in exchange reports. The annual report is sent by mail to the shareholders of the company and to certain organizations and individuals according to the mailing list maintained by the company. In addition, the annual report and interim report are published on the company's Web site **www.vaahto.fi**. The company's other press releases are also available on the Web site.

Shares and shareholders

Share capital

Vaahto Group Plc Oyj's registered and fully paid share capital of 31 December 2013 was €2,872,302, and the number of shares in the company was 3,977,360.

The company's stock symbol is WAT1V, and its ISIN code is FI0009900708.

Listing of shares

Vaahto Group Plc Oyj is listed on the NASDAQ OMX Helsinki exchange.

Share trends and trade statistics

In total, 477,435 (12,0 %) of Vaahto Group Plc Oyj's shares were traded during the 2013 financial year. The share price was €0.65 at its lowest and €2.20 at its highest, the average share price was €1.11, and the financial year's closing price was €0.77. The total market value of the company's shares on 31 December 2013 stood at €3.1 million. The company has a liquidity agreement with Nordea Pankki Suomi Oyj.

The Board's authorisations

The General Meeting of 10 April 2013 authorised the Board of Directors to decide on the issuing of new shares in one or more instalments. The maximum number of new shares that could be issued was 2,000,000. The proposed authorisation corresponded to a maximum of approximately 50% of all shares in the company. This authorisation entitled 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 May 2014.

Distribution of dividends

The Board of Directors' proposal to the General Meeting of 15 April 2014 is that no dividend be distributed and that the retained earnings be deposited in the profit account.

Shareholders and the management's ownership

At the end of financial year 2013, on 31 December 2013, Vaahto Group Plc Oyj had 456 registered shareholders. On that date, there were 58,935 shares under administrative registration. Members of the Board of Directors owned, in all, 563,139 shares, (14,2 % of the company's votes) as of 31 December 2013. These holdings also include shares in companies under the parent company's control and shares owned by minors under guardianship. Board members or managers of the Group or its subsidiaries have no holdings or special rights based on the company's share-based incentive systems.

Information for shareholders

The Annual General Meeting

The Vaahto Group Plc Oyj Annual General Meeting will be held on Tuesday, April 15, 2014, starting at 13.00 at Sibelius Hall, Ankkurikatu 7, in the city of Lahti.

Every shareholder who on April 3, 2014, is registered as a shareholder in the list of shareholders kept by Euroclear Finland Ltd. has the right to participate in the Annual General Meeting.

All shareholders who wish to participate in the Annual General Meeting must register no later than on Thursday April 10, 2014, before 4:00pm. Registration can be done in person or via an authorized person by letter to Vaahto Group Plc Oy, Laiturikatu 2, P.O. Box 5, FI-15141 Lahti, Finland, or by telephone call to Leena Junninen at +358 400 613896. Registration letter must arrive before the registration deadline.

The documents pertaining to the company's financial statement will be on view at the company's headquarters from March 20, 2014.

Dividend

The Board proposes to the Annual General Meeting that no dividends be paid.

Financial information

Vaahto Group Plc Oyj will publish during the fiscal year 1.1.-31.12.2014 only one interim report per June 30, 2014 covering six months of operations. The Interim Report will be published on August 22, 2014.

Instead of the interim reports for the first three and nine months of the accounting period, Vaahto Group Plc Oyj will disclose the interim management statements during both the first and the last half-year of the fiscal period. The Interim Management Statement for Q1 will be published on May 16, 2014 and for Q3 on November 14, 2014.

Annual reports and interim reports can be ordered from Vaahto Group Plc Oyj, P.O.Box 5, 15141 Lahti, Finland; tel. +358 20 1880 511; fax +358 20 1880 301; or e-mail **vaahtogroup@vaahto.fi**.

The annual report, interim reports, exchange releases and other information about Vaahto Group Plc Oyj is available on the company's Web site, **www.vaahto.fi**.

Exchange reports and bulletins

The following list includes all Vaahto Group Plc Oyj's stock exchange releases and stock exchange announcements published in fiscal period 1.1.–31.12.2013.

Some of the information included in the bulletins might be out of date.

Stock exchange releases and stock exchange announcements published by Vaahto Group Plc Oyj are available on the company's web site at **www.vaahto.fi** under Releases and News.

2013-01-10	Vaahto Group Interim Report for 1 September 2011 - 30 November 2012
2013-01-16	Vaahto Group has made as agreement to sell Project business to bellmer GmbH
2013-02-28	Vaahto Group's Financial Statement Release for 1 September 2011 - 31 December 2012
2013-03-05	Amendment to Vaahto Group Plc Oyj's financial statement release for 1 September 2011 - 31 December 2012, published 28.2.2013
2013-03-05	Vaahto Group Plc Oyj Auditor's report from the fiscal year 1 September 2011-31 December 2012
2013-03-18	Invitation to the Annual General Meeting of Vaahto Group Plc Oyj
2013-03-20	Vaahto Group Plc Oyj's Annual Report from fiscal period 1.9.211-31.12.2012 has been published
2013-03-27	Closing of the sale of Vaahto Group's Project Business to Bellmer GmbH postponed
2013-04-10	Vaahto Group Plc Oyj Annual General Meeting April 10, 2013
2013-04-15	The Sale of Vaahto Group's Project Business to Bellmer GmbH has been Completed
2013-05-16	Vaahto Group Interim Management Statement 1 January - 16 May 2013
2013-08-23	Vaahto Group Interim Report 1 January - 30 June 2013
2013-09-24	Vaahto Group has Initiated a Program to Intensify Operations of the Paper Technology Group
2013-11-14	Vaahto Group Interim Management Statement 1 January - 14 November 2013
2013-12-09	Publication of the Financial Statements and Interim reports of Vaahto Group
2013-12-18	Completion of Vaahto Group's Financing Negotiations

Financial Statements 2013

CONTENTS

VAAHTO

SINCE 1874

Review by the Board

FOR THE 1 JANUARY – 31 DECEMBER 2013 FINANCIAL PERIOD

DEVELOPMENT OF BUSINESS OPERATIONS

Vaahto Group's turnover from continuing operations during the period ending in December 2013 was 36.5 M euros (comparative: 30.4 M euros) and operating profit 1.0 M (operating loss of 4.1 M euros). Turnover increased by 60% in relation to an annualized reference figure, and the operating result improved significantly. The improvement in profitability is due to cost savings and an increase in order volumes. The Group's order backlog was 6.4 M euros (20.1 M euros) at the closing of the financial year. The period under review is 12 months long, while the reference figures cover 16 months.

By decision of the Extraordinary Meeting of Shareholders, the financial year of Vaahto Group was changed to run from 1 January to 31 December starting in 2013. Previous financial years ran from 1 September to 31 August. For this reason the financial year 2011-2012 was extended to cover 16 months, from 1 September 2011 to 31 December 2012. Hence, the reference data in the financial statements for 2013 refer to 16 months.

VAAHTO PROCESS TECHNOLOGY

Vaahto Process Technology's turnover was 32.2 M euros (24.1 M euros), and the result showed an operating profit of 2.6 M euros (an operating loss of 0.7 M euros).

Vaahto Process Technology's market situation in the vessel business was good at the beginning of the period under review but tightened somewhat toward its end. Japrotek Oy Ab delivered a significant order to Sasol Technology in South Africa. Most of that order's value was booked in as income for 2013. The order involved the design, manufacture, and installation of eight large vessel structures. This project is expected to be complete in the first quarter of the 2014 financial year.

The market situation for Japrotek Oy Ab's vessel business remains difficult, but the offer book for 2014 is solid and additional orders from the existing customers have been agreed.

Vaahto Process Technology's market situation in the agitator business was good, and new orders were received steadily over the course of the period. In December 2013, Stelzer Rührtechnik International GmbH delivered its largest order ever, to an Asian chemical company. The order was for 1,200 kW agitators intended for high-technology polymer production. Involving a comprehensive delivery, the challenging nature of this order required world-class project expertise and product development. The agitators were manufactured in Germany, at Stelzer's Warburg plant.

The profitability of the agitator business unit is nearly in line with the objectives set, and the outlook for the current financial year is good.

VAAHTO PAPER TECHNOLOGY

Vaahto Paper Technology's turnover from continuing operations was 4.5 M euros (6.4 M euros) and the operating loss of 0.8 M euros (operating loss of 3.4 M euros). The division's result was very weak.

The operating loss from discontinued operations was 4.4 M euros (operating loss -2.3 M euros). This operating loss includes the cost from both the sale of business and discontinued operations. The sale price of the business is not yet final; it includes items to be specified later.

In the 2012 financial statement, the Group described the sale of Vaahto Paper Technology's project-business unit and the spare-parts and small-project operations belonging to the company's service unit as discontinued operations. This business was sold to Gebr. Bellmer GmbH Maschinenfabrik in April 2013. All projects in progress at the time of the sale were transferred to the buyer. Completed projects that are within their warranty period remain with Vaahto Paper Technology Ltd. All estimated liabilities associated with the completion of these projects are included in the balance sheet under "Operations for sale."

Vaahto Group intends to divest or discontinue operations of the unprofitable Paper Technology business in its entirety. The Board of Directors is considering various options for the discontinued Paper Technology business, the primary option being a sale of the business. The Service unit of Vaahto Paper Technology Oy is presented in the profit and loss statement as discontinued operations and on the balance sheet as assets and liabilities for sale. AP-Tela Oy, which belongs to Paper Technology -division, is shown under continuing operations.

The effect of discontinuing operations on profit/loss is shown on its own line, separate from continuing operations. Discontinuing operations are presented in the note 3.

FINANCING AND LIQUIDITY

The cash flow from the Group's business operations was -2,4 M euros (-4,4 M euros), and the Group's net financing costs came to 1.0 M euros (1.2 M euros). The cash flow from investments made during the financial year was 0.3 M euros (-1.0 M euros). The Group's consolidated balance sheet total was 23.6 M euros (30.5 M euros).

Loans from credit-institutions entail re-payment covenants linked to the Group's solvency ratio. The year-end accounts of 31 December 2013 are in breach of a covenant, but the Group received assurance from the creditors in question at the close of the 2013 financial period that no consequences of the breach would arise for the Group.

The financing negotiations of Vaahto Group were concluded on 18 December 2013. The final agreement provides the Group companies with a grace period for receivables of credit institutions for 2014. In addition to the further 2.0 M euros provided by certain shareholders, the financiers of the Group also waived repayment of loans amounting to 1 M euros: 0.83 M euros for the parent company and 0.17 M euros for Vaahto Paper Technology Ltd. These amounts are shown in the financial items of the financial statement.

Moreover, the Group's financiers agreed to waive loans totaling 2 M euros, provided that certain conditions of the financing agreement are met. While the Company is likely to meet the conditions set for that waiver during the first quarter of 2014, the financiers will honor the waiver even after the first quarter, when the conditions are met. The financing arrangement includes a further commitment by the financiers to waive loans totaling 1 M

euros, provided that the Company can raise at least 1 M euros in new equity by means of a share issue. Conditional waiver of loans totaling 3 M euros from the financial arrangement reached, planned divestment of Paper Technology and Board's plans for a new share issue, will, once they have been realized, clarify the new, strategy-driven direction and support the financial position and liquidity of the Group.

However, the Group's liquidity remains low and the financing will suffice only if the management's plans succeed and profitability improves.

INVESTMENTS

The Group's capital expenditure during the period under review came to 0.9 M euros (1.3 M euros). Most of the investments went toward asphalting of the grounds of the Hollola production plant: in total, 0.6 M euros. The other investments consisted mostly of machine and equipment investments for Vaahto Paper Technology's Service business.

ENVIRONMENTAL AFFAIRS

The financial period saw the conclusion of the work required by the company's environmental permit for the processing of drainage water on the courtyard of the Hollola plant.

RESEARCH AND DEVELOPMENT

The Group's research and development activities focused on the expansion of Vaahto Paper Technology's range of service products. The scope of research and development activities remained at the previous financial year's level.

HUMAN RESOURCES

The average number of personnel employed by the Group during the period under review was 256 (333). In total, 181 of these people were employed in continuing operations. With the sale of the Projects unit on 15 April 2013, 56 people working in business operations in Hollola and 16 in Tampere transferred to Bellmer.

RISKS AND UNCERTAINTY FACTORS

Demand for Vaahto Group's products is highly dependent on economic developments and other trends in both the global economy and the Group's main customer industries. The risks created by fluctuations in demand are addressed through adaptation of the Group's sales operations to current trends in the relevant market areas and customer industries.

Large-scale projects entail the risk of inaccurate assessment of project costs and other risks inherent to projects in the tender stage, which may cause a project's financial result to be lower than expected. To keep the risks involved in large-scale projects under control, the Group employs several means, such as multiple quality-management systems, profitability analyses, operation guidelines, and approval procedures.

The objective of the efforts to manage the Group's financing risks is to minimize the negative impact of changes in financial markets on the Group's result and to ensure the availability of internal and external funding on competitive terms.

The risk of property losses, consequential losses, and liability losses caused by business operations is addressed by means of appropriate insurance arrangements.

The most significant risks associated with continued operations center on the liquidity and solvency of Vaahto Group, on meeting the conditions set by its financiers, on the adequacy of the development measures aimed at increasing profitability, and on the development of customers' demand and market situations.

A cash flow forecast extending through February 2015 was prepared to assess the sufficiency of the Group's working capital. That forecast indicates that the working capital will cover the needs of the coming 12 months, provided that the profitability goals set are reached. However the working capital situation will be tight and its adequacy shall be actively monitored.

Negotiations with Group's main financiers on financial restructuring are scheduled for fall 2014. The efforts to manage the Group's financing risks are presented in the note 28.

EQUITY CAPITAL

The financial statements of 31 December 2013 include depreciation of 11.1 M euros declared by the parent company, Vaahto Group Plc Oyj, for its subordinated loans to subsidiary Vaahto Paper Technology Ltd. This entry leaves the equity capital of Vaahto Group Plc Oyj at negative 4.3 M euros. On account of the operating loss, also the equity of Vaahto Paper Technology Ltd is negative. The Trade Register has been duly notified of the negative equities.

After the close of the financial year, the Board of Directors of Vaahto Group Plc Oyj announced that, to strengthen Vaahto Group's financial position, it intends to issue new shares in the first half of 2014. The Board is also considering various options for divestment of the Paper Technology business, with the primary option being sale of the business. The financial arrangements made and planned are described under "Financing and liquidity."

The Annual General Meeting held on 10 April 2013 authorized the Board of Directors to decide on the issuing of new shares in one or more tranches. The maximum number of shares that may be issued is 2,000,000. The authorization is valid until 31 May 2014.

The Board of Directors has no authorization to issue convertible bonds or warrant bonds or for purchasing or transferring the Group's own stock.

DEFERRED TAX LIABILITIES AND RECEIVABLES

In total, 0.3 M euros of value adjustments for deferred tax receivables from confirmed business losses and deferred depreciations have been booked for the 2013 financial period. After this, the Group has no further deferred tax receivables.

ADMINISTRATION

The Annual General Meeting held on 10 April 2013 nominated the following persons as members of the Vaahto Group Plc Oyj Board of Directors:

Reijo Järvinen, chairman
Sami Alatalo, deputy chairman
Topi Karppanen, member
Mikko Vaahto, member

Vaahto Group's CEO during the period under review was Ari Viinikkala.

After the close of the financial year, Vesa Alatalo was appointed as CEO from 16 January 2014 onward.

The Group's accounts have been audited by certified auditing company Ernst & Young Oy. The head auditor was Panu Juonala, Certified Public Accountant.

The Company follows the 2010 Corporate Governance Code issued for companies listed on the NASDAQ OMX Helsinki exchange. A report on the Group management and steering system is available on the Group's Web site.

DEVELOPMENT PROSPECTS

Demand for Vaahto Group's products and its financial situation both are highly dependent on global economic developments and other trends affecting its customer industries.

Vaahto Paper Technology's market situation remains uncertain. The market situation for Vaahto Process Technology is expected to be more stable.

The financing arrangement reached with our financiers, including a conditional waiver of loan repayments, planned divestment of the Paper Technology business, and the Board's planned share issue, will, once they have been realized, strengthen the strategy of focusing on the Process Technology business and support the financial position and liquidity of the Group.

The operating result from Vaahto Group's continuing operations in 2014 is expected to be positive.

The year-end accounts have been drafted under the going-concern assumption. This requires that the Company in 2014 reaches the result and profitability objectives set in the management forecasts and be able to obtain additional financing and renegotiate the payment terms for its liabilities.

DEVELOPMENTS SINCE THE END OF THE FINANCIAL YEAR

Vesa Alatalo was appointed as CEO of Vaahto Group Plc Oyj, with effect from 16 January 2014.

On 3 February 2014, Vaahto Group Plc Oyj announced a plan to strengthen its strategy focusing on Process Technology's operations. The Group engages in process technology business through subsidiaries, Japrotek Oy Ab and Stelzer Rührtechnik International GmbH. In line with the strategy change initiated in spring 2013, Vaahto Group intends to divest the unprofitable Paper Technology business. The Board of Directors is considering various options for discontinuation of the associated operations and capital, with the primary option being sale of the relevant business.

DISTRIBUTION OF PROFIT

The parent company made a business loss of 8,120,359.08 euros, and the company has no distributable funds.

The Board of Directors proposes to the General Meeting that no dividends be distributed and that the loss be covered with funds from the profit account.

Key figures

The business indicators 1000 EUR	2013 12 months IFRS	2011/2012 16 months IFRS	2010/2011 12 months IFRS	2009/2010 12 months IFRS	2008/2009 12 months IFRS
Turnover, continuing operations	36 516	30 369	30 316	35 160	75 694
Change, % *1)*	60,3	-24,9	-13,8	-53,5	3,4
Operating profit or loss, continuing operations	953	-4 120	-3 219	-2 857	-2 320
% of turnover	2,6	-13,6	-10,6	-8,1	-3,1
Profit or loss before taxes, continuing operations	939	-5 321	-3 944	-3 840	-3 458
% of turnover	2,6	-17,5	-13,0	-10,9	-4,6
Profit or loss for the period fron the discontinuing operations	-4 399	-2 347	1 965	0	0
Earnings per share calculated on profit attributable to equity holders of the parent	-4 090	-9 926	-2 225	-2 910	-2 460
% of turnover	-11,2	-32,7	-7,3	-8,3	-3,3
Return on equity (ROE), % 2)	neg	neg	neg	neg	neg
Return on investment (ROI), % 2)	neg	neg	neg	neg	neg
Equity ratio, %	neg	neg	17,8	21,8	23,2
Current ratio	0,8	0,6	0,9	0,8	0,9
Gearing	na	na	248,3	222,5	11,1
Gross investments in fixed assets	869	1 289	1 876	776	3 656
% of turnover	2,4	4,2	6,2	2,2	4,8
Order backlog	6 401	20 111	22 401	15 175	17 098
Consolidated balance sheet total	23 624	30 484	36 525	39 045	50 086
Total number of personnel (average)	256	333	348	371	410

Figures of reporting and reference periods are from continuing operations. In period 2010/2011 Projects-business is in discontinuing operations but Service-business is in continuing operations. Figures in periods 2008/2009-2009/2010 are total group figures.

1) Change % of turnover has been calculated by converting the turnover for reference period 1 September 2011- 31 December 2012 to correspond the turnover for the fiscal period of 12 months.

Share related data	2013 12 months IFRS	2011/2012 16 months IFRS	2010/2011 12 months IFRS	2009/2010 12 months IFRS	2008/2009 12 months IFRS
Earnings per share (EPS), euros *2)*	-1,03	-2,15	-0,75	-1,01	-0,86
Shareholders' equity per share, euros	-1,57	-0,54	1,52	2,36	3,37
Dividend per share, euros *3)*	0,0	0,0	0,0	0,0	0,0
Dividend payout, %	0,0	0,0	0,0	0,0	0,0
Effective dividend return, %	0,0	0,0	0,0	0,0	0,0
Price earnings ratio (P/E)	-0,8	-0,83	-9,0	-7,1	-7,9
Number of shares outstanding at the end of the period (1 000)	3 977	3 977	2 986	2 872	2 872
Number of shares outstanding, average (1 000)	3 977	3 463	2 953	2 872	2 872

2) The Earnings per Share (EPS) include also the profit of loss of the discontinuing operations. In reporting period 1 September 2011 - 31 December 2012 the Earnings per Share have been calculated by converting the profit or loss to correspond the profit or loss for the fiscal period of 12 months.

3) Proposal by the Board

Share prices EUR	2013 12 months	2011/2012 16 months	2010/2011 12 months 4)	2009/2010 12 months	2008/2009 12 months
A share					
- high	2,20	5,92	10,00	7,03	9,90
- low	0,65	1,60	5,87	5,46	4,72
- average	1,11	3,65	7,26	6,30	6,69
- share price at the end of the fiscal year	0,77	1,78	6,79	6,70	6,40
K share					
- high			7,97	7,69	10,74
- low			7,08	6,56	6,20
- average			7,57	7,30	7,98
- share price at the end of the fiscal year				7,68	7,30
Total market value, million euros					
A share	3,1	7,1	20,3	9,7	9,3
K share				10,9	10,4
Total	3,1	7,1	20,3	20,6	19,7
Number of shares traded during the fiscal year					
A share	477 435	137 241	266 706	19 270	517 074
K share			4 758	8 324	90 113
Number of shares traded, %					
A share	12,0	3,5	9,7	1,3	35,6
K share			1,1	0,6	6,4
Number of shareholders	456	337	299	295	303

4) Share series A and K have been combinated into one share serie on 16 December 2010.

Consolidated Statement of Comprehensive Income, IFRS

1000 EUR	1.1.-31.12.2013 12 months	1.9.2011-31.12.2012 16 months	Note
CONTINUING OPERATIONS			
NET TURNOVER	**36 516**	**30 369**	**4,5**
Change in finished goods and work in progress	-1 873	1 499	
Production for own use	101	270	
Other operating income	65	93	6
Share of profits of affiliated companies	0	25	
Material and services	-18 225	-16 010	
Employee benefit expenses	-9 853	-12 585	9
Depreciations	-739	-1 564	8
Other operating expenses	-5 038	-6 216	7
OPERATING PROFIT OR LOSS	**953**	**-4 120**	
Financing income	1 107	61	11
Financing expenses	-1 122	-1 263	12
PROFIT OR LOSS BEFORE TAXES	**939**	**-5 321**	
Tax on income from operations	-630	-2 257	13
PROFIT OR LOSS FOR THE FISCAL YEAR FROM THE CONTINUING OPERATIONS	**309**	**-7 579**	
DISCONTINUING OPERATIONS			
Profit of loss for the fiscal year from the discontinuing operations	-4 399	-2 347	
PROFIT OR LOSS FOR THE FISCAL YEAR	**-4 090**	**-9 926**	
OTHER COMPREHENSIVE INCOME:			
Translation differences	-10	38	
Other comprehensive income, net of tax	**-10**	**38**	
TOTAL COMPREHENSIVE INCOME	**-4 099**	**-9 888**	
NET PROFIT OR LOSS ATTRIBUTABLE:			
Equity holders of the parent	-4 090	-9 926	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE:			
Equity holders of the parent	-4 099	-9 888	
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS undiluted, euros/share, continuing operations	0,08	-2,19	14
EPS diluted, euros/share, continuing operations	0,08	-2,19	
EPS undiluted, euros/share, disontinuing operations	-1,11	-0,68	
EPS diluted, euros/share, discontinuing operations	-1,11	-0,68	
EPS undiluted, euros/share	-0,10	-2,86	
EPS diluted, euros/share	-1,03	-2,86	
Average number of shares			
-undiluted	3 977 360	3 463 206	
-diluted	3 977 360	3 463 206	

Consolidated Balance Sheet, IFRS

1000 EUR	31.12.2013	31.12.2012	Note
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	60	233	16
Goodwill	1 692	1 692	17
Tangible assets	5 241	7 596	15
Shares in affiliated companies	74	83	18
Available for sale investments	35	43	20
Non-current trade receivables and other receivables	0	3	19
Deferred tax asset	0	271	21
NON-CURRENT ASSETS	**7 102**	**9 921**	
CURRENT ASSETS			
Inventories	2 788	5 783	22
Trade receivables and other receivables	6 992	6 531	23
Current receivables for revenue recognized in part prior to project completion	1 727	1 293	23
Cash and bank	129	400	24
CURRENT ASSETS	**11 637**	**14 007**	
NON-CURRENT ASSETS HELD FOR SALE	**4 886**	**6 557**	**3**
ASSETS	**23 624**	**30 484**	
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Share premium account	6	6	
Fair value reserve and other reserves	5 063	5 063	
Translation differences	48	56	
Retained earnings	-14 251	-10 160	
Equity attributable to equity holders of the parent	**-6 262**	**-2 163**	
SHAREHOLDERS' EQUITY	**-6 262**	**-2 163**	**25**
NON-CURRENT LIABILITIES			
Deferred tax liability	649	699	21
Long-term liabilities, interest-bearing	11 763	3 608	27
Non-current provisions	362	395	26
NON-CURRENT LIABILITIES	**12 774**	**4 701**	
CURRENT LIABILITIES			
Short-term liabilities, interest-bearing	6 758	14 045	27
Trade payables and other liabilities	7 787	10 662	29
Tax liability, income tax	200	264	29
CURRENT LIABILITIES	**14 745**	**24 971**	
LIABILITIES OF DISPOSAL GROUP HELD FOR SALE			
Interest-bearing liabilities held for sale	0	573	
Interest-free liabilities held for sale	2 367	2 402	
LIABILITIES OF DISPOSAL GROUP HELD FOR SALE	**2 367**	**2 975**	**3**
EQUITY AND LIABILITIES	**23 624**	**30 484**	

Consolidated Flow of Funds Statement, IFRS

1000 EUR	1.1. - 31.12.2013	1.9.2011-31.12.2012	Note
FLOW OF FUNDS FROM OPERATIONS:			
Profit or loss before taxes	-4 090	-9 926	
Adjustments:			
Depreciations	1 273	2 758	8
Impairment losses	0	28	8
Unrealized foreign exchange gains and losses	-114	-33	
Other income and expenses, no payment related	-1 305	166	
Financing income and expenses	1 014	1 202	11,12
Share of profits of affiliated companies	0	-25	18
Other adjustments	0	-18	6
Taxes	515	2 266	
Flow of funds from operations before the change in working capital	**-2 707**	**-3 582**	
Change in working capital:			
Change in short-term receivables	-754	2 348	
Change in inventories	3 796	-1 730	
Change in short-term non-interest-bearing creditors	-1 624	-31	
Flow of funds from operations before financial items and taxes	**-1 289**	**-2 994**	
Interests and other financial expenses from operations paid	-988	-1 322	12
Dividends received	2	5	11
Interests and other financial income received	10	104	11
Income taxes paid	-94	-175	13
FLOW OF FUNDS FROM OPERATIONS	**-2 359**	**-4 382**	
FLOW OF FUNDS FROM INVESTMENTS:			
Investments in tangible and intangible assets	-869	-1 289	15,16
Increase caused by the change in the Group structure	0	-18	
Income from sales of tangible and intangible assets	1 188	319	
Repayments of loans	0	8	
FLOW OF FUNDS FROM INVESTMENTS	**320**	**-980**	
FLOW OF FUNDS FROM FINANCIAL ITEMS:			
Share issue	0	1 861	
Withdrawals of short-term loans	244	2 946	27
Repayments of short-term loans	-597	-1 136	27
Withdrawals of long-term loans	3 430	3 000	27
Repayments of long-term loans	-1 308	-1 685	27
FLOW OF FUNDS FROM FINANCIAL ITEMS	**1 769**	**4 987**	
Change of liquid funds	**-271**	**-375**	
Liquid assets at the beginning of the fiscal year	400	775	
Liquid assets at the end of the fiscal year	129	400	
Change in liquid assets according to the balance sheet	-271	-375	

Consolidated Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

Change in shareholders' equity 1.1.2013-31.12.2013	Share capital	Share premium account	Un-restricted equity reserve	Reserve fund	Translation differences	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity at the beginning of the fiscal period	**2 872**	**6**	**3 068**	**1 995**	**56**	**-10 160**	**-2 163**		**-2 163**
Comprehensive income:									
Profit or loss for the period						-4 090	**-4 090**		**-4 090**
Translation differences					-8	-1	**-10**		**-10**
Total comprehensive income	**0**	**0**	**0**	**0**	**-8**	**-4 091**	**-4 099**		**-4 099**
Shareholders' equity at the end of the fiscal period	**2 872**	**6**	**3 068**	**1 995**	**48**	**-14 251**	**-6 262**	**0**	**-6 262**

Change in shareholders' equity 1.9.2011-31.12.2012	Share capital	Share premium account	Un-restricted equity reserve	Reserve fund	Translation differences	Retained earnings	Total	Non-controlling interests	Total
Shareholders' equity at the beginning of the fiscal period	**2 872**	**6**	**0**	**1 995**	**29**	**-351**	**4 552**	**1 217**	**5 768**
Comprehensive income:									
Profit or loss for the period						-9 926	**-9 926**		**-9 926**
Translation differences					27	11	**38**		**38**
Total comprehensive income	**0**	**0**	**0**	**0**	**27**	**-9 915**	**-9 888**	**0**	**-9 888**
Transactions with owners:									
Share issue			2 250				**2 250**		**2 250**
Transaction costs for equity			-389				**-389**		**-389**
Acquisition of subsidiary			1 112			105	**1 217**		**1 217**
Disposal of subsidiary							**0**	-1 217	**-1 217**
Deferred taxes due to period changes			95				**95**		**95**
Transactions with owners total	**0**	**0**	**3 068**	**0**	**0**	**105**	**3 174**	**-1 217**	**1 957**
Shareholders' equity at the end of the fiscal period	**2 872**	**6**	**3 068**	**1 995**	**56**	**-10 160**	**-2 163**	**0**	**-2 163**

Notes to the Consolidated Financial Statements

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1. BASIC INFORMATION

Vaahto Group's parent company, Vaahto Group Plc Oyj, is a public Finnish company. The company's domicile is Hollola, and its registered address is Laiturikatu 2, FI-15140 Lahti, Finland. The company's shares have been quoted on the exchange now known as NASDAQ OMX Helsinki Oy since 1989.

Vaahto Group is a supplier of implementations of technology and consulting services, serving the process industry globally in the fields of paper-making technology and process machinery. The Group has two main business divisions: Vaahto Paper Technology and Vaahto Process Technology.

At its meeting of February 27, 2014, the Vaahto Group Plc Oyj Board approved this financial statement for publication. According to the Finnish Companies Act, shareholders have the choice of accepting or rejecting the financial statement at the Annual General Meeting held after its publication. The Annual General Meeting also has the opportunity to decide to amend the financial statement.

2. ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

Vaahto Group's consolidated financial statements have been drafted in compliance with the International Financial Reporting Standards (IFRS) system, the IAS and IFRS standards, and the SIC and IFRIC 'Interpretation' materials that were in effect on 31 December 2013. International financial reporting standards refer to standards and interpretations of the Finnish Accounting Act and its provisions approved for use within the European Union in accordance with EU regulation (EC) 1606/2002. The notes to consolidated accounts also comply with the requirements of Finnish accounting and community legislation that complement the IFRS regulations.

With the exception of derivatives contracts, consolidated financial statements are based on original acquisition costs.

FINANCIAL PERIOD

By decision of the Extraordinary Meeting of Shareholders, the financial year of Vaahto Group was changed to run from 1 January to 31 December starting in 2013. Previous financial years ran from 1 September to 31 August. The financial year witnessing the transition was extended to cover 16 months, from 1 September 2011 to 31 December 2012. Hence, the reference data in the financial statements for 2013 refer to 16 months.

GOING CONCERN

The year-end accounts have been drafted under the going-concern assumption. This requires that the Group reach during financial year 2014 the result and profitability objectives set in the forecasts made by the Group's management, and be able to obtain additional funding or renegotiate external capital-payment terms.

APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The following new and revised standards and interpretations have been applied in the Group during the 2013 financial year:

IAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The main amendment consists of the requirement to group the items of other comprehensive income so as to indicate whether they are reclassified subsequently to fall under profit or loss when specific conditions are met. This amendment affected the presentation of the consolidated items of other comprehensive income.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The data of the 2012 reference period have been adjusted in line with the revised standard.

IAS 12, Income Taxes (amended standard)

The amendment will be effective from 1 January 2012 or from the beginning of the next financial period starting after the effective date. The standard requires entities to measure deferred tax related to an asset in line with whether the entity expects to recover the carrying amount of the asset through use or sale. Amendments to IAS 12 apply to assets recognized in accordance with the IAS 40 standard, Investment Property, and assets revalued in accordance with the standard IAS 16, Property, Plant and Equipment. The Group has no assets recognized under IAS 40 (Investment Property) or assets revalued under IAS 16 (Property, Plant and Equipment). Amendments to the IAS 12 standard (Income Taxes) therefore have no bearing on the Group's consolidated accounts.

IAS 19, Employee Benefits (amended standard)

In consequence of the amendment, actuarial gains and losses may no longer be recognized for employees' average remaining years of service to the extent that they exceed the higher of 10% of pension obligations and 10% of the fair value of the plan assets. According to the revised standard, actuarial gains and losses must be recognized immediately in items of other comprehensive income in the period in which they incur. Interest expenses and expected return on assets have been replaced by the net interest on the net defined-benefit liability, which is recognized in profit or loss and presented in employee benefit expenses. The amendment eliminates the possibility to use the so-called corridor approach. This amendment had no bearing on the consolidated statements, since the Group has not used the corridor approach. The amendments to the standard have been applied retrospectively, in accordance with the transitional provisions.

IAS 27, Consolidated and Separate Financial Statements (revised standard)

The revised standard will be effective from 1 January 2013 or from the beginning of the next financial period starting after the effective date. The revised standard incorporates the requirements pertaining to separate financial statements that remain after the items related to control are included in the new IFRS 10. The revision is expected to have no significant bearing on the Group's consolidated accounts. The revised standard has not yet been approved for application within the EU.

IAS 28, Investments in Associates and Joint Ventures (revised standard)

The revised standard will be effective from 1 January 2013 or from the beginning of the next financial period starting after the effective date. The revised standard includes requirements pertaining to accounting of associates and joint ventures using the equity method as a result of the publication of IFRS 11. This amendment had no bearing on the consolidated statements.

IFRS 10, Consolidated Financial Statements
The new standard will be in effect from 1 January 2013 or from the beginning of the next financial period starting after the effective date. In accordance with existing principles, the standard identifies control as the basis for consolidation for all types of entities. The standard also provides guidance for the definition of a controlling undertaking where this is difficult to assess. This amendment had no bearing on the consolidated statements.

IFRS 11, Joint Arrangements
The new standard will be effective from 1 January 2013 or from the beginning of the next financial period starting after the effective date. For the financial reporting of joint arrangements, the standard emphasizes the rights and obligations arising from such arrangements rather than their legal form. Two types of joint arrangements are identified: joint operations and joint ventures. The standard also requires that a single method, the equity method, be used in the financial reporting of joint ventures. This amendment had no bearing on the consolidated statements.

IFRS 12, Disclosure of Interests in Other Entities
The new standard will be effective from 1 January 2013 or from the beginning of the next financial period starting after the effective date. The standard contains requirements for the notes to the financial statements pertaining to interests in other entities, including joint ventures. The new standard resulted in increased disclosure within the notes related to the Group's interests in joint ventures.

IFRS 13, Fair Value Measurement
The new standard will be effective from 1 January 2013 or from the beginning of the next financial period starting after the effective date. The objective of the standard is to promote harmonization and to reduce complexities by giving precise definition of a fair value and by setting, in a single standard, a framework for measuring fair value and requirements for the notes to the financial statements. The use of fair value is not expanded; instead, guidance is given for its determination in cases wherein its use is allowed or required by some other standard. This amendment had no impact on the notes to the consolidated statements.

Improvements to IFRS standards (Annual Improvements to IFRS 2009–2011, May 2012)
The revisions will be effective from 1 January 2013 or from the beginning of the next financial period starting after the effective date. The effects of the revisions vary from standard to standard, but the revisions have no significant bearing on the Group's consolidated accounts.

he IASB has published the following new or revised standards and interpretations, which the Group has not yet implemented. The Group will implement each standard and interpretation from its effective date or, if the effective date is a date other than the first day of a financial period, from the beginning of the following financial period. The revisions are assessed as having no significant bearing on the Group's future consolidated accounts.

IAS 32, Financial Instruments: Presentation (amended standard)
With the amendment Offsetting Financial Assets and Financial Liabilities (to be applied from 1 January 2014 or in financial periods starting thereafter), the standard provides more detailed rules for presentation of financial assets and liabilities on a net basis and includes new application guidelines. The revised standard will have no significant bearing on the Group's consolidated accounts. The amended standard has not yet been approved for application within the EU.

IAS 36, Impairment of Assets, amendment related to Recoverable Amount Disclosures for Non-Financial Assets
(to be applied from 1 January 2014 and in financial periods starting after that date) The amendment provides more detailed requirements for notes pertaining to cash-generating units for which an impairment loss has been recognized. The amended standard has not yet been approved for application within the EU.

IAS 39, Financial Instruments: Recognition and Measurement, amendment entitled Novation of Derivatives and Continuation of Hedge Accounting
(to be applied from 1 January 2014 or in financial periods starting thereafter). The amendment pertains to the application of hedging in situations where a derivative is novated from one counterparty to a central counterparty. The amendment allows hedge accounting to continue in such situations, when certain conditions are met. The amendment has not yet been approved for application within the EU.

IFRS 7, Financial Instruments: Disclosures (amended standard)
The standard will be effective from 1 January 2013 or from the beginning of the next financial period starting after the effective date. The amended standard provides more detailed requirements for disclosures about financial instruments presented on a net basis on the balance sheet, netting arrangements, and comparable agreements. The revised standard will have no significant bearing on the Group's consolidated accounts. The standard has not yet been approved for application within the EU.

IFRS 9, Financial Instruments as amended
(mandatory effective date to be confirmed). This IASB initiative started as a three-step project with the purpose of replacing the current IAS 39 standard, Financial Instruments: Recognition and Measurement. The first part of IFRS 9, containing requirements pertaining to classification and measurement of financial assets, was published in November 2009. Classification and measurement of financial assets in accordance with IFRS 9 depend on the characteristics of cash flows based on agreements and on the company's business model. The second part of IFRS 9, published in October 2010, includes requirements related to classification and measurement of financial liabilities. The second part is based largely on the current requirements of IAS 39. The IASB is, however, still considering making limited changes to the published IFRS 9 guidelines that address classification and measurement of financial assets. Other sections not yet completed deal with impairment and hedge accounting. The IASB has separated out the section on macro hedge accounting, to be handled in a separate project. Because of the unfinished nature of the standard, its eventual bearing on the Group's consolidated financial statements cannot be estimated yet. The standard has not yet been approved for application within the EU.

CONSOLIDATION PRINCIPLES

The consolidated accounts include data for Vaahto Group Plc Oyj and all subsidiaries under its control. The Group's control of all subsidiaries is based on full ownership of each subsidiary's shares.

Acquired subsidiaries are consolidated into group accounts from the date on which the business group has acquired control in the companies. Intra-group interests are eliminated in line with the acquisition-cost method. Acquisition cost is allocated to funds and liabilities itemised at the time of the entity's acquisition at their current value. The difference between the subsidiary's acquisition cost and the current net value of its separately identifiable funds and liabilities is recognised as the company's business value on the balance sheet.

The Group is a shareholder in an associated company in Russia, named ZAO Slalom. The company's purpose is to manage Vaahto Paper Technology's sales and marketing efforts in Russia. The company has two series of shares: ordinary registered shares and convertible preferred shares, which differ in terms of voting power: convertible preferred shares do not entitle the holder to any voting right at the company's General Meeting. The Group owns 40 ordinary registered shares out of the company's total of 100 ordinary registered shares, and 20 convertible preferred shares out of the 20 convertible preferred shares. The Group's share of the company's voting power is 40%. According to the company's articles of association, the convertible preferred shares owned by the Group can be converted to ordinary registered shares from 1 January 2010. This right has not been exercised during the financial period under review. The company is presented as an associate in the consolidated accounts, and the Group's share of the company's result has been consolidated into Group accounts in accordance with the equity method.

Intra-group business transactions, receivables, liabilities, unrealised gains, and internal distribution of profit are eliminated in the consolidated accounts. Distribution of profit to the parent company's owners and minority interest is presented in connection with the profit and loss statement, and the amount of equity belonging to minority interest is presented as an individual equity item on the balance sheet. Minority interest's share of cumulative loss is entered in the consolidated accounts at a value equal to or lower than investment value.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets held for sale, disposal groups, and liabilities related to assets held for sale are classified as assets held for sale and valued at book value or, if lower, current value less sales costs, if the value corresponding to their book value will be generated mostly from asset sale instead of continuous use. In this case, the Group's management have committed to the sale of the asset in question and sale during the next 12 months is expected to be highly likely and considered practicable in the intermediate time.

An operation is classified to be discontinued on the date it fulfils the precondition either of being classified as an asset held for sale or of the operation having been disposed of. A discontinued operation is a part of an entity that has been disposed of or classified as an asset held for sale and that represents a separate, important business area or geographic area of operation; is part of a single co-ordinated plan addressing disposing of operations in a separate, important business area or geographic area of operation; or is a subsidiary that has been acquired with the sole intention of it being resold.

In the 2012 financial statement, the Group described Vaahto Paper Technology's project-business unit and the spare-parts and small-project operations belonging to the company's service unit as discontinued operations. This business was sold to Gebr. Bellmer GmbH Maschinenfabrik in April 2013. All projects in progress at the time of the sale were transferred to the buyer. Completed projects that are within their warranty period remain with Vaahto Paper Technology Oy. All liabilities associated with the completion of these projects and related estimates are included in the balance sheet under "Operations for sale."

Vaahto Group intends to divest or discontinue operations of the unprofitable Paper Technology business in its entirety. The Board of Directors is considering various options for the discontinued Paper Technology business, the primary option being a sale of the business. The Service unit of Vaahto Paper Technology Oy is presented in the profit and loss statement as "Discontinued operations" and on the balance sheet as assets and liabilities for sale. AP-Tela Oy, which belongs to Paper Technology, is shown under continuing operations.

The effect of discontinued operations on profit/loss is shown on its own line, separate from continued operations.

ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The consolidated financial statements are presented in euros, the functional and presentation currency of the Group.

Transactions denominated in foreign currencies are converted into euros at the exchange rate applicable on the date of the transaction. Assets and debts denominated in foreign currencies are converted into euros at the exchange rate in effect on the balance sheet date. Foreign exchange gains and losses are included in the corresponding items above operating profit. Currency translation differences related to financial items are included in financing gains or losses.

In the consolidated financial statements, the income statements of foreign Group companies are converted to euros at the average exchange rate for the period, and balance sheets are converted at the exchange rate in effect on the balance sheet date. Currency translation differences caused by the use of different exchange rates and by the elimination of the cost of acquisition of foreign subsidiaries are entered under the Group's shareholders' equity as a separate item.

RECOGNITION PRINCIPLES

Product sales are recognized when the significant risks and benefits related to ownership of the products have been transferred to the buyer. The income and expenses from long-term projects are recognized as income and expenses on the basis of the percentage of completion when the result of the project can be assessed reliably.

The percentage of completion of a project is determined by the ratio of the expenses of accrued work hours to the estimated overall cost of the project. When it is likely that the total costs necessary for completing a project exceed the total income from the project, the expected loss is immediately entered as an expense.

When the outcome of a long-term project cannot be estimated reliably, project costs are recognized as expenses in the fiscal year in which they arise, and project income is rec-

ognized only to the extent of project costs incurred where it is probable that those costs will be recoverable. Losses caused by the project are recognized as an expense immediately.

SUBSIDIES RECEIVED

Public subsidies are entered as income in the income statement at the same time as the expenses are entered. Subsidies related to the acquisition of tangible assets are recognized as a deduction in the carrying amount of tangible assets.

EMPLOYEE BENEFITS

Pension liabilities for the Group's Finnish personnel have been covered through a pension insurance company. Pension liabilities at foreign subsidiaries have been addressed in accordance with local laws and regulations. All of the Group's pension arrangements are defined contribution arrangements, and the related costs are entered in the income statement for the fiscal year in which they were incurred. An exception to this is the German company, which has a provision for pension of one person in addition to the pension arrangements based on payment. The provision is described in more detail in item 26 of the notes, Provisions.

OPERATING PROFIT

The Group has defined operating profit as follows: operating profit is the net sum obtained after adding other operating income to the turnover and then deducting purchasing costs, adjusted by the change in stocks of finished products and work in progress and the expenses of products manufactured for the Group's own use; costs of employee benefits; depreciation; any impairment losses; and other operating expenses. All other income statement items are presented below the operating profit. Currency translation differences are included in the operating profit if they arise from items connected with business operations; otherwise, they are entered among financial items. Shares of profits of affiliated companies are included in the operating profit, if the operation of the affiliated company is considered to be closely related to the Group's business, otherwise they are included in the financial items.

BORROWING COSTS

Borrowing costs are recorded as an expense in the financial year in which they are incurred. Transaction costs that are directly related to the taking out of loans and are clearly linked to a specific loan are included in the amortized cost and are amortized as interest costs using the effective interest rate method if they are significant.

INCOME TAX

The tax expense in the income statement consists of current tax, based on the taxable profit for the period, and deferred tax. Current tax is calculated on the taxable profit in accordance with the local tax laws applied to each Group company. The tax is adjusted by any relevant tax amounts for previous years.

Deferred tax is calculated for temporary differences between accounting and taxation at the tax rate applicable on the date of the financial statement. Temporary differences are caused by, e.g., depreciation of property, plants, and equipment; nontax- deductible impairment items; internal stock margin; and unused taxation losses. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which they can be utilized.

TANGIBLE ASSETS

Property, plants, and equipment are valued at their original acquisition cost minus accumulated depreciation and any impairment losses.

If a property, plant, and equipment item consists of several parts with different useful lives, each part is accounted for as a separate item. When such a part is replaced, the related costs are capitalized. Otherwise, subsequent expenses are included in the carrying amount for property, plants, and equipment only if it is probable that they will increase the economic benefit to the company and that the acquisition cost of the item can be determined reliably. The earnings impact of other repair and maintenance costs is recognized as incurred.

Property, plants, and equipment are depreciated on a straight-line basis over the estimated useful life. Land is not depreciated. The estimated useful lives are as follows:

Buildings	35–40 years
Machinery and equipment	5–25 years

The residual value of assets and their useful lives are reassessed annually when the financial statements are prepared, and they are adjusted if necessary. Gains or losses from the sale or disposal of property, plants, and equipment are recognized as either other operating income or other operating expenses.

INTANGIBLE ASSETS:

Goodwill

Goodwill represents that amount of the acquisition cost that exceeds the Group's share of the fair value on the date of acquisition of the net assets of a company acquired after the IFRS transition date. Planned depreciation is not deducted from the consolidated goodwill. Instead, it is tested annually for impairment. For this purpose, goodwill is allocated to cash-generating units. Goodwill is valued at the original acquisition cost, with any impairment deducted.

Expenditure on research and development

Research costs are entered in the income statement as expenses. Development costs for new or more advanced products are capitalized on the balance sheet as intangible assets when the product is technologically viable and commercially exploitable and when economic benefits can be expected from the product. Development costs previously entered as expenses are not capitalized later. Depreciation is recognized for the asset from the date it is ready for use. The useful life of capitalized development expenditure is five years, and capitalized assets are amortized on a straightline basis over this period.

Other intangible assets

An intangible asset is included in the balance sheet figures only if its acquisition cost can be determined reliably and if it will increase the economic benefit to the company. Patents, trademarks, and licenses whose useful life is finite are entered on the balance sheet at the original acquisition cost and amortized in the income statement on a straight-line basis over their known or estimated useful life.

Costs for development and construction of significant new software are capitalized on the balance sheet as intangible assets and amortized on a straight-line basis over their useful life. The direct costs capitalized include consulting and specialist fees paid to third par-

ties, software licenses purchased for applications, and other direct costs. Software maintenance and operation costs are recorded as an expense for the financial year in which they are incurred. The depreciation periods are as follows:

Intangible rights	5 years
IT - software	5 years
Other intangible assets	5 years

IMPAIRMENTS

Annually, on the balance sheet date, the Group reviews its assets to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is also estimated annually for the goodwill, irrespective of whether there is any indication of impairment.

The recoverable amount is calculated as the higher of 1) fair value minus cost to sell and 2) value in use. The value in use is the present value of the estimated future net cash flows obtainable from the asset or cash-generating unit. An impairment loss is recognized if the carrying amount of an asset exceeds the recoverable amount. An impairment loss is reversed if conditions have changed and the recoverable amount for the asset changed after the impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been declared if no impairment loss had been recognized. An impairment loss in relation to goodwill is never reversed.

INVENTORIES

Inventories are stated at the lower of acquisition cost and probable net realizable value. The acquisition cost is based on the FIFO principle. The acquisition cost of manufactured products and work in progress includes the cost of raw materials, direct labor costs, and an appropriate share of variable and fixed production overheads based on normal operating capacity. The net realizable value is the estimated selling price in the ordinary course of business, minus the costs of completion and the selling expenses.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized at original value. Credit losses are expensed when there is sufficient evidence that the Group will not obtain all of its receivables under the original terms.

FINANCIAL ASSETS AND LIABILITIES

Financial assets are classified as belonging to the following categories: loans and other receivables and available-for-sale financial assets. Financial assets are classified on their original acquisition date on the basis of the purpose for which they were acquired.

Loans and other receivables are financial assets with fixed or determinable payments that are not quoted on an active market and that the company does not hold for trading purposes. This category includes the Group's financial assets that have been generated by transferring money or assets to a debtor. They are valued at the amortized acquisition cost and included in long- and short-term financial assets – the latter if they fall due for payment within 12 months.

Available-for-sale financial assets consist of shares and debt with interest, and they are recognized at their fair value. However, not-listed shares have been recognized at the acquisition cost, because reliable fair values have not been available. Changes in the fair value are entered in the fair value reserve in equity, with the tax effect taken into account. Changes in fair value are transferred from equity to the income statement when the instrument is sold or its value has fallen so that an impairment loss has to be recognized for the instrument. Available-for-sale financial assets are included in long-term assets, except if the intention is to hold them for less than 12 months after the balance sheet date, in which case they are included in short-term assets.

Cash and cash equivalents comprise cash in hand and bank deposits that can be obtained on demand.

Financial liabilities are valued at the amortized acquisition cost. Financial liabilities are included in non-current and current liabilities, and they may be interest-bearing or not.

PROVISIONS

A provision is recognized in the balance sheet figures when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will have to be settled, and the amount of the obligation can be reliably estimated.

A warranty provision is recognized when the underlying product is sold. The warranty provision is based on past experience of actual claims over the warranty period.

A provision is recognized for unprofitable contracts when the costs required to fulfill the obligations exceed the benefits received under the contract.

RENTAL AGREEMENTS

Rental agreements concerning tangible and intangible assets in which the Group holds a material share of the risks and benefits of ownership are classified as financial lease agreements. A financial lease agreement is entered on the balance sheet at either the fair value of the leased asset on the starting date of the lease agreement or the current value of the minimum rent amounts, whichever is lower. Tangible assets acquired under financial lease agreements are depreciated over their economic life or the term of the lease, whichever is shorter. Lease payments are divided into financing costs and installment payment of the liability so that the interest rate for the remaining liability remains unchanged. Rental obligations are included in interest-bearing liabilities.

Rental agreements under which the risks and benefits of ownership are retained by the hirer are treated as other rental agreements. Rent paid in connection with other rental agreements is expensed in even installments in the income statement over the duration of the rental period.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Derivative financial instruments are initially entered in the accounts at their acquisition cost, which corresponds to their fair value. Subsequently, derivatives are stated at fair value.

The fair values of currency forward contracts are determined by comparing the value of the currency amount of the contract as calculated using the original forward rate with the value calculated using the forward rate on the balance sheet date. Gains and losses generated by recognition at fair value are handled in the accounts in the manner specified accord-

ing to the purpose of the derivative financial instrument.

The fair values of interest derivatives are specified by discounting the contractual cash flows to the current value with the market interest of the balance sheet date.

Derivative instruments are used in the Group as a rule to hedge against exchange rate and interest rate risks. The currency forward contracts and currency option contracts are used to protect trade receivables and account payables as well as future receivables and liabilities. The interest rate derivatives are used to hedge against the changes of interest rates. However, the hedge accounting does not meet the criteria of the hedge accounting according to the IAS 39 standard, and therefore the derivative instruments are not defined as hedging instruments in the financial statements, but the changes of their fair value are recognized in the income statement.

ACCOUNTING PRINCIPLES REQUIRING JUDGMENTS BY MANAGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For preparation of the consolidated financial statements in accordance with the IFRS standards, estimates and assumptions have to be made concerning the future, and actual results may differ from these estimates and assumptions. For the most part, these estimates affect the valuation of assets, the recognition of long-term projects under the percentage-of-completion method, and the utilization of deferred tax assets.

The Group tests goodwill annually for impairment and evaluates indications of impairment as set forth in the accounting principles above. The recoverable amount from cash-generating units is determined using calculations that are based on value in use. The use of these calculations requires the application of estimates. The cash flow forecasts used for the calculations are based on the annual predictions concerning the income statement and maintenance investments made by the management, prepared in connection with the Group's budgeting process. The management bases its forecast on actual developments and its opinion of the growth outlook for the industry. The forecasts include uncertainty in respect of the development of the industry's market situation.

As described in the income recognition policies, the income and expenses from long-term projects are recognized as income and expenses on the basis of the percentage of completion when the result of the project can be assessed reliably. Recognition associated with the percentage of completion is based on the expected income and expenses of the project and on reliable measurement of project progress. If estimates of the project's outcome change, the recognized sales and profit are amended in the fiscal year during which the change becomes known and can be estimated for the first time. Any loss expected from the project is recognized as an expense immediately.

3. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUING OPERATIONS

DISCONTINUING OPERATIONS

In the 2012 financial statement, the Group described the sale of Vaahto Paper Technology's project-business unit and the spare-parts and small-project operations belonging to the company's service unit as discontinued operations. This business was sold to Gebr. Bellmer GmbH Maschinenfabrik in April 2013. All projects in progress at the time of the sale were transferred to the buyer. Completed projects that are within their warranty period remain with Vaahto Paper Technology Ltd. All estimated liabilities associated with the completion of these projects are included in the balance sheet under "Operations for sale."

Vaahto Group intends to divest or discontinue operations of the unprofitable Paper Technology business in its entirety. The Board of Directors is considering various options for the discontinued Paper Technology business, the primary option being a sale of the business. The Service unit of Vaahto Paper Technology Oy is presented in the profit and loss statement as discontinued operations and on the balance sheet as assets and liabilities for sale.

DISCONTINUING OPERATIONS

1000 EUR

Profit or loss of the discontinuing operations	**1.1.-31.12.2013**	**1.9.2011-31.12.2012**
Income	7 765	29 480
Other income	420	1 196
Operative expenses	-10 664	-31 792
Writedowns, sales gains - losses	-1 500	-28
Depreciations	-535	-1 194
Profit/loss before taxes	**-4 514**	**-2 338**
Taxes	115	-9
Profit or loss of the fiscal period from the discontinuing operations	**-4 399**	**-2 347**

Flow of funds from the discontinuing operations		
Flow of funds from operations	-902	-1 203
Flow of funds from investments	1 188	-169
Flow of funds from financial intems	-52	-265
Flow of funds total	**235**	**-1 636**

Non-current assets held for sale of discontinuing operations	**31.12.2013**	**31.12.2012**
Intangible assets	4	93
Tangible assets	2 250	2 549
Inventories	434	1 548
Receivables	2 197	2 367
Assets total	**4 886**	**6 557**

Liabilities of disposal group held for sale of discontinuing operations	**31.12.2013**	**31.12.2012**
Non-current liabilities held for sale, interest-bearing		362
Current liabilities held for sale, interest-bearing		212
Current liabilities held for sale, interest-free	2 367	2 402
Liabilities total	**2 367**	**2 975**

4. OPERATING SEGMENTS

In accordance with the IFRS 8 standard "Operating Segments," the Group reports on business activities for two operating segments: Vaahto Paper Technology and Vaahto Process Technology. This division is based on the Group's internal organizational structure and internal financial reporting, which is performed in accordance with the IFRS accounting principles.

Vaahto Group intends to divest or discontinue the operations of the unprofitable Paper Technology business in their entirety. The Board of Directors is considering various options for the business to be discontinued, the primary option being sale of that business.

In the 2012 financial statement, the Group described Vaahto Paper Technology's project-business unit and the spare-parts and small-project operations belonging to the company's service unit as discontinuing operations. This business was sold in April 2013. All projects in progress at the time of the sale were transferred to the buyer. Completed projects that are within their warranty period remain with Vaahto Paper Technology Ltd. All liabilities associated with the completion of these projects and related estimates are included in the balance sheet under "Discontinuing operations."

The Service unit of Vaahto Paper Technology Ltd. is presented in the profit and loss statement as "Discontinuing operations" and on the balance sheet as assets and liabilities for sale. AP-Tela Oy, which belongs to Paper Technology, is shown under continuing operations.

Reference data have been adjusted for comparability with the 2013 financial period.

The Vaahto Paper Technology segment's products and services comprise paper and cardboard machines and their rebuilds, along with rolls, roll coating, and roll servicing. The Vaahto Process Technology segment's products include pressure vessels, agitators and mixing machinery, reactors, columns, and heat exchangers.

Inter-segment pricing is based on market prices.

The assets and liabilities of a segment consist of business items that are used by the segment in its business operations and that can be allocated to that segment. Items not thus allocated include centrally managed financial items and taxes, along with other items shared by the entire Group. The investments comprise additions to tangible fixed assets and intangible assets, where these are used in more than one financial period.

Notes to the Consolidated Financial Statements

OPERATING SEGMENTS

1000 EUR

1.1. - 31.12.2013	**Vaahto Paper Technology**	**Vaahto Process Technology**	**Elimi-nations**	**Segments total**	**Non-allocated items**	**Group total**
Income statement information						
External net sales	4 351	32 165		**36 516**		36 516
Intra-Group net sales	172	3	-176			
Net turnover	**4 523**	**32 168**	**-176**	**36 516**		**36 516**
Shares of profits of affiliated companies						
Operating profit or loss	-777	2 553	573	**2 349**	-1 396	953
Profit or loss of the segment	**-777**	**2 553**	**573**	**2 349**	**-1 396**	**953**
Financing income and expenses					-14	-14
Taxes					-630	-630
Profit or loss from continuing operations						**309**
Profit or loss from discontinuing operations	-4 399			**-4 399**		-4 399
Profit or loss for the fiscal period						**-4 090**
Balance sheet information						
Segments assets	7 912	16 043	-2 053			21 903
Shares in affiliated companies	74					74
Segments assets total	**7 987**	**16 043**	**-2 053**		**0**	**21 977**
Cash and bank					129	
Other non-allocated assets					1 518	
Non-allocated assets total						1 647
Assets total, Group						**23 624**
Segments liabilities	3 415	6 708				10 123
Segments liabilities total	**3 415**	**6 708**	**0**		**0**	**10 123**
Long-term and short-term liabilities, intererst-bearing					18 521	
Deferred tax liabilities					649	
Tax liability, income tax					200	
Derivatives					94	
Other non-allocated liabilities					300	
Non-allocated liabilities total						19 764
Liabilities total, Group						**29 886**
Other information						
Net sales, goods	4 351	32 165		**36 516**		36 516
Net sales, services						
Investments	770	78		**848**		848
Depreciation	11	570		**581**		581
Average number of personnel:						
Continuing operations	43	138		**181**		181
Discontinuing operations	75			**75**		75
Total	118	138		**256**		256

OPERATING SEGMENTS

1000 EUR

1.9.2011-31.12.2012	**Vaahto Paper Technology**	**Vaahto Process Technology**	**Elimi-nations**	**Segments total**	**Non-allocated items**	**Group total**
Income statement information						
External net sales	6 338	24 030		**30 369**		30 369
Intra-Group net sales	61	49	-109			
Net turnover	**6 399**	**24 079**	**-109**	**30 369**		**30 369**
Shares of profits of affiliated companies	25			**25**		25
Opeerating profit or loss	-3 454	-690		**-4 144**		-4 144
Profit or loss of the segment	**-3 430**	**-690**		**-4 120**		**-4 120**
Financing income and expenses					-1 202	-1 202
Taxes					-2 257	-2 257
Profit or loss from continuing operations						**-7 579**
Profit or loss from discontinuing operations	-2 347					-2 347
Profit or los for the fiscal period						**-9 926**
Balance sheet information						
Segments assets	16 365	13 670	-1 409	**28 626**		28 626
Shares in affiliated companies	83	0	0	**83**		83
Segments assets total	**16 448**	**13 670**	**-1 409**	**28 709**		**28 709**
Deferred tax asset					271	
Cash and bank					400	
Other non-allocated assets					1 104	
Non-allocated assets total						1 775
Assetts total, Group						**30 484**
Segments liabilities	6 637	6 491		**13 128**		13 128
Segments liabilities total	**6 637**	**6 491**		**13 128**		**13 128**
Long-term and short-term liabilities, interest-bearing					18 226	
Deferred tax liabilities					699	
Tax liability, income tax					264	
Derivatives					208	
Other non-allocated liabilities					123	
Non-allocated liabilities total						19 519
Liabilities total, Group						**32 647**
Other information						
Net sales, goods	6 338	24 030		**30 369**		30 369
Investments	1 082	225		**1 307**		1 307
Depreciation	875	689		**1 564**		1 564
Average number of personnel:						
Continuing operations	142	122				264
Discontinuing operations	69					69
Total	211	122				333

1000 EUR

GEOGRAPHICAL AREA INFORMATION

The geographical areas are presented by the main market areas. The turnover for the geographical area is presented in order of the clients' location. Financial resources and the investments are presented in accordance with their location. As financial resources are presented tangible and intangible assets, goodwill and shares in affiliated companies.

2013	Finland	Other Europe	North America	Asia	Africa	Other	Group total
Net turnover	8 716	13 430	168	3 818	9 760	623	36 516
Assets	5 273	1 794					7 067
Investments	818	51					869

2011-2012	Finland	Other Europe	North America	Asia	Africa	Other	Group total
Net turnover	10 805	16 037	200	2 331	147	848	30 369
Assets	7 708	1 883	13				9 604
Investments	1 101	188					1 289

INFORMATION ABOUT KEY CUSTOMERS

The Group's turnover includes proceeds from an individual customer a sum that exceeds 10 % of the Group's turnover. These proceeds come to 9,8 M€. Proceeds are included in the turnover of Process Technology -segment.

5. LONG TERM PROJECTS

	1.1.-31.12.2013	1.9.2011-31.12.2012
Net turnover		
Net turnover of construction contracts recognized under the percentage of completion method	18 904	6 935
Other turnover	17 612	23 434
Total	**36 516**	**30 369**
The amount that has been recognized as revenue from the long-term projects recognized under the percentage of completion method (however, not yet delivered to the customer), during the fiscal period and during the earlier periods	22 108	22 592

Order backlog	31.12.2013	31.12.2012
Construction contracts recognized under the percentage of completion method	2 756	12 633
Projects entered on completion of the project	3 645	7 478
Order backlog total	**6 401**	**20 111**

The amount of contract revenue of the construction contracts recognized as revenue has been deducted from the order backlog.

Specification of combined items of assets and liabilities concerning the construction contracts		
Accrued income from the construction contracts recognized under the percentage of completion method	18 065	6 169
Advances received from the customers	16 338	4 876
Difference	**1 727**	**1 293**
Accrued income from the construction contracts in the Balance Sheet (Balance Sheet item Current receivables for revenue recognized in part prior to project completion, note 23. Current assets)	1 727	1 293
Receivables from the construction contracts in the Balance Sheet (net)	**1 727**	**1 293**

6. OTHER OPERATING INCOME

	1.1.-31.12.2013	1.9.2011-31.12.2012
Other operating income		
Profit from sales of other tangible assets	7	14
Other rent income	5	7
Other income	53	72
Total	**65**	**93**

1000 EUR	1.1.-31.12.2013	1.9.2011-31.12.2012

7. OTHER OPERATING EXPENSES

Other operating expenses

Rents	738	787
Overhead costs of production	774	855
Travelling expenses	444	384
IT-costs	629	946
Expenses from real estates and apartments	347	398
Sales Costs	300	222
Non-statuory employee benefits	184	267
Costs of bank guarantees	56	94
Marketing expenses	73	168
Other expenses	1 494	2 095
Total	**5 038**	**6 216**

Other operating expenses include fees paid to the auditors

Auditing fees	75	136
Consulting and other fees	34	77
Total	**110**	**213**

8. DEPRECIATION AND IMPAIRMENTS

Depriciations by groups of assets

Intangible assets

Intangible rights	28	39
Other long-term assets	21	35
Other long-term assets, financial lease	135	721
Total	**185**	**794**

Tangible assets

Buildings	109	143
Machinery and equipment	328	497
Machinery and equipment, financial lease	68	88
Other tangible assets	48	41
Total	**553**	**769**

Depreciations and impairments total	**739**	**1 564**

1000 EUR	1.1.-31.12.2013	1.9.2011-31.12.2012

9. COSTS OF EMPLOYEE BENEFITS

Costs of employee benefits		
Salaries and fees	5 312	6 806
Pension expenses, defined contribution plan	922	1 152
Other employee benefits	3 620	4 627
Total	**9 853**	**12 585**

Management and Board salaries, fees and benefits		
Managing Directors	615	1 176
Board members and substitute members	88	122
Total	**703**	**1 299**

AVERAGE NUMBER OF PERSONNEL OF THE GROUP

Continuing operations		
Office staff	82	86
Workers	99	104
Total	**181**	**189**

Discontinuing operations		
Office staff	25	59
Workers	49	85
Total	**74**	**144**

Total		
Office staff	152	145
Workers	105	189
Total	**256**	**333**

The information concerning the employee benefits of the management can be found on note 32. "Related party transactions".

10. EXPEDINTURE ON RESEARCH AND DEVELOPMENT

Research and development expenditure on income statement	555	1 073
Total	**555**	**1 073**

Research and development expedintures include also expedintures from discontinuing operations.

11. FINANCING INCOME

Interest income	9	12
Dividends	2	5
Foreign exchange gains		8
Unrealized gains on fair value measurement	96	35
Other financing income	1 000	0
Total	**1 107**	**61**

Other financing income during the fiscal year 2013 is the waiver of the loan from credit institutions.

12. FINANCING EXPENSES

Interest expenses	1 123	1 205
Foreign exchange losses	-2	32
Unrealized losses on fair value measurement		26
Total	**1 122**	**1 263**

1000 EUR	1.1.-31.12.2013	1.9.2011-31.12.2012

13. INCOME TAX

Income taxes in income statement		
Tax on income from operations from the fiscal period	-294	93
Change in deferred tax liabilities and tax assets	-336	-2 350
Total	**-630**	**-2 257**

Reconciliation between tax provision on income statement and mathematical tax based on parent company's tax rate		
Profit or loss before taxes	939	-5 321
Parent company's tax rate at the end of the fiscal period	24,5 %	24,5 %
Mathematical tax based on parent company's tax rate	230	-1 304

Differences between tax provision on income statement and mathematical tax based on parent company's tax rate due to:		
Change of the tax rate of the parent company		124
Effect of different tax rates in foreign subsidiaries	59	30
Non-deductible income	-245	-1
Non-deductible expenses	-5	15
Impairment concerning deferred tax assets on confirmed losses recognized in previous periods	271	1 663
Unrecognized taxes on losses from the fiscal period	577	1 503
Shares of profits of affiliated companies		-6
Change of depreciation booked but not deducted in taxation		391
Other timing differences	-256	-158
Tax provision on income statement	**-630**	**-2 257**
Effective tax rate	-67,1 %	42,4 %

14. EARNINGS PER SHARE

Net profit or loss attributable to the shareholders' of the parent, continuing operations	309	-7 579
Net profit or loss attributable to the shareholders' of the parent, discontinuing operations	-4 399	-2 347
Average number of shares during the fiscal period	3 977 360	3 463 206
Earnings per share calculated on profit attributable to equity holders of the parent:		
Earnings per share undiluted, euros/share, continuing operations	0,08	-2,19
Earnings per share undiluted, euros/share, discontinuing operations	-1,11	-0,68
Earnings per share, euros/share	-1,03	-2,86

1000 EUR

15. TANGIBLE ASSETS

1.1.2013-31.12.2013	Land	Buildings	Machinery and equipment	Machinery and equipment, financial lease	Other tangible assets	Advance payments and unfinished invest-ments	Total
Acquisition cost at the beginning of the period	439	2 957	13 756	2 609	1 202	375	**21 338**
Translation differences							**0**
Increase	7	10	112		690	18	**838**
Decrease			-2		-59		**-61**
Transfers between items			331			-331	**0**
Reclassification to non-current held for sale assets			-6 012	-1 570			**-7 582**
Acquisition cost at the end of the period	446	2 967	8 185	1 039	1 833	62	**14 533**
Accumulated depreciations and impairment losses at the beginning of the period		-1 210	-10 059	-1 443	-1 030		**-13 742**
Translation differences							**0**
Depreciations of transfers' and decrease items		3	102	22	59		**186**
Depreciations		-113	-716	-179	-60		**-1 068**
Reclassification to non-current held for sale assets, cumulative amortisation			4 287	1 089	-1	-44	**5 331**
Accumulated depreciations and impairment losses at the end of the period		-1 319	-6 387	-511	-1 032	-44	**-9 293**
Book value at the beginning of the period	439	1 747	3 697	1 166	172	375	**7 596**
Book value at the end of the period	**446**	**1 648**	**1 798**	**529**	**801**	**18**	**5 241**

1.9.2011-31.12.2012	Land	Buildings	Machinery and equipment	Machinery and equipment, financial lease	Other tangible assets	Advance payments and unfinished invest-ments	Total
Acquisition cost at the beginning of the period	425	3 337	18 902	3 944	1 745	966	**29 320**
Translation differences					8		**8**
Increase	14	32	320		62	674	**1 101**
Decrease			-923		-3		**-926**
Transfers between items			1 258		8	-1 266	**0**
Reclassification to non-current held for sale assets		-412	-5 802	-1 335	-618		**-8 166**
Acquisition cost at the end of the period	439	2 957	13 756	2 609	1 202	375	**21 338**
Accumulated depreciations and impairment losses at the beginning of the period		-1 118	-14 405	-1 480	-1 409		**-18 413**
Translation differences					-5		**-5**
Depreciations of transfers' and decrease items			922		3		**925**
Depreciations		-157	-1 272	-325	-113		**-1 867**
Reclassification to non-current held for sale assets, cumulative amortisation		65	4 696	362	494		**5 618**
Accumulated depreciations and impairment losses at the end of the period		-1 210	-10 059	-1 443	-1 030		**-13 742**
Book value at the beginning of the period	425	2 219	4 497	2 464	336	966	**10 907**
Book value at the end of the period	**439**	**1 747**	**3 697**	**1 166**	**172**	**375**	**7 596**

1000 EUR

16. INTANGIBLE ASSETS

1.1.2013 -31.12.2013	Development costs	Intangible rights	Other long-term assets	Other long-term assets, financing lease	Intangible assets total
Acquisition cost at the beginning of the period	715	813	335	3 020	**4 882**
Increase		15	2		**17**
Acquisition cost at the end of the period	715	827	337	3 020	**4 899**
Accumulated depreciations and impairment losses at the beginning of the period	-715	-763	-286	-2 885	**-4 649**
Depreciations of transfers' and decrease items		17	2		**19**
Depreciations		-47	-24	-135	**-206**
Reclassification to non-current held for sale assets, cumulative amortisation		-4			**-4**
Accumulated depreciations and impairment losses at the end of the period	-715	-797	-307	-3 020	**-4 839**
Book value at the beginning of the period	0	49	49	135	**233**
Book value at the end of the period	**0**	**30**	**30**	**0**	**60**

1.9.2011-31.12.2012	Development costs	Intangible rights	Other long-term assets	Other long-term assets, financing lease	Intangible assets total
Acquisition cost at the beginning of the period	715	198	2 035	3 020	**5 968**
Increase		186	1		**188**
Decrease		-17	-651		**-668**
Transfers between items		699	-699		**0**
Reclassification to non-current held for sale assets		-253	-353		**-606**
Acquisition cost at the end of the period	715	813	335	3 020	**4 882**
Accumulated depreciations and impairment losses at the beginning of the period	-715	-126	-1 933	-2 164	**-4 938**
Depreciations of transfers' and decrease items		-668	1 336		**668**
Depreciations		-131	-39	-721	**-891**
Reclassification to non-current held for sale assets, cumulative amortisation		162	350		**512**
Accumulated depreciations and impairment losses at the end of the period	-715	-763	-286	-2 885	**-4 649**
Book value at the beginning of the period		72	103	856	**1 030**
Book value at the end of the period	**0**	**49**	**49**	**135**	**233**

Development expenditure include mostly the development costs caused by the planning of new or more advanced products. Intangible rights include activated acquisition costs of patents, trade marks and licences. Goodwill, see Notes to the Consolidated Financial Statements, item 17. "Goodwill". Other long-term assets consist mostly of acquisition costs of IT-software, licences and the like.

1000 EUR

17. GOODWILL VALUES

	1.1.-31.12.2013	1.9.2011-31.12.2012
Goodwill		
Acquisition cost at the beginning of the period	1 692	1 702
Increase caused by the change in the Group structure		18
Acquisition cost at the end of the period	1 692	1 720
Impairment losses		-28
Book value at the end of the period	**1 692**	**1 692**

Testing of goodwill:

Goodwill values are tested for depreciation annually. The testing is performed for those cash generating units, to which the goodwill values area allocated, i.e. AP-Tela Oy and Stelzer Rührtechnik International GmbH. The value of the recoverable amount is based on utility value calculations.

Main assumptions in testing of goodwill:

The main assumptions applied in testing of goodwill are related to development of the turnover and cost level of the unit in question. The cash flow forecasts used for the calculations are based on the annual predictions concerning the income statement and maintenance investments made by the management, prepared in connection with the Group's budgeting process. The management bases its forecasts on actual developments and its opinion of the growth outlook for the industry. The growth forecasts take approves investment decisions into account. Financial plans and forecasts have been prepared for the units tested for a five-year period, and cash-flows have been projected for this period in the testing calculations. The rate of growth used in extrapolation of cash flows for the period after the plans has been 0%.

The majority of the goodwill, 1.6 million euros, is allocated to Stelzer Rührtechnik International GmbH. The company's cash flow forecast is based on an estimate according to which the company's turnover in the fiscal period 2014 and after that is expected to grow moderately. No significant changes are expected in the company's cost levels in the period covered by the forecast.

Discount rate:

The pretax WACC spesified for Vaahto Group has been used as the discount rate. The discount rate for fiscal period 2013 was 11.44 % for AP-Tela Oy (10.77% in 2011-2012) and 11.21 % for Stelzer Rührtechnik International GmbH (11.4 % in 2011-2012).

Sensitivity of the main assumptions used in testing of depreciation:

Where the forecast used for the Stelzer Rührtechnik International GmbH's depreciation testing is concerned, the cash flow may decrease by about 66 % or the discount rate may increase by about 26.4 %-units without the need to write anything off. The company's management is of the opinion that reasonable changes in the central assumptions will not result in the book value of assets exceeding the amount of money recoverable thereof.

1000 EUR

18. OWNERSHIP IN AFFILIATED COMPANIES

	31.12.2013	31.12.2012
Shares in affiliated companies		
Shares of profit of affiliated companies from the previous fiscal periods	83	57
Change in translation difference	-8	1
Shares of profit of affiliated companies from the fiscal period		25
Total	**74**	**83**

Shares in affiliated companies consists of the Group's share in Russian Joint Stock Company ZAO Slalom.

19. LONG-TERM RECEIVABLES

Non-current receivables		
Long-term loan receivables		3
Total	**0**	**3**

20. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments		
Other shares and holdings, available for sale, not listed	35	43
Total	**35**	**43**

The investments of the Group in other shares consist of investments in unlisted shares, which are either non-profit shares or shares related to the Group's business.

1000 EUR

21. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	31.12.2013	Recognized in income statement	31.12.2012	Recognized in income statement
Internal margin of inventories				-8
Internal margin of fixed assets		-19	19	-4
Losses from the previous fiscal periods		-124	124	-1 772
Other timing differences		-127	127	-220
Total	**0**	**-271**	**271**	**-2 004**

Deferred tax liabilities	31.12.2013	Recognized in income statement	31.12.2012	Recognized in income statement
Cumulative appropriations				-17
Cancelling of depreciations of the goodwill	475	31	444	71
Fair values of derivative instruments	-23	28	-51	12
Other timing differences	197	-106	304	7
Total	**649**	**-48**	**697**	**73**

All the deferred tax assets have been written down during fiscal year 2013. During the fiscal period 2011-2012, the Group has booked total 1,663 thousand euros impairment losses on tax assets which are based on confirmed losses. Impairment losses are booked of the deferred tax assets recognized on confirmed losses of Vaahto Paper Technology Ltd.

22. INVENTORIES

Inventories	31.12.2013	31.12.2012
Materials and supplies	881	1 691
Work in progress	1 506	3 581
Finished products	401	510
Total	**2 788**	**5 783**

In the period 2013 the carrying amount of inventories was reduced by 473,8 thousand euros (23 thousand euros in the previous period) for the scrappings of the inventories.

23. SHORT-TERM RECEIVABLES

Trade and other receivables	31.12.2013	31.12.2012
Trade receivables *1)*	2 671	3 564
Advance payment receivables	2 422	1 384
Advance payments for inventories	22	-35
Other receivables *2)*	1 740	1 338
Prepayments and accrued income	1 864	1 573
Total	**8 719**	**7 824**

1) Trade receivables do not include any significant risk concentrations.
2) Other receivables include deposit totaled 1.476 thousand euros. This amount will be used in repayment of loans during the fiscal year 2014.

Ageing analysis of trade receivables	Trade receivables	Advance payment receivables	Total
Not due	1 898	2 422	**4 320**
Past due less than 180 days	695		**695**
Past due more than 180 days	78		**78**
Total	**2 671**	**2 422**	**5 093**

The Group has booked total 789.4 thousands euros bad debts during the fiscal period 2013 (75 thousand euros during the fiscal period 2011-2012).

Prepayments and accrued income	31.12.2013	31.12.2012
Prepayments and accrued income consists of:		
Accrued income on the construction contracts recognized under the percentage of completion method	1 727	1 293
Interest accruals	5	10
Accruals of personnel expenses		1
Other prepayments and accrued income on expenses	132	270
Total	**1 864**	**1 573**

1000 EUR	31.12.2013	31.12.2012

24. CASH AND CASH EQUIVALENTS

Cash and bank		
Cash and bank	129	400
Total	**129**	**400**
Change of liquid funds in the flow of funds statement		
Liquid funds at the beginning of the period	400	775
Liquid funds at the end of the period	129	400
Change of liquid funds in the balance sheet	**-271**	**-375**

25. SHAREHOLDERS' EQUITY

Share Capital

Vaahto Group Plc Oyj's paid-up share capital entered in the Trade Register on 31 December 2013, was 2,872,302 euros, representing a total of 3,977,360 shares.

Each share carries one (1) vote and has equal rights in all respects.

Share premium account

Share premium account includes the share premiums of issues according to the previous Companies Act (29.9.1978).

Reserve fund

Reserve fund includes non-distributable items that have been transferred there from the distributable funds according to the decision of the shareholders.

Translation differences

Translation differences include exchange gains and losses arising from the translation of the financial statements of foreign companies.

Dividends

During the fiscal year 2011 - 2012 no dividends have been paid.

After the balance sheet date, the Board proposed that no dividends be paid.

Capital Management

The objective of Group's capital management is to ensure the continuity of the business of Vaahto Group and to maintain the optimal capital structure in order to ensure the investments taking into the account the capital expenses. Shareholders' equity and liabilities, excluded the advance payments received, are included into the capital.

The amount of annual dividends is depending to the profit of the company. The part, which is not considered to be needed to ensure the healthy development of the company, will be distributed to the shareholders.

The Group monitors the development of the capital structure using the equity ratio quarterly. This key figure is calculated by dividing the shareholders' equity of the Group with the total liabilities, excluded the amount of advance payments received. The equity ratio on 31 December 2013 was negative (31 December 2012 negative).

1000 EUR	31.12.2013	31.12.2012

SHAREHOLDERS' EQUITY

SHARE CAPITAL		
Share capital		
Share capital at the beginning of the period	2 872	2 872
Share capital at the end of the period	**2 872**	**2 872**
RESERVES		
Share premium account		
Share premium account at the beginning of the period	6	6
Share premium account at the end of the period	**6**	**6**
Unristrected equity reserve		
Unristrected equity reserve at the beginning of the period	3 068	
Share issue		2 250
Increase in interest in subsidiary (non-cash issue of the share exchange)		1 112
Share issue expenses		-389
Deferred taxes due to period changes		95
Unristrected equity reserve at the end of the period	**3 068**	**3 068**
Reserve fund		
Reserve fund at the beginning of the period	1 995	1 995
Reserve fund at the end of the period	**1 995**	**1 995**
Reserves total	**5 069**	**5 069**
Translation differences		
Translation difference, restricted equity at date of acquisition	48	56
Translation differences	**48**	**56**
RETAINED EARNINGS		
Retained earnings		
Retained earnings at the beginning of the period	-10 161	-340
Increase in interest in subsidiary		105
Retained earnings	**-10 161**	**-234**
Profit or loss for the fiscal period		
Profit or loss for the fiscal period	-4 090	-9 926
Profit or loss for the fiscal period	**-4 090**	**-9 926**
Retained earnings	**-14 251**	**-10 160**
Shareholders of the parent company	**-6 262**	**-2 163**
MINORITY INTEREST		
Minority interest		
Minority interest at the beginning of the period		1 217
Decrease in interest in subsidiary		-1 217
Minority interest at the end of the period	**0**	**0**
Total shareholders' equity	**-6 262**	**-2 163**

1000 EUR

26. PROVISIONS

Non-current provisions	Warranty provision	Pension provision	Total
Provisions at the beginning of the period	229	166	**395**
Increase of the provisions	101		**101**
Used provisions	-129	-4	**-133**
Provisions at the end of the period	**201**	**161**	**362**

The warranty provision and the pension provision consist of reserves of the Group's German subsidiary. The warranty provision covers warranty-related costs for products that have a product warranty. Warranty periods are usually 24 months long, in which time the provisions will be used. The pension provision consists of pension liabilities of one retired person.

Transferred projects

The Group's companies have a transfer-related, warranty-period responsibility for projects transferred by the end of the fiscal period.

Projects of discontinuing operations

Warranty provisions related to discontinuing operations are included in other receivables.

27. INTEREST-BEARING LIABILITIES

	31.12.2013	31.12.2012
Non-current liabilities, interest-bearing		
Loans from financial institutions	6 767	675
Pension loans	2 930	2 725
Other loans	2 000	0
Finance leases	67	207
Total	**11 763**	**3 608**
Current liabilities, interest-bearing		
Loans from financial institutions	5 172	11 742
Pension loans	95	703
Other loans	1 350	1 350
Finance leases	142	250
Total	**6 758**	**14 045**
Finance lease liabilities, minimum rentals		
Within a year	146	259
More than one year but no more than 5 years	68	221
Minimum rentals	**213**	**480**
Future financing cost related to leasing agreements	5	23
Future finance lease liabilities at present value	**208**	**457**
Future minimum lease payments at present value		
Within a year	142	250
More than one year but no more than 5 years	67	207
Future finance lease payments at present value	**208**	**457**
Future minimum lease payments concerning the financing lease liabilities transferred to liabilities of a disposal group held for a sale	**0**	**614**

In the reporting period the loans from financial institutions are presented in interest-bearing non-current liabilities because of the crace period for the year 2014. In the reference period the loans from financial institutions are presented in interest-bearing current liabilities because of the breach of the covenants.

1000 EUR

28. FINANCIAL RISK MANAGEMENT

The objective of the Group's financial risk management policy is to minimize the harmful effects of financial market volatility on the Group's results. The primary financial risks are currency and interest rate risks, and the Group uses currency forward contracts and interest sate swaps for risk management. The Group's general principles of risk management are approved by the Board, and their implemention is the responsibility of the Group's financial administration function and the business units.

CURRENCY RISK

In accordance with the principles of currency risk management, currency forward contracts and currency option contracts are as a rule used to hedge against significant exchange rate risks. The currency forward contracts are used to protect receivables and future assets. The fair values of derivative financial instruments are indicated in item 30 of the Notes, "Fair values of financial assets and liabilities."

Exposure to foreign exchange risk from transactions

Foreign currency exposure in companies whose reporting currency is other than the currency under analysis.

Group total at the end of the fiscal period						**31.12.2013**		**31.2.2012**
1 000 EUR	**SEK**	**ZAR**	**SGD**	**NOK**	**GBP**	**USD**	**USD**	**SEK**
Foreign currency trade receivables						14	24	
Foreign currency account payables	-693	-1 129	-35	-13	-2	-1	-23	-3
Foreign currency cash and bank	9	1		103		3	14	2
Net exposure in balance sheet	**-685**	**-1 127**	**-35**	**90**	**-2**	**15**	**15**	**-1**

Sensitivity analysis

The effect of a 10% weakening currencies (against euro) in euro:

Group total at the end of the fiscal period						**31.12.2013**		**31.2.2012**
1 000 EUR	**SEK**	**ZAR**	**SGD**	**NOK**	**GBP**	**USD**	**USD**	**SEK**
Profit or loss for the period before taxes	7	7	2	-1	0	-1		
Profit or loss for the period, net of taxes	5	5	1	-1	0	-1		

Maturing of the cash-flow hedged by the interest rate derivatives by currencies

Interest rate derivatives **1000 currency**	**Currency**	**Amount**
Maturing within 1-5 years	EUR	2 743
Maturing after 5 years	EUR	0
Total	**EUR**	**2 743**

INTEREST RATE RISK

Interest rate risk is caused by the effect of changes in the general level of interest rates on the value of interest-bearing liabilities. The interest rate risk is managed using interest rate swap and interest rate option contracts.

Sensitivity analysis of interest rate	**Interest expenses according to the payment plan 1000 EUR**	**Increase of the interest expenses 1000 EUR resulted from the change of the interest rate**	
	31.12.2013	**+1%**	**+2%**
Loans from financial institutions	530	130	260
Pension loans	327	98	196
Other loans	104	17	34
Finance leases	5	2	3
Total	**966**	**247**	**494**

CREDIT RISK

For the most part, protection againts credit risks is managed by taking them into account in the selection of the term and method of payment. The Group does not usually provide customer financing; instead, it cooperates with banks and export credit agencies to support the financing of customers' equipment investments.

REFINANCING AND LIQUIDITY RISK

Liquidity risk:

The Group monitors and estimates continuously the quantities of funds needed to run the business operations, so that the Group will, at all times, retain enough liquid assets to fund the operations and repay debts that fall due. The availability and flexibility of funding are ensured by unused credit limits and book credits.

The Group's liquidity situation is tight and the adequacy of funding requires to realization of management's plans and improved profitability, as well as reorganization of short-term financing payment plans or additional financing.

To assess the liquidity, the Group has prepared the monthly cash flow forecast, which extends until February 2015. The cash flow statement is based on the earnings forecast for fiscal period 2014 prepared in connection with the consolidated financial statements. At the balance sheet date, the working capital of the Group is sufficient for the needs of next 12 months, if the Group will achieve the forecasted profit targets and the short-term financing can be reorganized. After the close of the financial year, the Board of Directors of Vaahto Group Plc Oyj announced that, to strengthen Vaahto Group's financial position, it intends to issue new shares in the first half of 2014. The Board is also considering various options for divestment of the Paper Technology business, with the primary option being sale of the business. Negotiations with Group's main financiers on financial restructuring are scheduled for fall 2014. As the result levels used in the calculations do not reflect the actual performance of previous years, they include the uncertainty.

Financial arrangements:

Loans from credit institutions involve repayment covenant conditions related to the equity ratio of the Group. The covenant conditions were violated on the balance sheet date, 31 December 2013, but the Group has at the end of the fiscal period 2013 received from the financier a commitment that the violations will not lead to any consequences.

The financing negotiations of Vaahto Group were concluded on 18 December 2013. The final agreement provides the Group companies with a grace period for receivables of credit institutions for 2014. In addition to the further 2.0 M euros provided by certain shareholders, the financiers of the Group also waived repayment of loans amounting to 1 M euros: 0.83 M euros for the parent company and 0.17 M euros for Vaahto Paper Technology Ltd. These amounts are shown in the financial items of the financial statement.

Moreover, the Group's financiers agreed to waive loans totaling 2 M euros, provided that certain conditions of the financing agreement are met. While the Company is likely to meet the conditions set for that waiver during the first quarter of 2014, the financiers will honor the waiver even after the first quarter, when the conditions are met. The financing arrangement includes a further commitment by the financiers to waive loans totaling 1 M euros, provided that the Company can raise at least 1 M euros in new equity by means of a share issue. Conditional waiver of loans totaling 3 M euros from the financial arrangement reached, planned divestment of Paper Technology and Board's plans for a new share issue, will, once they have been realized, clarify the new, strategy-driven direction and support the financial position and liquidity of the Group. However, the Group's liquidity remains low and the financing will suffice only if the management's plans succeed and profitability improves.

1000 EUR

Cash flows of financial liabilities according to the payment plan

Interest-bearing liabilities

Maturing during the fiscal period	**2014 During 1-6 months**	**2014 During 7-12 months**	**2015**	**2016**	**2017**	**2018**	**Later**	**Total**
Loans from financial institutions, capital	1 200	100	4 533	1 505	553	163	13	**8 067**
Loans from financial institutions, interests	178	125	186	60	12	4	1	**566**
Pension loans, capital	48	48	693	650	606	606	376	**3 026**
Pension loans, interests	49	49	85	64	43	23	13	**327**
Other loans, capital	1 350		2 000					**3 350**
Other loans, interests	42		62					**104**
Finance leases, capital	118	23	67					**208**
Finance leases, interests	3	1	1					**5**
Total	**2 988**	**346**	**7 627**	**2 278**	**1 215**	**795**	**402**	**15 652**

Non-current receivables presented in note 23 will be used in repayment of loans during fiscal year 2014.

Negotiations with Group's main financiers on restructuring of loans which will mature during the first quarter of year 2015, are scheduled for fall 2014.

Interest-free liabilities

Maturing during the fiscal period 1000 EUR	Overdue	2014 During 1-6 months	2014 During 7-12 months	2015	2016	Later	Total
Trade payables	1 283	1 110					**2 393**
Interest rate derivatives		1	6	87			**94**
Total	**1 283**	**1 111**	**6**	**87**			**2 486**

Liabilities of disposal group held for sale include total 1.6 million euros account payables of which 1.1 million euros was overdue at the balance sheet date.

Cash flows of financial receivables according to the payment plan

Long-term receivables 1000 EUR

Maturing during the fiscal period	2014	2015	2016	2017	2018	Later	Total
Loan receivables, capital and interests							**0**
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Short-term receivables 1000 EUR

Maturing during the fiscal period	2014	2015	2016	2017	2018	Later	Total
Trade receivables	2 671						**2 671**
Advance payments receivables	2 422						**2 422**
Total	**5 093**						**5 093**

Maturing times and effective interest rates (weighted averages) of interest-bearing liabilities 31.12.2013	Maturing times, years	Interest rate %
Loans from financial institutions	1,7	4,03
Loans from financial institutions including interest rate swap agreements	1,7	4,12
Pension loans	3,3	3,29
Other loans	1,1	6,23
Finance leases	0,8	3,02
Finance leases including interest rate swap agreements	0,8	3,02

Credit limits in use

In the end of the fiscal year 31.12.2013 the Group had credit limits in use total 3.9 million euros. The average interest rate of the credit limits was 4.32 %.

Unused credit limits

In the end of the fiscal year 31.12.2013 the Group had unused book limits total 1.1 million euros.

29. SHORT-TERM LIABILITIES

	31.12.2013	31.12.2012
Trade payables and other liabilities		
Advance payments received	324	1 650
Advance payments, unpaid	2 422	1 384
Trade payables	2 393	3 589
Trade payables, unpaid	0	52
Other short-term liabilities	472	638
Accruals and deferred income	2 176	3 349
Total	**7 787**	**10 662**
Accruals and deferred income consist of:		
Accrued employee expenses	977	2 101
Expenses from contracts	43	270
Derivatives	94	208
Interest liabilities	152	71
Other accruals and deferred income	911	699
Total	**2 176**	**3 349**
Tax liability		
Tax liability, income tax	200	264
Total	**200**	**264**

1000 EUR

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Group uses derivative financial instruments to hedge against interests and exhange risks, but the hedge accounting of the derivatives does not meet the hedge accounting criteria of the IAS 39 standard. For this reason, derivative instruments are not treated as hedging instruments in the financial statements; instead, the changes in their value are registered according to their impact on earnings.

Fair values of derivative instruments, non-hedging derivatives 31.12.2013

Interest rate derivatives	Nominal value	Positive fair value	Negative fair value	Net fair value
Interest rate swap agreements	2 986		-94	-94
Total	**2 986**	**0**	**-94**	**-94**

Fair values of derivative instruments, non-hedging derivatives 31.12.2012

Interest rate derivatives	Nominal value	Positive fair value	Negative fair value	Net fair value
Interest rate swap agreements	4 581		-208	-208
Total	**4 581**	**0**	**-208**	**-208**

Fair values of other than derivative contracts

Financial assets	Book value 31.12.2013	Fair value 31.12.2013	Book value 31.12.2012	Fair value 31.12.2012
Long-term receivables			3	3
Trade receivables and other receivables	8 719	8 719	7 824	7 824
Rahat ja pankkisaamiset	129	129	400	400

Financial liabilities	Book value 31.12.2012	Fair value 31.12.2012	Book value 31.8.2011	Fair value 31.8.2011
Long-term loans from financial institutes	6 767	6 767	675	675
Long-term pension loans	2 930	2 930	2 725	2 725
Long-term loans from others	2 000	2 000		
Long-term finance lease	67	67	207	207
Short-term loans from financial institutes	5 172	5 172	11 742	11 742
Short-term pension loans	95	95	703	703
Other short-term loans	1 350	1 350	1 350	1 350
Short-term finance lease	142	142	250	250
Trade payables and other liabilities	7 787	7 787	10 662	10 662

31. SECURITIES AND RESPONSIBILITIES

GRANTED SECURITIES

	31.12.2013	31.12.2012
Debt secured by real estate and corporate mortgages		
Loans from financial institutions and pension loans	11 092	12 115
Other loans	3 350	1 350
Credit limits in use	3 872	3 730
Total	**18 313**	**17 195**

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	4 928	4 928
Total	**7 471**	**7 471**

Mortgages granted to secure the bank guarantee limit		
Corporate mortgages granted to secure the bank guarantee limit	8 235	8 235
Total	**8 235**	**8 235**

1000 EUR	31.12.2013	31.12.2012
Other granted securities for own behalf		
Deposits	1 483	759
Total	**1 483**	**759**

Other granted securities

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

Japrotek Oy Ab has granted as securities the receivable of 2 million euros based on the agreement with a customer.

CONTINGENT LIABILITIES AND OTHER LIABILITIES

Bank guarantees		
Bank guarantee limits total	6 163	8 860
Bank guarantee limits, used	**4 598**	**7 405**

Operating lease agreements		
Within a year	266	272
More than one year but no more than 5 years	276	296
Total	**542**	**568**

Contracts other than financial leasing contracts consist mainly of short-term leasing contracts for IT equipment and software.The terms and conditions are 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. The rental costs registered in the income statement has been presented in the attached information under item 7, "Other operating expenses".

Rent liabilities		
Within a year	792	804
More than one year but no more than 5 years	3 166	3 216
Later	1 885	2 144
Total	**5 843**	**6 164**

Annual rent payments under lease agreements that are in effect until further notice total 454 thousand euros.

Other contingent liabilities		
Granted guarantees to customers and creditors		730
Guarantees granted to secure bank guarantee limit	4 110	8 860
Guarantees granted to secure bank guarantees		315
Guarantees granted to secure bank loans	3 580	3 780
Guarantees granted to secure guarantee insurances	2 175	750
Guarantees granted to secure trial guarantees		1 500
Guarantees granted to secure rent guarantees	400	400
Others guarantees	427	
Total	**10 692**	**16 335**

Environmental impact

The 2006-2007 financial year saw Vaahto Paper Technology Ltd complete charting of procedures for the old pickling facility at the Hollola plant in accordance with the environmental permit. Procedures under the assessment are incomplete for the time being.

In the financial period 2013 Vaahto Paper Technology Ltd. completed the work required by the company's environmental permit for the processing of drainage water on the courtyard of the Hollola plant.

Disputes

Vaahto Paper Technology Ltd. is currently engaged in a dispute over patent rights with another equipment supplier. The District Court decided in favor of Vaahto Paper Technology Ltd., but the other party appealed to the Court of Appeal, which overturned the District Court ruling in June 2013. Vaahto Paper Technology Ltd. has applied to the Supreme Court for leave to appeal and for judicial review. At the time of closing of the accounts, the Supreme Court had not yet made a decision on the application. Apart from legal expenses, the dispute is not expected to cause any additional costs to Vaahto Paper Technology Ltd., and no reserves have been set aside for this in the consolidated accounts.

32. RELATED PARTY TRANSACTIONS

Related parties include persons who, according to the Securities Markets Act, are regarded as the company's permanent insiders - i.e. members of the Board of Directors, the CEO, and auditors, as well as members of senior management specifically designated as insiders by the company. Related parties also include people who are related parties of those who have an obligation to declare as well as corporations under the control of people with an obligation to declare or their related parties, and corporations controlled jointly by those with an obligation to declare and a family member, or another person with the obligation to declare or a relevant family member of such a person.

1000 EUR	1.1.-31.12.2013	1.9.2011-31.12.2012
TRANSACTIONS WITH RELATED PARTIES		
Rent income		
The renting income of the plot belonging to the corporation in the control of the members of the Board	13	12
Rent expenses		
The renting expenses of the factory property for the corporation in the control of the members of the Board	392	523
The renting expenses of the office rooms for the corporation in the control of the members of the Board	69	88
Other operating expenses		
Consulting and other professional fees to company, to which the Chairman of Board of the parent company is in the service of	48	40
Short-term loans		
Short-term loans from the shareholders of the parent company	1 350	1 350
Long-term loans		
Long-term loans from the shareholders of the parent company	2 000	2 000
EMPLOYEE BENEFITS FOR THE MANAGEMENT		
Salaries and fees of the parent company management		
CEO:		
Viinikkala Ari	178	141
Board members:		
Alatalo Sami	19	10
Häggblom Rainer	5	25
Järvinen Reijo	26	35
Karppanen Topi	19	25
Vaahto Mikko	19	25

No special conditions for retirement, pension benefits, or discharge-related conditions have been spesified for the members of the Group's management. According to the employment contract of CEO, both the company and the CEO are entitled to terminate the contract without any particular reason. In such a case, the period of notice on either side is three months. If the company terminates the contract, the CEO will be paid a sum of money corresponding to the total salary for 12 months in addition to the salary paid during the period of notice.

The compensation related to the employment contract of CEO which was ended on January 15, 2014, will be recorded durig the fiscal period 2014.

The members of the Group's management have not received the group's own shares as a reward or incentive. The Group currently has no stock option plan.

PARENT COMPANY AND SUBSIDIARIES

Group companies

Company	Registered office	Number of shares	Share of ownership %	Share of voting rights %
AP-Tela Oy	Kokkola	480	100,00	100,00
Japrotek Oy Ab	Pietarsaari	100 000	100,00	100,00
Steva Oy	Hollola	1 600	100,00	100,00
Stelzer Rührtechnik International GmbH	Warburg, Germany		100,00	100,00
Vaahto Group Asia Limited	Hong Kong, China		100,00	100,00
Vaahto Paper Technology Ltd	Hollola	2 700	100,00	100,00

Subsidiaries of subconcern

Company	Registered office	Number of shares	Share of ownership %	Share of voting rights %
Vaahto Pulp & Paper Machinery Distribution (Shanghai) Co., LTD.	Shanghai, China		100,00	100,00

Associations of subconcern

Company	Registered office	Number of shares	Share of ownership %	Share of voting rights %
ZAO Slalom	St. Petersburg, Russia		50 %	40 %

33. INDICATOR CALCULATION FORMULAS

Return on equity % (ROE) = $\frac{\text{Profit or loss before taxes - income taxes}}{\text{Shareholders' equity + minority interest (average)}} \times 100$

Return on investments % (ROI) = $\frac{\text{Profit or loss before taxes + interest expenses and other financial expenses}}{\text{Total assets - non-interest bearing debts (average)}} \times 100$

Equity ratio = $\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets - advances received}} \times 100$

Current ratio = $\frac{\text{Current assets}}{\text{Short-term liabilities}}$

Gearing = $\frac{\text{Interest bearing debts - cash and bank deposits and other securities}}{\text{Shareholders' equity + minority interest}} \times 100$

FORMULAS FOR PER SHARE ITEMS

Earnings per share, euros = $\frac{\text{Profit or loss before taxes - income taxes -/+ minority interest}}{\text{Number of shares outstanding issue adjusted (average)}}$

Shareholders' equity/share, euros = $\frac{\text{Shareholders' equity}}{\text{Number of shares outstanding issue adjusted, at the end of the fiscal year}}$

Dividend/share, euros = $\frac{\text{Dividend for the fiscal year/share}}{\text{Adjustment factor of share issue made after closing the books}}$

Dividend/share, percentage = $\frac{\text{Dividend for the fiscal year/share}}{\text{Earnings/share}} \times 100$

Effective dividend return, percentage = $\frac{\text{Dividend for the fiscal year/share}}{\text{Adjusted price of the share at the end of the fiscal year}} \times 100$

Price per earnings (P/E) = $\frac{\text{Adjusted price of the share at the end of the fiscal year}}{\text{Earnings/share}}$

Average share price = $\frac{\text{Total value of shares traded during the fiscal year}}{\text{Total number of shares traded during the fiscal year}}$

Total market value = Total number of shares at the end of the fiscal year x share price at the end of the fiscal year

Development of shares traded = Total number of shares traded during the fiscal year and its percentual share of the total number of series' shares

34. SHARES AND SHAREHOLDERS

According to the book-entry security system, Vaahto Group Plc Oyj had 456 registered shareholders on 31 December 2013. There were in total 58,935 nominee-registered shares.

MAJOR SHAREHOLDERS		Shares		Votes
According to the book-entry security system, on 31 December 2013	**no.**	**%**	**no.**	**%**
Laakkonen Mikko	669 375	16,8	669 375	16,8
Vaahto Mikko	546 248	13,7	546 248	13,7
Vaahto Antti	530 649	13,3	530 649	13,3
Vaahto Ilkka	453 985	11,4	453 985	11,4
Hymy Lahtinen Oy	284 200	7,1	284 200	7,1
Kiinteistö Oy Vaahtoila	124 280	3,1	124 280	3,1
Mutual Employee Pension Company Varma	120 640	3,0	120 640	3,0
Mäkihonko Juha	108 158	2,7	108 158	2,7
Laakkonen Hannu	95 000	2,4	95 000	2,4
Laakkonen-Mäkihonko Päivi	80 000	2,0	80 000	2,0
Total for 10 largest	**3 012 535**	**75,7**	**3 012 535**	**75,7**

BREAKDOWN OF SHARE OWNERSHIP BY AMOUNT OF HOLDINGS	Shareholders		Shares		Votes	
According to the book-entry security system, on 31 December 2013	**no.**	**%**	**no.**	**%**	**no.**	**%**
1 - 100	128	28,1	6 329	0,2	6 329	0,2
101 - 1 000	221	48,5	97 005	2,4	97 005	2,4
1 001 - 10 000	81	17,8	256 281	6,4	256 281	6,4
10 001 - 100 000	18	3,9	776 730	19,5	776 730	19,5
100 001 - 1 000 000	8	1,8	2 837 535	71,3	2 837 535	71,3
	456	100,0	3 973 880	99,9	3 973 880	99,9
Outside the book-entry securities system			3 480	0,1	3 480	0,1
			3 977 360	**100,0**	**3 977 360**	**100,0**

BREAKDOWN OF SHARE OWNERSHIP BY GATEGORY OF OWNER	Shareholders		Shares		Votes	
According to the book-entry security system, on 31 December 2013	**no.**	**%**	**no.**	**%**	**no.**	**%**
Companies	31	6,8	552 491	13,9	552 491	13,9
Financial and insurance institutions	4	0,8	172 980	2,9	172 980	2,9
Public corporations	2	0,4	139 400	3,5	139 400	3,5
Households	415	91,0	3 100 797	77,9	3 100 797	77,9
Non-profit organizations	2	0,4	201	0,0	201	0,0
Foreign countries	2	0,4	8 011	0,2	8 011	0,2
	456	99,8	3 973 880	98,5	3 973 880	98,5
Outside the book-entry securities system			3 480	0,1	3 480	0,1
			3 977 360	**98,5**	**3 977 360**	**98,5**

SHARE HOLDINGS OF THE MANAGEMENT		Shares		Votes
According to the book-entry security system, on 31 December 2013	**no.**	**%**	**no.**	**%**
Board of directors and CEO				
Vaahto Mikko	563 139	14,2	563 139	14,2

Group management team

The members of the Group management team did not own shares on 31 December 2013.

The holdings also include the shares of companies under the relevant body or individual's control and of minor persons under guardianship. Members of the Board owned a total of 546,248 shares (excluding the shares of companies under the relevant body or individual's control and of minor persons under guardianship), representing 13.7% of the votes. The members of the Board and the members of the management of the Group or its subsidiaries have no holdings or rights in the company's share-based incentive schemes.

35. EVENTS AFTER THE END OF THE FISCAL YEAR

Vesa Alatalo was appointed as CEO of Vaahto Group Plc Oyj, with effect from 16 January 2014.

On 3 February 2014, Vaahto Group Plc Oyj announced a plan to strengthen its strategy focusing on Process Technology's operations. The Group engages in process technology business through subsidiaries, Japrotek Oy Ab and Stelzer Rührtechnik International GmbH. In line with the strategy change initiated in spring 2013, Vaahto Group intends to divest the unprofitable Paper Technology business. The Board of Directors is considering various options for discontinuation of the associated operations and capital, with the primary option being sale of the relevant business.

Income Statement of the Parent Company, FAS

1000 EUR	1.1.-31.12.2013	1.9.2011-31.12.2012	Note
NET TURNOVER	**2 655**	**4 320**	**2**
Other operating income	0	6	3
Personnel expenses	-1 109	-1 581	5
Depreciations and impairment losses	-193	-4 657	6
Other operating expenses	-1 281	-2 785	7
OPERATING PROFIT OR LOSS	**72**	**-4 697**	**4**
Financing income and expenses	2 087	-843	8
Impairment losses	-11 110	-2 200	9
PROFIT OR LOSS BEFORE EXTRAORDINARY ITEMS	**-8 950**	**-7 740**	
Extraordinary items	830	0	8
PROFIT OR LOSS BEFORE INCOME TAXES AND APPROPRIATIONS	**-8 120**	**-7 740**	
Appropriations	0	10	
PROFIT OR LOSS FOR THE FISCAL YEAR	**-8 120**	**-7 730**	

Balance Sheet of the Parent Company, FAS

1000 EUR	31.12.2013	31.12.2012	Note
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	21	38	
Tangible assets	23	27	
Investments	5 357	5 527	
NON-CURRENT ASSETS	**5 401**	**5 592**	**11**
CURRENT ASSETS			
Long-term receivables	1 950	8 300	
Short-term receivables	914	1 660	
Cash and bank	4	30	
CURRENT ASSETS	**2 868**	**9 990**	**12**
ASSETS	**8 270**	**15 581**	
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Reserve fund	5 590	5 590	
Retained earnings	-4 610	3 120	
Profit or loss for the fiscal year	-8 120	-7 730	
SHAREHOLDERS' EQUITY	**-4 268**	**3 853**	**13**
LIABILITIES			
Long-term interest-bearing liabilities	5 952	2 086	14
Short-term interest-bearing liabilities	6 172	9 194	15
Short-term non-interest-bearing liabilities	414	448	15
LIABILITIES	**12 538**	**11 729**	
EQUITY AND LIABILITIES	**8 270**	**15 581**	

Flow of Funds Statement of the Parent Company, FAS

1000 EUR	1.1.-31.12.2013	1.9.2011-31.12.2012
FLOW OF FUNDS FROM OPERATIONS:		
Profit or loss of the fiscal year	-8 120	-7 730
Adjustment items:		
Depreciations according to plan	23	74
Other income and expenses, no payment related	10 280	2 190
Impairment losses from the shares in Group companies	170	4 583
Financial income and expenses	-2 087	843
Flow of funds before the change in working capital	**265**	**-40**
Change in working capital:		
Change in short-term receivables	-15	78
Change in short-term non-interest bearing creditors	-34	111
Flow of funds before financial items and taxes	**216**	**150**
Interest and other financial expenses from operations paid	-531	-968
Dividends and other financial income received	0	1
Interests received	2 618	123
FLOW OF FUNDS FROM OPERATIONS	**2 304**	**-694**
FLOW OF FUNDS FROM INVESTMENTS:		
Investments in tangible and intangible assets	-2	-2
Other investments	0	-18
Granted loans	-4 760	-6 500
Repayments of loans receivables	0	8
FLOW OF FUNDS FROM INVESTMENTS	**-4 762**	**-6 512**
FLOW OF FUNDS FROM FINANCIAL ITEMS		
Share issue	0	2 250
Withdrawals of short-term loans	500	3 000
Repayments of short-term loans	-703	-4 066
Withdrawals of long-term loans	2 000	0
Change in Group account receivable or debt	636	6 040
FLOW OF FUNDS FROM FINANCIAL ITEMS	**2 433**	**7 224**
Change of liquid funds	**-26**	**19**
Liquid assets at the beginning of the fiscal year	30	11
Liquid assets at the end of the fiscal year	4	30
Change in liquid assets according to the balance sheet	-26	19

Notes to the Parent Company's Financial Statements

1. ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

The financial statements of Vaahto Group Plc Oyj for the fiscal period 2013 were drawn up in accordance with Finnish accounting legislation.

Assets and liabilities in foreign currencies
Transactions denominated in foreign currencies are entered at the exchange rate applicable on the date of the transaction. Assets and debts denominated in foreign currencies that are open at the end of the fiscal year are valued at the exchange rate in effect on the balance sheet date.

Other operating income
Other operating income includes proceeds from the sale of tangible assets and other operating income received from Group companies.

Expenditure on research and development
There were no research and development costs during the fiscal year under review.

Pensions
Pension liabilities for the parent company's personnel have been covered through a pension insurance company. Statutory pension expenses have been entered under costs for the fiscal year in which they accumulated.

Leasing payments
In the parent company's financial statement, leasing payments have been entered under annual costs in accordance with the Finnish Accounting Act.

Intangible assets
Intangible assets include computer software. They are entered at the original acquisition cost, minus planned depreciation. The economic life (term of depreciation) of software is five years.

Tangible assets
Tangible assets are entered on the balance sheet at their original acquisition cost, planned depreciation deducted. The economic life of buildings and structures is 35–40 years, and that of machines and equipment is 5–25 years.

Income tax
Income tax has been entered in accordance with the Finnish Accounting Act.

1000 EUR	1.1.-31.12.2013	1.9.2011-31.12.2012
2. TURNOVER BY BUSINESSES AND MARKET AREAS		
By businesses		
Administration	2 655	4 320
Total	**2 655**	**4 320**
By market areas		
Finland	2 655	4 320
Total	**2 655**	**4 320**
3. OTHER OPERATING INCOME		
Profits from sales	0	6
Total	**0**	**6**
4. OPERATING PROFIT OR LOSS BY BUSINESSES		
Administration	72	-4 697
Total	**72**	**-4 697**
5. PERSONNEL		
Average number of personnel		
Office staff	**13**	**14**
Total	**13**	**14**
Personnel expenses		
Wages and salaries	923	1 300
Pension costs	156	230
Other personnel expenses	30	51
Total	**1 109**	**1 581**
Management's salaries and benefits		
Managing directors	178	333
Board members	88	120
Total	**266**	**453**

1000 EUR	1.1.-31.12.2013	1.9.2011-31.12.2012

6. DEPRECIATIONS AND DECREASED VALUES

Fixed assets have been depreciated according to plan. Depreciation according to plan is calculated based on straight line depreciation, the economic life and the original purchase value of assets.

The estimated economic lives (years)		
Other long-term assets	5-10 years	5-10 years
Buildings	35-40 years	35-40 years
Machinery and equipment	5-25 years	5-25 years

Depreciations and decreased values		
Depreciations from tangible and intangible assets	23	74
Impairment losses from the shares in Group companies	170	4 583
Total	**193**	**4 657**

7. OTHER OPERATING EXPENSES

Rent expenses	352	1 036
Non-statutory employee benefits	27	87
Other expenses	903	1 662
Total	**1 281**	**2 784**

8. FINANCIAL INCOME AND EXPENSES

Income from other investments held as non-current assets		
Other	0	1
Total	**0**	**1**

Other interest and other financial income		
Group companies	2 621	114
Other	-3	8
Total	**2 618**	**123**
Financial income total	**2 619**	**124**

Interest and other financial expenses		
Group companies	95	82
Other	437	886
Total	**531**	**968**
Financial expenses total	**531**	**968**
Financial income and expenses total	**2 087**	**-843**

Extraordinary items		
Waiver of the loan	830	**0**
Total	830	**0**

9. IMPAIRMENT LOSSES

Impairment loss on securities carried as current assets		
Impairment loss on capital loan receivables	11 110	2 200
Total	**11 110**	**2 200**

Note 12.

10. SHAREHOLDINGS

Group companies

Company	Registered Office	Number of Shares	Group Ownership, %
AP-Tela Oy	Kokkola	480	100,00
Japrotek Oy Ab	Pietarsaari	100 000	100,00
Steva Oy	Hollola	1 600	100,00
Stelzer Rührtechnik International GmbH	Warburg, Germany		100,00
Vaahto Group Asia Limited	Hong Kong, China		100,00
Vaahto Paper Technology Ltd	Hollola	2 700	100,00

1000 EUR	31.12.2013	31.12.2012

11. NON-CURRENT ASSETS

INTANGIBLE ASSETS

Other long-term assets		
Acquisition cost at the beginning of the fiscal year	240	527
Increase	2	1
Decrease	-86	-287
Acquisition cost at the end of the fiscal year	**157**	**240**
Accumulated depreciations at the beginning of the fiscal year	202	458
Depreciation of the fiscal year	19	32
Accumulated depreciations of the decrease	-86	-287
Accumulated depreciations at the end of the fiscal year	**136**	**202**
Book value at the end of the fiscal year	**21**	**38**
Intangible assets total	21	**38**

TANGIBLE ASSETS

Machinery and equipments		
Acquisition cost at the beginning of the fiscal year	149	334
Increase	0	1
Decrease	-59	-186
Acquisition cost at the end of the fiscal year	**91**	**149**
Accumulated depreciations at the beginning of the fiscal year	135	278
Accumulated depreciations of the decrease	-59	-186
Depreciation of the fiscal year	3	42
Accumulated depreciations at the end of the fiscal year	**79**	**135**
Book value at the end of the fiscal year	11	**15**
Other tangible assets		
Acquisition cost at the beginning of the fiscal year	12	12
Acquisition cost at the end of the fiscal year	**12**	**12**
Book value at the end of the fiscal year	**12**	**12**
Tangible assets total	**23**	**27**

1000 EUR	31.12.2013	31.12.2012
INVESTMENTS		
Shares in Group companies		
Acquisition cost at the beginning of the fiscal year	10 619	9 489
Increase	0	1 129
Acquisition cost at the end of the fiscal year	**10 619**	**10 619**
Accumulated depreciations and impairment losses at the beginning of the fiscal year	5 111	528
Impairment losses of the fiscal year	170	4 583
Accumulated depreciations and impairment losses at the end of the fiscal year	**5 281**	**5 111**
Book value at the end of the fiscal year	**5 338**	**5 508**
Other shares		
Acquisition cost at the beginning of the fiscal year	19	19
Acquisition cost at the end of the fiscal year	**19**	**19**
Book value at the end of the fiscal year	**19**	**19**
Investments total	**5 357**	**5 527**

Impairment-testing of shares in subsidiaries

The value of shares in subsidiaries in the parent company's accounts is the original cost plus investments made subsequently to consolidate the subsidiaries' eguity capital. Share value has substantial bearing on the parent company's solvency ratio and, thereby, on equity capital and other factors. Impairment test of shares in subsidiaries have been performed on the basis of the situation presented in the year-end accounts of 31 December 2013. Impairment-test calculations show signs of impairment in the aquisition cost of shares of Vaahto Asia Ltd. For this reason, a value-adjustment entry of 170,000.00 has been made for the aquisition cost of shares of Vaahto Asia Ltd in the parent company's year-end accounts of 31 December 2013. A value-adjustment entry of 4.583.135,65 has been made for the acquisition cost of shares of Vaahto Paper Technology Ltd (4.583.135,65) in the parent company's year-end accounts of 31 December 2012. The calculations show no sign of share-value impairment in other subsidiaries.

12. CURRENT ASSETS

Long-term receivables from Group		
Other long-term receivables	1 950	8 300
Total	1 950	**8 300**
External short-term receivables		
Prepaid expenses and accrued income	46	43
Total	**46**	**43**
Short-term receivables from Group companies		
Other receivables	868	1 617
Total	**868**	**1 617**
Prepaid expenses and accrued income consist of:		
Other prepaid expenses and accrued income	46	43
Prepaid expenses and accrued income total	**46**	**43**
Short-term receivables total	**914**	**1 660**

Capital loan receivables from Group companies

Long-term receivables from Group companies are capital loans to Japrotek Oy Ab meant by the Chapter 12 of the Companies Act § 1-2.

At the closing of the financial period, on 31 December 2013, the parent company had, in total, 1.95 M EUR of subordinated loan receivables from Japrotek Oy Ab. The value of subordinated loan receivables has substantial bearing on the parent company's solvency ratio and, therefore, on equity capital and other factors.

The short-term interest-bearing loans of the parent company include group-internal accounts payable to Japrotek Oy Ab in the amount of 2.9 M euros.

Impairment tests of subordinated loan receivables from subsidiaries have been performed on the basis of the situation presented in the year-end accounts of 31 December 2013. In the impairment calculations, recoverable funds are determined on the basis of utility value. The cash-flow forecasts used in the calculations are based on the management's annual profit and loss forecast and on maintenance investment forecasts made in connection with the Group's budgeting process. The management bases its forecasts on actual business developments and the management's view of the industry's growth outlook. Approved investment decisions are taken into account in the growth forecasts. Financial plans and forecasts made for the units subject to testing are prepared for five-year periods, and the test calculations include cash flows predicted for that full period. The growth rate applied in extrapolation of cash flows to post-forecast periods is 0%. The discount rate used in the calculations is Vaahto Group's weighted average cost of capital (WACC) before tax. During the 2013 financial period, the discount rate was 11.44%.

Because of the forecast based on the impairment-test calculations, the net loss, and the negative equity, a value-adjustment entry of -11.1 M EUR has been made in the subordinated loan receivables from Vaahto Paper Technology Ltd. in the parent company's year-end accounts of 31 December 2013.

The calculations show no sign of impairment in subordinated loan receivables from Japrotek Oy Ab.

As the turnover and operating profit levels used in the calculations do not reflect actual development achieved over the past few years, they include uncertainties.

1000 EUR	**31.12.2013**	**31.12.2012**
13. SHAREHOLDERS' EQUITY		
Share capital at the beginning of the fiscal year	2 872	2 872
Share capital at the end of the fiscal year	**2 872**	**2 872**
Unrestricted equity reserve at the beginning of the fiscal period	0	0
Share issue	2 250	2 250
Increase in interest in subsidiary (non-cash issue of the share exchange)	1 112	1 112
Unrestricted equity reserve at the end of the fiscal period	**3 362**	**3 362**
Reserve fund at the beginning of the fiscal year	2 228	2 228
Reserve fund at the end of the fiscal year	**2 228**	**2 228**
Retained earnings at the beginning of the fiscal year	-4 610	3 120
Retained earnings in the end of the fiscal year	**-4 610**	**3 120**
Profit or loss for the fiscal year	**-8 120**	**-7 730**
Shareholders' equity total	**-4 268**	**3 853**
Calculation on distributable assets		
Retained earnings	-4 610	3 120
Profit for the fiscal year	-8 120	-7 730
Distributable assets total	**-12 730**	**-4 610**
Number of shares by series at the end of the fiscal period	**no.**	**no.**
A-share (1 vote/share)	3 977 360	3 977 360
The distribution of shareholders' equity by series	**euros**	**euros**
A-share (1 vote/share)	2 872 302	2 872 302

Because of the write-down of the loan receivables from Vaahto Paper Technology Ltd. in the amount of 11.1 M euros, the parent company's equity is negative. After the close of the financial year, the Board of Directors of Vaahto Group Plc Oyj announced that, to strengthen Vaahto Group's financial position, it intends to issue new shares in the first half of 2014. The Board is also considering various options for divestment of the Paper Technology business, with the primary option being sale of the business.

1000 EUR	31.12.2013	31.12.2012

14. LONG-TERM LIABILITIES

External long-term liabilities		
Loans from financial institutions	3 952	2 086
Loans from others	2 000	0
Total	**5 952**	**2 086**

15. SHORT-TERM LIABILITIES

External short-term liabilities, interest-bearing		
Loans from financial institutions	0	2 695
Credit limits used	3 132	3 334
Total	**3 132**	**6 030**
Short-term liabilities to Group companies, interest-bearing		
Other liabilities	3 040	3 165
Total	**3 040**	**3 165**
External short-term liabilities, non-interest-bearing		
Accounts payable	152	184
Other liabilities	111	127
Accrued liabilities and deferred income	151	137
Total	**414**	**448**
Accrued liabilities and deferred income consist of:		
Accrued employee expenses	127	114
Interest liabilities	23	23
Other accruals and deferred income	1	1
Total	**151**	**137**
Short-term liabilities total	**6 586**	**9 642**

The short-term interest-bearing loans include group-internal accounts payable to Japrotek Oy Ab in the amount of 2.9 M euros. The parent company's long-term receivables include subordinated loan receivables from Japrotek Oy Ab in the amount of 1.95 M euros.

16. SECURITIES AND RESPONSIBILITIES

GRANTED SECURITIES

Other granted securities

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

Book values of the shares in subsidiaries granted as securities total	**5 240**	**5 240**

LIABILITIES

Leasing commitments to be paid		
To be paid during fiscal year 2014	143	442
Later	45	189
Total	**189**	**632**
Granted guarantees by Group companies		
Granted guarantees to customers and creditors	0	730
Granted guarantees to secure bank guarantee limits	4 110	8 860
Guarantees granted to secure guarantee insurances	2 175	750
Guarantees granted to secure trial guarantees	0	1 500
Granted guarantees to secure loans	3 580	3 780
Granted guarantees to secure rent bank guarantees	400	400
Total	**10 265**	**16 020**

The Board of Directors' proposal

The parent company made a business loss of 8,120,359.08 euros, and the company has no distributable funds.

The Board of Directors proposes to the General Meeting that no dividends be distributed and that the loss be covered with funds from the profit account.

Lahti, February 28, 2014

Reijo Järvinen

Sami-Jussi Alatalo

Topi Karppanen

Mikko Vaahto

Vesa Alatalo

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF VAAHTO GROUP PLC OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Vaahto Group Plc Oyj for the year ended on 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, statement of cash flows and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

ADDITIONAL INFORMATION RELATING TO EMPHASIZING OF A CERTAIN ISSUE

We want to draw attention to the issues described in the report of the Board of Directors and in paragraph 28 of notes to financial statements of the company's liquidity and liabilities. The company estimates that the group's working capital in closing date is sufficient to the needs of the following twelve months, provided that the group achieves the forecasted financial targets and the short-term financing can be rearranged. These factors, together with other issues mentioned in the report of the Board of Directors and the notes to the financial statements show material uncertainty, which may challenge the company's going concern assumption. Our statement has not been adapted regarding this matter.

Lahti, 5.3.2014

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Design and segment texts: Viestintätoimisto Pilkku Oy, www.pilkkutehdas.fi
Printing: Erweko Oy, www.erweko.fi

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