

Interim
Report
January
June 2013

VAAHTO
SINCE 1874

Vaahto Group Interim Report

FOR 1 JANUARY – 30 JUNE 2013

Vaahto Group's turnover from continuing operations during the period 1 January to 30 June 2013 was 20.6 M euros (comparative 16.1 M euros) and operating loss 0.2 M euros (2.3 M euros). Turnover was 28 % higher than in the reference period, and the operating result was significantly better. The order book of the continuing operations remained at a good level, totaled 18.6 M euros (9.2 M euros).

The Vaahto Group Plc Oyj Extraordinary Meeting of Shareholders of 19 June 2012 approved an amendment to the statutes, based on which the company's normal financial year was changed to 1 January – 31 December from the beginning of the year 2013. The reference data presented in this report has been changed to correspond the actual period.

In accordance with the preliminary contract signed on 16 January 2013, 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 the German firm Gebr. Bellmer GmbH Maschinenfabrik was completed on 15 April 2013. The assets and liabilities related to the sale are included on the balance sheet as non-current assets held for sale and related liabilities. In the profit and loss statement, the project business is presented in one line as a discontinued operation. The profit and loss statement's reference data have been adjusted correspondingly.

VAAHTO PAPER TECHNOLOGY

Vaahto Paper Technology division's turnover from continuing operations was 5.0 M euros (6.1 M euros) and the operating loss of 1.5 M euros (operating loss 1.9 M euros). Turnover fell 18 % from the reference period while the operating result improved slightly but still remained negative. The main reason for the operating loss is the division's weak order intake.

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. All projects that were in progress on 15 April 2013 were transferred to Bellmer in con-

nnection with the sale. Completed projects that are within their warranty period remain with Vaahto Paper Technology Ltd. The liabilities and debts related to the completion of these projects are presented in the profit and loss statement as discontinuing operations and in the balance sheet as assets and debts. The operating loss of the discontinuing operations was 1.4 M euros (1.1 M euros); this includes the sale of the project-business and the costs of the discontinuing operations. The sale price is not final, as it contains items to be realized in the future.

VAAHTO PROCESS TECHNOLOGY

Vaahto Process Technology division's turnover for the period under review was 15.7 M euros (10.1 M euros) and operating profit 1.3 M euros (operating loss 0.5 M euros). Turnover increased by 55 % from the reference period's level. The operating result improved and was 8.2 % of the turnover. The main reasons for the positive development were constant order income and the expected realization of the delivered projects.

The market situation of Vaahto Process Technology division has been remained stable and the demand has continued to be moderate.

RESEARCH AND DEVELOPMENT

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

INVESTMENTS

Vaahto Group's capital expenditure during the period under review was 0.2 M euros (0.6 M euros). It consisted mainly of machine and equipment investments for the Vaahto Paper Technology division's service business.

FINANCING AND TAXES

The cash flow of the business operations was -0.7 M euros during the period, and the cash flow of investments was 1.0 M euros. Interest-bearing liabilities amounted to 16.5 M euros at the end of the period under review. The consolidated balance-sheet total was 24.0 M euros, and the equity ratio -20.9 %. The 30 June 2013 interim report indicated violation of repayment covenants related to Vaahto Group's equity ratio that were involved in its credit-institution loans. Vaahto Group has received a commitment from the relevant credit institution that the breach of the covenants will not result in any penalties. Measures have been taken in Vaahto Group to improve its financial position and equity ratio.

HUMAN RESOURCES

The average number of personnel during the period under review was 276.

In connection with the sale of Vaahto Paper Technology's Project –business on 15 April 2013, 71 employees belonging to the Project-business, were transferred to Bellmer.

AUTHORIZATION FOR A SHARE ISSUE

The General Meeting of 10 April 2013 authorized the Board of Directors to decide on the issuing of new shares in one or several lots. The maximum number of new shares that may be issued is 2,000,000. The proposed authorization corresponded to 50 % of all shares in the company.

This authorization entitled the Board to decide on all terms of the share issue, including the right to deviate from the shareholders' subscription privilege.

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 Court of Appeal overturned the District Court ruling in June 2013. Vaahto Paper Technology Ltd will apply for leave to appeal to the Supreme Court. Apart from the legal expenses, the dispute is not expected to cause any additional costs to Vaahto Paper Technology Ltd, thus no reservations related to this dispute have been made in the Vaahto Group's interim report.

Vaahto Paper Technology Ltd is currently party to a dispute over an equipment delivery with a customer. Per the agreement between the two parties, the matter has been initiated by an arbitration court in Singapore. Apart from the legal expenses, the dispute is not expected to cause any additional costs to Vaahto Paper Technology Ltd, thus no reservations have been made for such costs in the Vaahto Group's interim report.

industries remains difficult. However, Vaahto Group's result is expected to increase substantially from that of the previous financial period and to be positive for continuing operations.

Lahti, 23 August 2013

Board of Directors

RISKS

Vaahto Group's financing situation remains tight and involves significant risks. Positive development requires that the plans made by the management will actualize and that the plans for the rearrangement of short-term payments and for obtaining additional funding be successful. The Board of Directors is currently in negotiations with the credit institutions to improve liquidity and equity ratio.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

FORECAST FOR THE 1 JANUARY – 31 DECEMBER 2013 FINANCIAL YEAR

The development of the international economy shows no signs of improvement, and the market situation of Vaahto Group's main customer

Consolidated Statement of Comprehensive Income, IFRS

1 000 EUR	Interim Report 1.1.-30.6.2013 6 months	Interim Report 1.1.-30.6.2012 6 months	Annual Report 1.9.2011-31.12.2012 16 months
NET TURNOVER	20 630	16 075	40 908
Change in finished goods and work in progress	-1 196	-288	1 385
Production for own use	82	268	788
Other operating income	66	3	96
Share of profits of affiliated companies		14	25
Material and services	-9 278	-6 888	-19 459
Employee benefit expenses	-6 352	-7 124	-17 194
Depreciations	-635	-797	-2 188
Impairment losses of goodwill			-28
Other operating expenses	-3 499	-3 597	-9 229
OPERATING PROFIT OR LOSS	-183	-2 335	-4 895
Financing income	80	7	62
Financing expenses	-523	-476	-1 270
PROFIT OR LOSS BEFORE TAXES	-625	-2 804	-6 103
Tax on income from operations	-69	-266	-2 226
PROFIT OR LOSS FROM THE CONTINUING OPERATIONS	-694	-3 070	-8 329
DISCONTINUING OPERATIONS			
Profit or loss from the discontinuing operations	-1 413	-1 104	-1 597
PROFIT OR LOSS	-2 107	-4 174	-9 926
OTHER COMPREHENSIVE INCOME			
Translation differences	-4	8	38
OTHER COMPREHENSIVE INCOME, NET OF TAX	-4	8	38
TOTAL COMPREHENSIVE INCOME	-2 112	-4 166	-9 888
Earnings per share calculated on profit attributable to equity holders of the parent			
EPS undiluted, euros/share, continuing operations	-0,17	-0,89	-2,40
EPS diluted, euros/share, continuing operations	-0,17	-0,89	-2,40
EPS undiluted, euros/share, discontinuing operations	-0,36	-0,32	-0,46
EPS diluted, euros/share, discontinuing operations	-0,36	-0,32	-0,46
EPS undiluted, euros/share	-0,53	-1,21	-2,86
EPS diluted, euros/share	-0,53	-1,21	-2,86
Average number of shares			
-undiluted	3 977 360	3 444 667	3 463 206
-diluted	3 977 360	3 444 667	3 463 206

Consolidated Balance Sheet, IFRS

1000 EUR

Interim Report
30.6.2013

Annual Report
31.12.2012

ASSETS

NON-CURRENT ASSETS

Intangible assets	82	233
Goodwill	1 692	1 692
Tangible assets	7 277	7 596
Shares in affiliated companies	79	83
Available for sale investments	43	43
Non-current trade receivables and other receivables	3	3
Deferred tax asset	270	271
NON-CURRENT ASSETS	9 445	9 921

CURRENT ASSETS

Inventories	4 758	5 783
Trade receivables and other receivables	6 047	6 776
Cash and bank ¹⁾	890	1 449
CURRENT ASSETS	11 695	14 007

NON-CURRENT ASSETS HELD FOR SALE

NON-CURRENT ASSETS HELD FOR SALE	2 878	6 557
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ASSETS

24 018 **30 484**

EQUITY AND LIABILITIES

SHAREHOLDER'S EQUITY

Share capital	2 872	2 872
Share premium account	6	6
Fair value reserve and other reserves	5 063	5 063
Translation differences	56	56
Retained earnings	-12 271	-10 160
SHAREHOLDER'S EQUITY	-4 275	-2 163

NON-CURRENT LIABILITIES

Dererred tax liability	641	699
Long-term liabilities, interest-bearing	3 060	3 608
Non-current provisions	445	395
NON-CURRENT LIABILITIES	4 146	4 701

CURRET LIABILITIES

Short-term liabilities, interest-bearing	13 471	14 045
Trade payables and other liabilities	9 327	10 662
Tax liability, income tax		264
CURRENT LIABILITIES	22 798	24 971

Interest-bearing liabilities held for sale	573	
Interest-free liabilities hled for sale	1 348	2 402

ASSETS

24 018 **30 484**

1) Cash and bank includes deposit for loan guarantee 0,8 thousand euros.

Key Figures, IFRS

1 000 EUR

The business indicators

	Interim Report 1.1.-30.6.2013	Interim Report 1.1.-30.6.2012	Annual Report 1.9.2011-31.12.2012
	6 months	6 months	16 months
Operating profit or loss, continuing operations	-183	-2 335	-4 895
% of turnover	-0,9	-14,5	-12,0
Profit or loss before taxes, continuing operations	-625	-2 804	-6 103
% of turnover	-3,0	-17,4	-14,9
Profit or loss from the discontinuing operations	-1 413	-1 104	-1 597
Earnings per share calculated on profit attributable to equity holders of the parent	-2 107	-4 174	-9 926
% of turnover	-10,2	-26,0	-24,3
Return on equity (ROE), % 1)	-131,0	-276,4	-413,0
Return on investment (ROI), % 1)	-22,6	-37,6	-26,0
Earnings per share EUR 2)	-0,53	-1,21	-2,15
Shareholders' equity per share EUR	-1,07	0,47	-0,50
Equity ratio, % 3)	-20,9	6,5	-79
Gearing 3)	-365,9	8274	-749,1
Gross investments in fixed assets	166	558	1 289
Order backlog, continuing operations	18 608	9 156	20 547
Total average number of personnel	275	335	333

1) Return on equity % and return on investment % have been calculated by converting the profit or loss for the reporting period to correspond the profit or loss for 12 months. Figures include also profit or loss from discontinuing operations. The reference period has been converted accordingly.

2) Earnings per share includes also the profit or loss from discontinuing operations. Earnings per share from the period 1.9.2011 - 31.12.2012 has been calculated by converting the profit or loss for the period to correspond the profit or loss for 12 months.

3) The Equity ratio and Gearing from the period 1.1.-30.6.2013 includes also items from discontinuing operations. The gearing is negative because of the negative equity.

Consolidated Flow of Funds Statement, IFRS

1000 EUR

	Interim Report 1.1.-30.6.2013	Interim Report 1.1.-30.6.2012	Annual Report 1.9.2011-31.12.2012
Profit or loss before taxes	-2 134	-3 851	-9 926
Adjustments	340	1 500	6 344
Change in working capital	1 372	-632	1 636
Financial income and expenses and taxes	-294	-585	-1 388
Flow of funds from operations	-716	-3 568	-3 333
Investments in tangible and intangible assets	-166	-558	-1 289
Increase caused by the change in Group structure	0	-18	-18
Income from sales of tangible and intangible assets	1 188	0	319
Repayments of loans	0	0	8
Flow of funds from investments	1 022	-576	-980
Share issue	0	1 728	1 861
Increase of the interest-bearing liabilities	27	3 968	5 946
Decrease of the interest-bearing liabilities	-891	-1 054	-2 821
Flow of funds from financial items	-865	4 642	4 987
Change of liquid funds	-558	499	674

Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

Changes in shareholders's equity 1.1. - 30.6.2013	Share capital	Share premium account	Unrestricted equity reserve	Reserve fund	Translation differences	Retained earnings	Total	Non-controlling investors	Total
Shareholders's equity in the beginning of the period	2 872	6	3 068	1 995	56	-10 160	-2 163	0	-2 163
Comprehensive income:									
Profit or loss for the period						-2 107	-2 107	0	-2 107
Translation differences					-1	-4	-4	0	-4
Total comprehensive income	0	0	0	0	-1	-2 111	-2 112	0	-2 112
Shareholder's equity at the end of the period	2 872	6	3 068	1 995	56	-12 271	-4 275	0	-4 275

Changes in shareholders's equity 1.1. - 30.6.2012	Share capital	Share premium account	Unrestricted equity reserve	Reserve fund	Translation differences	Retained earnings	Total	Non-controlling investors	Total
Shareholders's equity in the beginning of the period	2 872	6	0	1 995	36	-1 848	3 060		3 060
Comprehensive income:									
Profit or loss for the period						-4 148	-4 148		-4 148
Translation differences									
Total comprehensive income	0	0	0	0	0	-4 148	-4 148		-4 148
Share issue			2 100				2 100		2 100
Transaction costs for equity			-372				-372		-372
Acquisition of subsidiary			1 112				1 112		1 112
Deferred taxes due to period changes			91				91		91
Transactions with owners		2 931					2 931		2 931
Shareholder's equity at the end of the period	2 872	6	2 931	1 995	36	-5 996	1 843		1 843

Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

Changes in shareholders's equity 1.9.2011-31.12.2012	Share capital	Share premium account	Unrestricted equity reserve	Reserve fund	Translation differences	Retained earnings	Total	Non-controlling investors	Total
Shareholders's equity in the beginning of the 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
Transaction 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		0	95		0	95
Transactions with owners	0	0	3 068	0	0	105	3 174	-1 217	1 956
Shareholder's equity at the end of the period									
	2 872	6	3 068	1 995	56	-10 160	-2 163	0	-2 163

Segment Information, IFRS

1 000 EUR

Interim Report

1.1.-30.6.2013

6 months

Interim Report

1.1.-30.6.2012

6 months

Annual Report

1.9.2011-31.12.2012

16 months

By operating segments

Net sales

Vaahto Paper Technology	5 015	6 081	16 939
Vaahto Process Technology	15 681	10 051	24 079
Net sales between the segments	-67	-57	-110
Group total	20 630	16 075	40 908

Shares of profits of affiliated companies

Vaahto Paper Technology	0	14	25
Vaahto Process Technology	0	0	0
Group total	0	14	25

Operating profit or loss

Vaahto Paper Technology	-1 469	-1 865	-4 230
Vaahto Process Technology	1 286	-483	-690
Operating profit or loss between segments		14	
Group total	-183	-2 335	-4 920

Profit or loss of the segment

Vaahto Paper Technology	-1 469	-1 851	-4 205
Vaahto Process Technology	1 286	-483	-690
Group total	-183	-2 334	-4 895

Financing income and expenses

Taxes	-443	-470	-1 208
	-69	-266	-2 226

Profit or loss from continuing operations

Profit or loss from discontinuing operations	-694	-3 070	-8 329
Profit or loss for the fiscal period	-1 413	-1 104	-1 597

Profit or loss for the fiscal period

	-2 107	-4 174	-9 926
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New sales by market areas

Finland	6 141		17 879
Other Europe	6 181		18 618
Asia	50		3 146
Africa	1 265		147
North America	6 944		225
Other Europe	48		893
Group total	20 630		40 908

Total average number of personnel

Vaahto Paper Technology, continuing operations	148	123	142
Vaahto Process Technology, continuing operations	128	121	122
Discontinuing operations		91	69
Group total	276	335	333

Discontinuing operations

1000 EUR	1.1.-30.6.2013 6 months	1.1.-30.6.2012 6 months	1.9.2011-31.12.2012 16 months
Profit or loss of the Project business unit			
Income	2 931	8 991	19 786
Expenses	-4 440	-10 037	-21 342
Profit or loss before taxes	-1 509	-1 046	-1 556
Taxes	95	-58	-41
Profit or loss after taxes	-1 414	-1 104	-1 597
Profit or loss from the discontinuing operations	-1 414	-1 104	-1 597
Flow of funds from the Project business unit			
Flow of funds from operations	-615	-1 203	
Flow of funds from investments	1 188	-169	
Flow of funds from financial items	-52	-265	
Flow of funds total	521		-1 637
Non-current assets of discontinuing operations			
Intangible assets	0	93	
Tangible assets	0	2 549	
Inventories	708	1 548	
Receivables	2 170	2 367	
Assets total	2 878		6 557
Non-current assets of discontinuing operations include total 590 thousand euros receivables of Vaahto Paper Technology Ltd related to the additional project work that the customer has challenged. The case is ongoing arbitration. The receivables contain uncertainty.			
Liabilities of Project business held for sale/ discontinuing operations			
Finance lease liabilities			574
Current liabilities of discontinuing operations	1 348	2 401	
Liabilities total	1 348		2 975

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

Notes required by IAS 34

Accounting principles

The Interim Report was drawn up according to the same accounting principles and calculation methods as the previous financial statement, for the fiscal period that ended on December 31, 2012.

Dividends paid

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