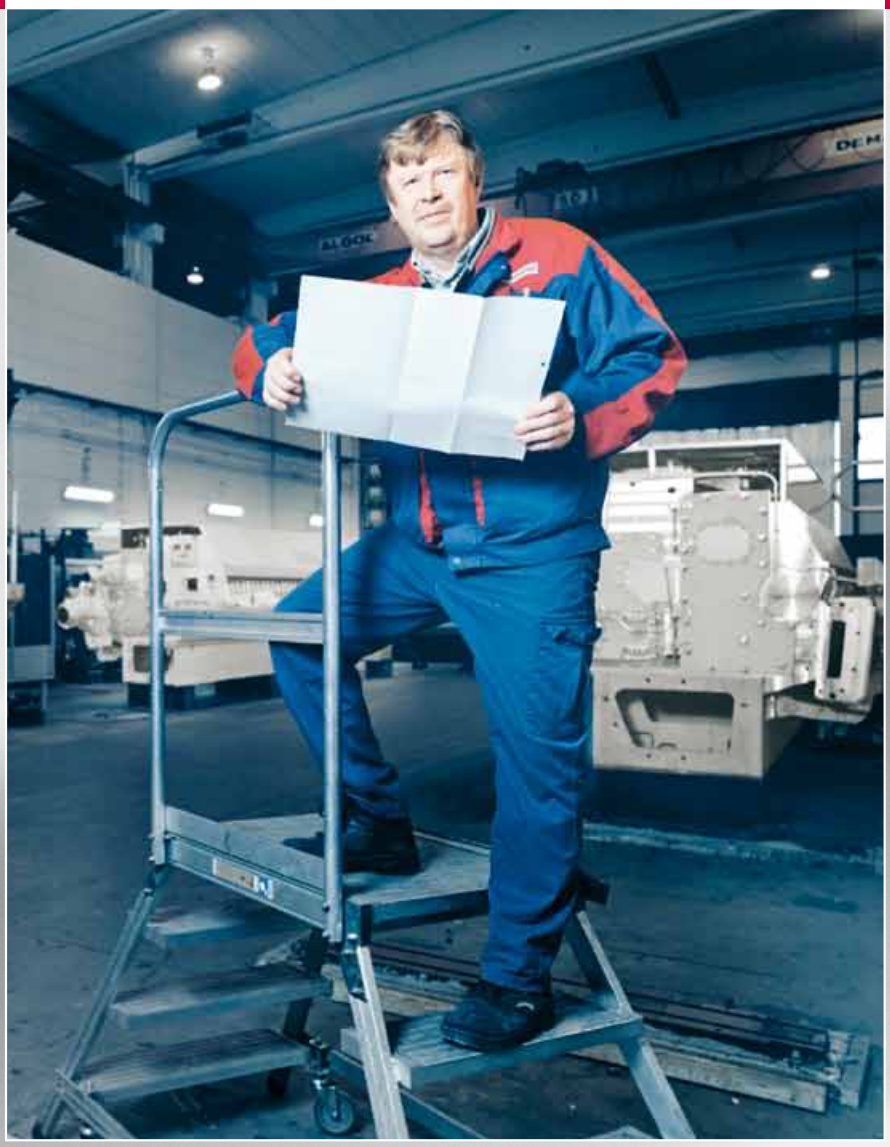
FINANCIAL STATEMENTS 2008-2009



VAAHTO GROUP
1874

Contents

Review by the Board

FISCAL PERIOD OF SEPTEMBER 1, 2008 – AUGUST 31, 2009

Business developments

Vaahto Group's turnover for the fiscal period ending in August 2009 was 75.7 million euros (comparative: 73.2 million euros), with an operating loss of 2.3 million euros (operating profit of 0.6 million euros). The loss accumulated during the first half of the fiscal year, when the turnover was clearly below the previous year's levels. In the latter half of the fiscal year, the economic development improved as a consequence of recognition of delivery projects and cost-adjustment procedures. With the project deliveries completed at the end of the fiscal year, Vaahto Group's order backlog decreased clearly in the final months of the period, coming to 17.1 million euros (54.4 million euros) on August 31.

Pulp & Paper Machinery

The Pulp & Paper Machinery division's turnover for the period under review was 52.1 million euros (39.5 million euros), with an operating loss of 2.4 million euros (operating loss of 3.3 million euros). The division's loss in the period under review was accumulated in the first half of the fiscal year. In the latter half of the fiscal year, the turnover increased as a result of recognition of delivery projects completed at the end of the period. Cost-adjustment procedures also contributed to the improved development. The division's result for the second half was slightly to the positive.

During the period under review, the forest industry's investment rate has been at a very low level throughout the world. In this difficult market situation, the period's most significant orders for the Pulp & Paper Machinery division were for the tissue machine rebuild at Metsä Tissue's Mänttä mill, the rebuild of the board factory at Stora Enso's Inkeroinen mill, and the headbox project for Stora Enso's mill in Imatra. Also, the division received an additional order from the Kama paper mill, in Russia. This order is related to the contract concluded in August 2008 for paper machine modernization, which involves conversion of the machine in question from newsprint to LWC paper production.

The fiscal year saw the division merge its Vaahto Roll Service Oy with Vaahto Oy. The purpose of the merger was to simplify the Group's structure, reduce costs, and streamline the operations of the Pulp & Paper Machinery division. Following the merger, the division has two profit centers: Vaahto Projects and Vaahto Service.

Vaahto Pulp & Paper Machinery's goal is to keep strengthening its position as one of the leading suppliers of technology and services in the demanding international paper and board machine markets. In pursuit of this goal, one measure is to establish a production unit in China, which was approved by the Board of Directors of the parent company after the end of the fiscal year. The objective is to start production in China during 2010.

Process Machinery

The Process Machinery division's turnover for the fiscal year was 24.7 million euros (34.4 million euros), with an operating profit of 0.1 million euros (4.0 million euros). The turnover decreased by 28.3% from that of the previous period, making the result lower than in the 2007–2008 fiscal year.

The division's market situation was very weak during the period under review, and the order book was adversely affected for both tanks and agitators. The market picked up slightly at the end of the fiscal year, and the number of projects in the offer phase has been on the increase.

Results

Vaahto Group's operating loss for the fiscal period was 2.3 million euros, compared to an operating profit of 0.6 million euros in the previous fiscal year. The operating loss for the period was 3.1% (operating profit of 0.9%) of the group's turnover. The main reason for the result, which was lower than in the previous fiscal year, was the considerable decrease in the Process Machinery division's turnover and profitability. The Pulp & Paper division's poor figures in the first half of the fiscal year also undermined the result.

Financing

The Group's cash flow totaled 16.5 million euros (1.2 million euros)., and its net financial expenses were 0.9 million euros (0.7 million euros), or 1.2% (1.0%) of turnover. Investment cash flow for the fiscal year was -3.6 million euros (-4.0 million euros). The decrease in debt, including interest, was 0.9 million euros.

Total assets and liabilities on the consolidated balance sheet stood at 50.1 million euros (41.8 million euros), and the parent company's balance sheet showed 23.0 million euros (17.0 million euros). The Group's equity ratio decreased to 23.2% (37.3%). The Group's gearing increased to 11.1% (99.8%).

The increase in the balance sheet total is mostly because of a payment received at the end of the fiscal year for delivery of a significant project, but payments to suppliers have been made, for the most part, during the current fiscal year. This is also reflected in the operating cash flow and key figures in the cash flow calculation.

Investments

The Group's investments in capital assets for the fiscal period totaled 3.7 million euros (4.6 million euros). The most significant investments were acquisition of a broaching drill for Vaahto Oy and AP-Tela Oy's office building. Other investments consisted mainly of smaller machinery and equipment acquisitions.

Information systems

The Group's information systems and information management were developed further, in accordance with the centralized operations model.

Research and development

The Group's research and development activities were focused for the most part on improvement in the competitiveness of roll servicing and of the Pulp & Paper Machinery division's key components for paper and board machines. The scope of the Group's R&D activities remained the same as in the previous fiscal period.

Personnel

Group personnel averaged 410 (426) over the fiscal year and numbered 392 (424) at the end of the period.

Risks and business uncertainties

Demand for Vaahto Group products depends largely on economic cycles and developments in the world economy and the customer industries. Risk caused by fluctuations in demand is being compensated for through adjustment of the Group's sales operations in line with the economic cycles of various markets and customer industries.

Large-scale projects involve the risk of the final result falling short of expectations, since the project's future costs and other risks that could affect the delivery cannot be assessed explicitly enough at the tender stage. Risks associated with large projects can be managed by applying various quality management systems, profitability analyses, directives, and acceptance procedures.

The Group's financial risk management objectives are to minimize harmful effects on the Group's result caused by fluctuations in financial markets and to ensure that the Group can gain equity and liability financing on competitive terms.

Business-related risks of material, consequential, and liability losses are covered by appropriate insurance policies.

Shareholders' equity

Information concerning Vaahto Group Plc Oyj's shares is provided in item 24 of the Notes to the Consolidated Financial Statements, "Notes on the shareholders' equity."

The Board of Directors has no authority to issue new shares, convertible bonds, or bonds with warrants, nor the authorization to obtain or surrender shares.

Administration

The Annual General Meeting of December 15, 2008, elected the following to the Board of Vaahto Group Plc Oyj:

Seppo Jaatinen, chairman
Mikko Vaahto, vice-chairman
Martti Unkuri, member
Antti Vaahto, member

Antti Vaahto served as CEO until April 30, 2009, and Anssi Klinga has been CEO since May 1, 2009.

The Group companies have been audited by the certified public auditing firm Ernst & Young Oy, with Panu Juonala, CPA, as chief auditor.

The company follows the NASDAQ OMX Helsinki corporate governance code (2008) for Finnish listed companies. An account of the Group's corporate governance has been published on the Group's Web site.

Forecast of developments

The international financial climate led to great insecurity in the markets and to postponement of investment decisions. Some signs of improvement have been detected lately in the market in Asia, particularly in China. In Europe and North America, on the other hand, the market situation is still quite difficult and the forest industry, in particular, is investing very cautiously. However, the international market situation is expected to improve in the next fiscal year.

Vaahto Group's order backlog decreased during the period under review, and the starting point for the new fiscal year is difficult. In the course of the period under review, the Group companies have performed extensive measures to adjust their operations to the weaker demand and market situation.

As a consequence of the poor order book, the first half of the current fiscal year will be challenging. Since the international market situation seems to be picking up, the development of Vaahto Group's results is expected to improve towards the end of the fiscal year and to show a small profit for the entire fiscal year.

Proposal for distribution of profits

Parent company funds available for distribution of profits total 3,553,365.18 euros, of which 285,281.45 euros represents profits for the fiscal period.

The Board will propose to the Annual General Meeting that no dividends be paid and that the operating profit be transferred to the earnings account.

Key Figures

The business indicators 1 000 €	2008/2009 12 months IFRS	2007/2008 12 months IFRS	2006/2007 12 months IFRS	2005/2006 12 months IFRS	2004/2005 12 months IFRS
Turnover	75 694	73 207	88 161	65 414	58 084
Change, %	3.4	-17.0	34.8	12.6	-5.9
Operating profit or loss	-2 320	649	5 812	2 461	588
% of turnover	-3.1	0.9	6.6	3.8	1.0
Profit or loss before taxes	-3 235	-77	5 226	1 513	-85
% of turnover	-4.3	-0.1	5.9	2.3	-0.1
Earnings per share calculated on profit attributable to equity holders of the parent	-2 316	238	3 639	920	-509
% of turnover	-3.1	0.3	4.1	1.4	-0.9
Return on equity (ROE), %	-19.3	2.2	29.5	9.4	-2.2
Return on investment (ROI), %	-8.5	2.6	25.8	12.5	2.8
Equity ratio, %	23.2	37.3	35.5	39.1	35.2
Current ratio	0.9	1.1	1.1	1.0	1.0
Gearing	11.1	99.8	65.5	18.4	57.9
Gross investments in fixed assets	3 656	4 613	1 502	1 859	1 139
% of turnover	4.8	6.3	1.7	2.8	2.0
Order backlog	17 098	54 384	42 894	49 723	34 240
Consolidated balance sheet total	50 086	41 847	52 190	42 892	39 246
Total number of personnel (average)	410	426	414	410	420

Share related data	2008/2009 12 months IFRS	2007/2008 12 months IFRS	2006/2007 12 months IFRS	2005/2006 12 months IFRS	2004/2005 12 months IFRS
Earning per share (EPS), euros	-0.81	0.08	1.27	0.32	-0.18
Shareholders' equity per share, euros	3.37	4.32	4.68	3.65	3.44
Dividend per share, euros 1)	0.00	0.10	0.40	0.20	0.12
Dividend payout, % of profit or loss for the fiscal year	0.0	120.6	31.6	62.5	-67.8
Effective dividend return, %	0.0	1.0	3.1	2.9	2.4
Price earnings ratio (P/E)	-8.5	124.0	10.3	21.6	-28.6
Number of shares outstanding at the end of the period (1 000)	2 872	2 872	2 872	2 872	2 872
Number of shares outstanding, average (1 000)	2 872	2 872	2 872	2 872	2 872

1) Proposal by the Board

Key Figures

Share prices €	2008/2009 12 months	2007/2008 12 months	2006/2007 12 months	2005/2006 12 months	2004/2005 12 months
A share					
- high	9.90	12.32	14.20	8.70	5.98
- low	4.72	8.85	6.52	4.21	2.91
- average	6.69	10.55	11.11	6.22	4.30
- share price at the end of the fiscal year	6.40	9.82	12.54	6.50	5.04
K share					
- high	10.74	12.55	14.95	9.57	5.92
- low	6.20	8.80	7.28	4.38	2.90
- average	7.98	10.35	11.75	5.76	4.33
- share price at the end of the fiscal year	7.30	10.74	13.51	7.37	5.09
Total market value, million euros					
A share	9.3	14.3	18.2	9.4	7.3
K share	10.4	15.2	19.2	10.5	7.2
Total	19.7	29.5	37.4	19.9	14.5
Number of shares traded during the fiscal year					
A share	517 074	1 413 803	2 596 692	614 526	495 445
K share	90 113	1 062 841	1 082 285	184 810	140 000
Number of shares traded, %					
A share	35.6	97.3	178.7	42.3	34.1
K share	6.4	74.9	76.2	13.0	9.9
Number of shareholders	303	305	315	340	435

Consolidated Income Statement, IFRS

1000 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008	Note
NET TURNOVER	**75 694**	**73 207**	**3,4**
Change in finished goods and work in progress	-3 109	92	
Production for own use	834	693	
Other operating income	401	688	5
Share of profits of affiliated companies	13	14	
Material and services	-43 503	-39 404	
Employee benefit expenses	-19 708	-21 082	8
Depreciations	-2 423	-2 220	7
Other operating expenses	-10 520	-11 339	6
OPERATING PROFIT OR LOSS	**-2 320**	**649**	
Financing income	86	70	10
Financing expenses	-1 001	-796	11
PROFIT OR LOSS BEFORE TAXES	**-3 235**	**-77**	
Tax on income from operations	857	396	12
PROFIT OR LOSS FOR THE FISCAL YEAR	**-2 378**	**320**	
NET PROFIT OR LOSS ATTRIBUTABLE:			
To equity holders of the parent	-2 316	238	
To minority interest	-62	82	
	-2 378	320	
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS undiluted, euros/share, continuing operations	-0.81	0.08	13
EPS diluted, euros/share, continuing operations	-0.81	0.08	
Average number of shares			
-undiluted	2 872 302	2 872 302	
-diluted	2 872 302	2 872 302	

Consolidated Balance Sheet, IFRS

1000 €	31.8.2009	31.8.2008	Note
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	2 495	3 127	15
Goodwill	1 702	1 702	16
Tangible assets	16 012	14 198	14
Shares in affiliated companies	50	39	17
Non-current trade receivables and other receivables	12	13	18
Other long-term investments	44	44	19
Deferred tax asset	1 225	471	20
NON-CURRENT ASSETS	**21 540**	**19 594**	
CURRENT ASSETS			
Inventories	4 627	8 508	21
Trade receivables and other receivables	11 519	12 392	22
Tax receivable, income tax	0	624	22
Cash and bank	12 400	730	23
CURRENT ASSETS	**28 546**	**22 253**	
ASSETS	**50 086**	**41 847**	
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Share premium account	6	6	
Other reserves	1 835	2 006	
Translation differences	20	0	
Retained earnings	4 941	7 537	
Equity attributable to equity holders of the parent	9 673	12 421	
Minority share	1 229	1 336	
SHAREHOLDERS' EQUITY	**10 902**	**13 757**	**24**
NON-CURRENT LIABILITIES			
Deferred tax liability	528	736	20
Long-term liabilities, interest-bearing	6 928	7 378	27
Non-current provisions	355	271	26
NON-CURRENT LIABILITIES	**7 812**	**8 385**	
CURRENT LIABILITIES			
Short-term liabilities, interest-bearing	6 679	7 087	27
Trade payables and other liabilities	24 628	12 618	29
Tax liability, income tax	65	1	29
CURRENT LIABILITIES	**31 372**	**19 705**	
EQUITY AND LIABILITIES	**50 086**	**41 847**	

Consolidated Flow of Funds Statement, IFRS

1000 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008
Flow of funds from operations		
Profit or loss before taxes	-3 235	-77
Adjustments:		
Depreciations	2 423	2 220
Unrealized foreign exchange gains and losses	-223	-148
Other income and expenses, no payment related	106	-409
Financing income and expenses	915	726
Share of profits of affiliated companies	-13	-14
Other adjustments	-9	-558
Flow of funds from operations before the change in working capital	**-36**	**1 740**
Change in working capital:		
Change in short-term receivables	1 864	7 627
Change in inventories	3 950	-659
Change in short-term non-interest-bearing creditors	11 639	-6 631
Flow of funds from operations before the change in working capital	**17 417**	**2 076**
Inrerest and other financial expenses from operations paid	-1 001	-796
Dividends received	2	2
Interests received	84	68
Income taxes paid	-46	-114
FLOW OF FUNDS FROM OPERATIONS	**16 456**	**1 236**
Flow of funds from investments		
Investments in tangible and intangible assets	-3 656	-4 613
Income from sales of tangible and intangible assets	61	650
Granted loans	1	0
FLOW OF FUNDS FROM INVESTMENTS	**-3 595**	**-3 963**
Flow of funds from financial items		
Withdrawals of short-term loans	5 000	5 688
Repayments of short-term loans	-5 000	-5 840
Withdrawals of long-term loans	2 349	4 878
Repayments of long-term loans	-3 207	-1 515
Dividends	-333	-1 287
FLOW OF FUNDS FROM FINANCIAL ITEMS	**-1 191**	**1 923**
Change of liquid funds	**11 670**	**-804**
Liquid assets at the beginning of the fiscal year	730	1 534
Liquid assets at the end of the fiscal year	12 400	730
Change in liquid assets according to the balance sheet	11 670	-804

Consolidated Statement of Changes in Shareholders' Equity, IFRS

Change in shareholders' equity 1.9.2008 - 31.8.2009 1000€	Share capital	Share premium account	Hedging reserve	Other reserves	Retained earnings	Total	Minority shares	Total
Shareholders' equity at the beginning of the fiscal period	**2 872**	**6**	**-93**	**2 100**	**7 537**	**12 421**	**1 336**	**13 757**
Cash flow hedging: increase or decrease (hedging reserve)	0	0	-223	0	0	-223	0	-223
Deferred taxes' share of period movements	0	0	58	0	0	58	0	58
Change in translation difference	0	0	0	0	21	21	0	21
Reclassifications between items	0	0	0	-6	6	0	0	0
Net profits or losses regocnized directly to shareholders' equity	**0**	**0**	**-165**	**-6**	**27**	**-144**	**0**	**-144**
Profit or loss for the period	0	0	0	0	-2 316	-2 316	-62	-2 378
Total profits and losses	0	0	0	0	-2 316	-2 316	-62	-2 378
Dividend distribution	0	0	0	0	-287	-287	-46	-333
Shareholders' equity at the end of the fiscal period	**2 872**	**6**	**-258**	**2 093**	**4 960**	**9 673**	**1 229**	**10 902**

Change in shareholders' equity 1.9.2007 - 31.8.2008 1000€	Share capital	Share premium account	Hedging reserve	Other reserves	Retained earnings	Total	Minority shares	Total
Shareholders' equity at the beginning of the fiscal period	**2 872**	**6**	**22**	**2 106**	**8 437**	**13 442**	**1 393**	**14 835**
Cash flow hedging: increase or decrease (hedging reserve)	0	0	-148	0	0	-148	0	-148
Deferred taxes' share of period movements	0	0	33	0	0	33	0	33
Change in translation difference	0	0	0	0	5	5	0	5
Reclassifications between items	0	0	0	-6	6	0	0	0
Net profits or losses regocnized directly to shareholders' equity	**0**	**0**	**-115**	**-6**	**11**	**-110**	**0**	**-110**
Profit or loss for the period	0	0	0	0	238	238	82	320
Total profits and losses	0	0	0	0	238	238	82	320
Dividend distribution	0	0	0	0	-1 149	-1 149	-138	-1 287
Shareholders' equity at the end of the fiscal period	**2 872**	**6**	**-93**	**2 100**	**7 537**	**12 421**	**1 336**	**13 757**

Notes to the Consolidated Financial Statements

Table of Contents

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 1988.

Vaahto Group is a supplier of implementations of technology and consulting services, serving the process industry globally in the fields of papermaking technology and process machinery. The Group has two main business divisions: Pulp & Paper Machinery and Process Machinery.

At its meeting of November 12, 2009, 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 FOR FINANCIAL STATEMENTS

Accounting principles for the financial statement

The consolidated financial statements for the fiscal period September 1, 2008 – August 31, 2009, were drawn up in accordance with International Financial Reporting Standards (IFRS), approved for use in the EU. The notes to the consolidated financial statements are also in accordance with the Finnish accounting and corporation legislation.

On September 1, 2005, the Group moved its financial reporting over to calculation and final accounting principles that are in accordance with the IFRS standards. Previously, the Group followed the Finnish Accounting Standards (FAS). The IFRS 1 standard, "First-time Adoption of International Financial Reporting Standards," was applied to the transition.

The consolidated financial statements have been prepared on the basis of original acquisition costs, except for derivative financial instruments. The goodwill of business activities that occurred before the IFRS transition date corresponds to the carrying amount of the previous financial statement standards, which has been used as the assumed acquisition cost under IFRS. In accordance with the exemption allowed by the IFRS 1 transition standard, the handling of these acquisitions in the financial statements has not been adjusted in preparation of the Group's opening IFRS balance sheet. The acquisition costs used for tangible assets are the revaluated amounts of the assets, taking into account retroactive depreciation.

Application of new or changed IFRS standards

New or amended standards that took effect in the 2008–2009 fiscal year have not had an impact on the Group's financial statements.

In the 2009–2010 fiscal year, the Group will start applying the IFRS 8 ("Operating Segments") standard (which took effect on January 1, 2009), as well as the amendments made to the IAS 1 ("Presentation of Financial Statements") standard. The Group assumes that implementation of the new and changed standards will mostly affect the presentation of financial statements and segment information, as well as the requirements for notes on segments.

The amendments to the IAS 23 ("Borrowing Costs") standard, which took effect on January 1, 2009, are assumed not to affect the consolidated financial statements, since the nature of the Group's operations means that a significant proportion of the turnover comes from projects in which the advance payments received from customers mostly correspond to the capital committed to the project.

The amended standards IFRS 3 ("Business Combinations") and IAS 27 ("Consolidated and Separate Financial Statements") are assumed not to affect the consolidated financial statements.

Principles of consolidation

The consolidated financial statements include parent company Vaahto Group Plc Oyj and all subsidiaries in its control. Control of subsidiaries is based on the parent company's ownership of all shares, except for AP-Tela Oy, in which the Group owns 52.08% of the shares and votes.

Subsidiaries that have been acquired are consolidated from the date on which the Group acquired control. Intra-group shareholdings have been eliminated using the acquisition cost method. The acquisition cost is allocated to the specified assets and liabilities on the item acquisition date at their fair value. The difference between the acquisition cost of a subsidiary and the net fair value of the subsidiary's specifiable assets and liabilities is entered on the balance sheet as goodwill. In accordance with the exemption allowed by the IFRS 1 transition standard, acquisitions that were made before the IFRS transition date have not been adjusted in accordance with IFRS principles; they have been left at the values that are in accordance with the Finnish Accounting Standards.

The fiscal year 2008-2009 saw the Pulp & Paper Machinery division merge its Vaahto Roll Service Oy with Vaahto Oy on May 1, 2009. The purpose of the merger was to simplify the Group's structure, and streamline the operations of the Pulp & Paper Machinery division. Vaahto Ltd and Vaahto Roll Service Oy were both wholly owned subsidiaries of parent company Vaahto Group Plc Oyj and the merger was carried out without merger contribution.

In the 2008-2009 fiscal year, Akpija Oy, a wholly owned subsidiary of Vaahto Group Plc Oyj, was dissolved since the activities of the company has been stopped. The statement of the liquidation of the company has been given on May 5, 2009 and the dissolution has been entered into the trade register on May 25, 2009.

The Group owns part of an affiliated company named ZAO Slalom, in Russia. The company is to focus on the Russian sales and marketing for Vaahto's Pulp & Paper Machinery division. The Group holds 50% of the voting rights in the company. The Group's share of the affiliate's result was included in the consolidated financial statements according to the equity method. This was done on the basis of the situation on June 30, 2009.

All of the Group's internal transactions, receivables, liabilities, and unrealized gains, as well as internal distribution of profit, are eliminated in the consolidated financial statements. The distribution of profit for the financial year to the parent company's shareholders and minority interest is presented in the income statement, and minority interest is presented on the balance sheet as a separate item as part of shareholders' equity. Minority interest for accrued losses is recognized in the consolidated financial statements up to the amount of the investment at most.

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. Hedge accounting is applied to currency forward contracts used to hedge sales in foreign currencies, and these are handled in accordance with the cash

flow hedge accounting model, which means that the earnings impact of currency forward contracts is entered in the income statement at the same time as the earnings impact of hedged sales. The earnings impact of the effective portion of currency forward contracts is recorded to adjust sales, and the ineffective portion of the hedging relationship is entered in financial items.

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 recognized 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 27 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.

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. Goodwill on business combination acquired before this corresponds to the carrying amount of the previous financial statement standards, which has been used as the assumed acquisition cost. The handling of these acquisitions in the financial statements has not been adjusted in preparing the Group's opening IFRS balance sheet.

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 parties, 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

Intangible assets with an infinite useful life are not depreciated. Instead, they are tested annually for impairment.

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 following assets, irrespective of whether there is any indication of impairment: goodwill, intangible assets with an infinite useful life, and intangible assets not yet available for use.

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 impai ment 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, held-to-maturity investments, 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. In the 2008–2009 fiscal year, the Group had no held-to-maturity investments or available-for-sale financial assets.

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.

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group has the intention and ability to hold to maturity. They are valued at the amortized acquisition cost.

Available-for-sale financial assets consist of shares and debt with interest, and they are recognized at their fair value. Fair value is determined in most cases according to quoted market prices and rates. 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, bank deposits that can be obtained on demand, and other extremely liquid short-term investments.

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 hedge accounting

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 according 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.

Some of the derivative financial instruments and other financial instruments may be defined as hedging instruments, in which case hedge accounting in accordance with IAS 39 is applied to them. When the hedge accounting begins, the Group documents the item to be hedged and the hedging instrument in accordance with the IAS 39 requirements. The effectiveness of the hedging relationship is evaluated on each financial statement date.

Changes in the fair value of the effective portion of derivative financial instruments that qualify for cash flow hedging are entered in the shareholders' equity in the hedging reserve. Gains and losses that are recognized in shareholders' equity are transferred to the income statement in the fiscal year in which the hedged item affects the income statement. If hedge accounting is applied to sales or purchases denominated in foreign currencies, changes in the fair value of derivatives are handled as adjustments to sales and purchases. Changes in fair value related to the ineffective portion of the hedge are immediately recognized in the income statement. If hedge accounting is not applied, changes in the fair value of derivatives are entered under financial items.

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, intangible assets not yet available for use, and intangible assets with an infinite useful life 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.

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.

Interim report

The Group's six-month interim report, published on April 17, 2009, was drawn up in accordance with International Financial Reporting Standard IAS 34 ("Interim Financial Reporting").

3. SEGMENT INFORMATION

Segment information is presented for the Group's business and geographical segments. In segment reporting, the business segment has been determined as primary and the geographical segment as secondary. The segments are based on the Group's internal organizational structure and internal financial reporting.

The Group's business segments (i.e., divisions) are Pulp & Paper Machinery and Process Machinery. Pulp & Paper Machinery's products and services include paper and board machines and their rebuilds as well as rolls, roll coating, and roll servicing. Process Machinery manufactures pressure vessels, agitators and other mixing equipment, reactors, columns, and heat exchangers. Each business segment consists of operations whose product- or service-related risks differ from those of the other business segment.

The Group's geographical segments are Finland, other Europe, and Asia. The products or services of each geographical segment are produced in a specific financial environment whose risks and profitability differ from those of the other geographical segment.

Inter-segment pricing is determined on an arm's length basis.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated to a segment. Unallocated items include taxes, financial items, and other corporate assets and expenses. Investments comprise increases in tangible and intangible assets that are expected to be used for more than one fiscal year. Geographical segments / Secondary segment information. The turnover for the geographical segments is presented in the order of the clients' location and financial resources, and the investments are presented in accordance with their location .

Business segments / Primary segment information

Fiscal period 2008-2009 1000 €	Pulp & Paper Machinery	Process Machinery	Other business	Eliminations	Non-allocated items	Group total
Income statement information						
External net sales	51 041	24 653	0	0		75 694
Intra-Group net sales	1 052	2	0	-1 053		0
Net turnover	**52 092**	**24 655**	**0**	**-1 053**		**75 694**
Shares of profits of affiliated companies	13					13
Operating profit or loss of the segment	-2 382	50	-1	-1		-2 333
Operating profit or loss						**-2 320**
Financing income and expenses					-915	-915
Income taxes					857	857
Profit or loss for the period	-2 369	50	-1	-1		
Profit or loss for the period						**-2 378**
Balance sheet information						
Segments assets	24 915	14 088	0	-2 788		36 215
Shares in affiliated companies	50					50
Non-allocated assets					13 821	13 821
Assets total	**24 966**	**14 088**	**0**	**-2 788**		**50 086**
Segments liabilities	20 400	4 116	0	0		24 516
Non-allocated liabilities					14 668	14 668
Liabilities total	**20 400**	**4 116**	**0**	**0**		**39 184**
Other information						
Net sales, goods	51 041	24 653				75 694
Investments	3 131	526				3 656
Depreciation	1 795	628				2 423
Average number of personnel	263	147				410

Fiscal period 2007-2008 1000 €	Pulp & Paper Machinery	Process Machinery	Other business	Eliminations	Non-allocated items	Group total
Income statement information						
External net sales	38 801	34 406	0	0		73 207
Intra-Group net sales	748	1	0	-748		0
Net turnover	**39 549**	**34 406**	**0**	**-748**		**73 207**
Shares of profits of affiliated companies	14					14
Operating profit or loss of the segment	-3 330	3 982	-2	-14		635
Operating profit or loss						**649**
Financing income and expenses					-726	-726
Income taxes					396	396
Profit or loss for the period	-3 330	3 982	-2	-14		
Profit or loss for the period						**320**
Balance sheet information						
Segments assets	24 127	22 449	80	-6 730		39 926
Shares in affiliated companies	39					39
Non-allocated assets					1 883	1 883
Assets total	**24 166**	**22 449**	**80**	**-6 730**		**41 847**
Segments liabilities	6 798	10 578	33	-206		17 203
Non-allocated liabilities					10 886	10 886
Liabilities total	**6 798**	**10 578**	**33**	**-206**		**28 090**
Other information						
Net sales, goods	38 801	34 406				73 207
Investments	2 694	1 919				4 613
Depreciation	1 520	700				2 220
Average number of personnel	249	177				426

Geographical segments / Secondary segment information

The turnover for the geographical segments is presented in the order of the clients' location and financial resources, and the investments are presented in accordance with their location.

Fiscal period 2008-2009 1000 €	Finland	Other Europe	North America	Asia	Africa	Other	Group total
Net turnover	22 267	45 208	299	6 513	0	1 407	75 694
Assets	44 433	5 455	0	198	0	0	50 086
Investments	3 592	55	0	10	0	0	3 656

Fiscal period 2007-2008 1000 €	Finland	Other Europe	North America	Asia	Africa	Other	Group total
Net turnover	28 859	30 182	3 837	9 881	120	328	73 207
Assets	35 325	6 341	0	181	0	0	41 847
Investments	4 493	88	0	32	0	0	4 613

4. LONG-TERM PROJECTS

	1.9.2008-31.8.2009	1.9.2007-31.8.2008
Net turnover		
Net turnover of construction contracts recognized under the percentage of completion method	49 397	32 395
Other turnover	26 297	40 811
Total	**75 694**	**73 207**
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	44 850	15 257
Order backlog		
Construction contracts recognized under the percentage of completion method	12 267	44 279
Projects entered on completion of the project	4 831	10 105
Order backlog total	**17 098**	**54 384**
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	39 509	14 281
Advances received from the customers	34 463	11 761
Difference	**5 046**	**2 520**
Accrued income from the construction contracts in the Balance Sheet	5 046	2 911
Advance payments from the construction contracts in the Balance Sheet	0	391
Receivables from the construction contracts in the Balance Sheet	**5 046**	**2 520**

5. OTHER OPERATING INCOME

Other operating income		
Profit from sales of intangible assets	0	275
Profit from sales of other tangible assets	12	287
Other rent income	21	17
Subventions	19	8
Other income	349	101
Total	**401**	**688**

1 000 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008

6. OTHER OPERATING EXPENSES

Other operating expenses		
Overhead costs of production	2 023	1 876
Sales costs	1 479	1 876
Traveling expenses	1 147	1 657
Rents	982	846
Expenses from real estates and apartments	833	850
IT-costs	813	692
Non-statutory employee benefits	419	396
Marketing expenses	221	261
Costs of bank guarantees	135	149
Other expenses	2 465	2 737
Losses from sales of fixed assets (intangible assets)	3	0
Total	**10 520**	**11 339**
Other operating expenses include fees paid to the auditors		
Auditing fees	85	71
Consulting and other fees	30	20
Total	**116**	**91**

7. DEPRECIATION AND IMPAIRMENTS

Depreciations by groups of assets		
Intangible assets		
Development expenditure	171	150
Intangible rights	2	2
Other long-term assets	45	103
Other long-term assets, financial lease	621	338
Total	**838**	**593**
Tangible assets		
Buildings	330	321
Machinery and equipment	1 019	1 115
Machinery and equipment, financial lease	164	126
Other tangible assets	72	64
Total	**1 585**	**1 627**
Total	**2 423**	**2 220**

8. COSTS OF EMPLOYEE BENEFITS

Costs of employee benefits		
Salaries and fees	15 952	16 882
Pension expenses, defined contribution plan	2 716	2 876
Other employee benefits	1 040	1 324
Total	**19 708**	**21 082**
Management and Board salaries, fees and benefits		
Managing Directors	455	262
Board members and substitute members	71	45
Total	**526**	**307**
Average number of personnel of the Group		
Office staff	172	178
Workers	238	248
Total	**410**	**426**

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

9. EXPENDITURE ON RESEARCH AND DEVELOPMENT

Research and development expenditure		
Research and development expenditure on income statement	393	197
Increase in capitalized research and development expenditure	0	167
Total	**393**	**364**

1 000 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008

10. FINANCING INCOME

Financing income		
Interest income	30	56
Dividends	2	2
Foreign exchange gains	54	12
Total	**86**	**70**

11. FINANCING EXPENSES

Financing expenses		
Interest expenses	888	703
Foreign exchange losses	112	93
Other financing expenses	1	1
Total	**1 001**	**796**

12. INCOME TAX

Income taxes in income statement		
Tax on income from operations from the fiscal period	46	117
Tax for previous accounting periods	0	-3
Change in deferred tax liabilities and tax assets	-903	-511
Total	**-857**	**-396**
Reconciliation between tax provision on income statement and mathematical tax based on parent company's tax rate 26%		
Profit or loss before taxes	-3 235	-77
Mathematical tax based on parent company's tax rate 26%	-841	-20
Differences between tax provision on income statement and mathematical tax based on parent company's tax rate due to:		
Effect of different tax rates in foreign subsidiaries	-28	27
Non-deductible income	-1	0
Non-deductible expenses	39	-40
Tax for previous accounting periods	0	-3
Deducted losses from the previous fiscal periods	-25	-320
Recognized tax asset on losses from the previous fiscal periods	0	-89
Unrecognized taxes on losses from the fiscal period	2	51
Shares of profits of affiliated companies	-3	-4
Tax provision on income statement	**-857**	**-396**
Effective tax rate	26%	518%
Deferred tax liabilities and tax assets booked to the shareholders' equity		
Interest rate derivatives		
Decrease of the deferred tax liabilities in the beginning of the period	33	0
Deferred taxes' share of period movements (decrease of the deferred tax liabilities)	58	33
Decrease of the deferred tax liabilities in the end of the period	**91**	**33**

13. EARNINGS PER SHARE

Net profit or loss attributable to the shareholders' of the parent, euros	-2 316	238
Average number of shares during the fiscal period	2 872 302	2 872 302
Earnings per share undiluted, euros/share	-0.81	0.08

14. TANGIBLE ASSETS

Fiscal period 2008-2009 **1000 €**	**Land**	**Buildings**	**Machinery and equipments**	**Machinery and equipments, financial lease**	**Other tangible assets**	**Advance payments and unfinished investments**	**Total**
Acquisition cost at the beginning of the period	820	10 296	16 759	2 064	1 608	902	**32 449**
Increase	7	1	1 051	1 630	39	710	**3 437**
Decrease			-40				**-40**
Transfers between items		471	910			-1 381	**0**
Acquisition cost at the end of the period	827	10 768	18 680	3 694	1 647	230	**35 847**
Accumulated depreciations and impairment losses at the beginning of the period		-3 791	-12 434	-847	-1 179		**-18 251**
Depreciations of transfers' and decrease items			2				**2**
Depreciations		-330	-1 019	-164	-72		**-1 585**
Accumulated depreciations and impairment losses at the end of the period		-4 121	-13 451	-1 011	-1 252		**-19 834**
Book value at the beginning of the period	820	6 506	4 325	1 217	429	902	**14 198**
Book value at the end of the period	**827**	**6 647**	**5 230**	**2 683**	**396**	**230**	**16 012**

Fiscal period 2007-2008 **1000 €**	**Land**	**Buildings**	**Machinery and equipments**	**Machinery and equipments, financial lease**	**Other tangible assets**	**Advance payments and unfinished investments**	**Total**
Acquisition cost at the beginning of the period	813	10 072	16 702	2 064	1 525	445	**31 621**
Increase	7	224	706		83	471	**1 490**
Decrease			-662				**-662**
Transfers between items			14			-14	**0**
Acquisition cost at the end of the period	820	10 296	16 759	2 064	1 608	902	**32 449**
Accumulated depreciations and impairment losses at the beginning of the period		-3 469	-11 672	-721	-1 115		**-16 976**
Depreciations of transfers' and decrease items			353				**353**
Depreciations		-321	-1 115	-126	-64		**-1 627**
Accumulated depreciations and impairment losses at the end of the period		-3 791	-12 434	-847	-1 179		**-18 251**
Book value at the beginning of the period	813	6 603	5 030	1 343	410	445	**14 644**
Book value at the end of the period	**820**	**6 506**	**4 325**	**1 217**	**429**	**902**	**14 198**

During the fiscal period 2008-2009, total 1,630 thousand euros costs of production machinery lease contracts has been booked to the Machinery and equipments, financial lease.

15. INTANGIBLE ASSETS

Fiscal period 2008-2009 1000 €	Development expenditure	Intangible rights	Other long-term assets	Other long-term assets, financial lease	Intangible assets total	Goodwill	Goodwill total
Acquisition cost at the beginning of the period	715	45	1 959	2 901	**5 620**	2 944	**2 944**
Increase		2	85	119	**206**		**0**
Decrease		-3	-33		**-35**		**0**
Acquisition cost at the end of the period	715	44	2 012	3 020	**5 790**	2 944	**2 944**
Accumulated depreciations and impairment losses at the beginning of the period	-307	-41	-1 807	-338	**-2 493**	-1 242	**-1 242**
Depreciations of transfers' and decrease items		3	33		**35**		**0**
Depreciations	-171	-2	-62	-603	**-838**		**0**
Accumulated depreciations and impairment losses at the end of the period	-478	-40	-1 836	-942	**-3 296**	-1 242	**-1 242**
Book value at the beginning of the period	408	4	153	2 562	**3 127**	1 702	**1 702**
Book value at the end of the period	**237**	**3**	**176**	**2 078**	**2 495**	**1 702**	**1 702**

Fiscal period 2007-2008 1000 €	Development expenditure	Intangible rights	Other long-term assets	Other long-term assets, financial lease	Intangible assets total	Goodwill	Goodwill total
Acquisition cost at the beginning of the period	548	88	1 911	0	**2 547**	2 944	**2 944**
Increase	167	6	50	2 901	**3 123**		**0**
Decrease		-50			**-50**		**0**
Transfers between items		1	-1		**0**		**0**
Acquisition cost at the end of the period	715	45	1 959	2 901	**5 620**	2 944	**2 944**
Accumulated depreciations and impairment losses at the beginning of the period	-157	-88	-1 681	0	**-1 926**	-1 242	**-1 242**
Depreciations of transfers' and decrease items		50	-24		**26**		**0**
Depreciations	-150	-3	-101	-338	**-593**		**0**
Accumulated depreciations and impairment losses at the end of the period	-307	-41	-1 807	-338	**-2 493**	-1 242	**-1 242**
Book value at the beginning of the period	391	0	230	0	**621**	1 702	**1 702**
Book value at the end of the period	**408**	**4**	**153**	**2 562**	**3 127**	**1 702**	**1 702**

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.
Other long-term assets consist mostly of acquisition costs of IT-software, licences and the like.
During the fiscal period 2008-2009, total 119 thousand euros development and acquisition costs of the enterprise resource planning system of the Group has been booked to the Other long-term assets.
Goodwill, see Notes to the Consolidated Financial Statements, item 16. "Goodwill".

1 000 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008

16. GOODWILL VALUES

Goodwill		
Acquisition cost at the beginning of the period	1 702	1 702
Book value at the end of the period	**1 702**	**1 702**

Goodwill values correspond to the bookkeeping value, in accordance with the standards applied previously for the annual accounts, which has been used as a default acquisition cost. The goodwill values concern Vaahto Ltd (transferred in merger from Vaahto Roll Service Oy), AP-Tela Oy, and Stelzer Rührtechnik International GmbH.

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. The value of the recoverable amount is based on utility value calculations. Depreciation tests indicated that there has been no need for writing anything off.

Main assumptions in testing goodwill:
The cash flow forecasts used for the calculations are based on the financial plans of the management. The majority of the goodwill 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 2009–2010 fiscal year will, as a consequence of the general economic crisis, remain low, after which the turnover is expected to return gradually to the level of previous years, as the economic conditions normalize. No significant changes are expected in the company's cost level in the forecast period.

Discount rate:
The pretax WACC spesified for Vaahto Group has been used as the discount rate. The discount rate for fiscal period 2008-2009 was 10.25% - 10.73% (12.16%-12.67% in 2007-2008).

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 55% or the discount rate may increase by about 145% (which is about 16 %-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.

1 000 €	31.8.2009	31.8.2008

17. OWNERSHIP IN AFFILIATED COMPANIES

Shares in affiliated companies		
Shares of profit of affiliated companies from the previous fiscal periods	38	24
Change in translation difference	-1	0
Shares of profit of affiliated companies from the fiscal period	13	14
Total	**50**	**39**

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

18. LONG-TERM RECEIVABLES

Non-current receivables		
Long-term loan receivables	12	13
Total	**12**	**13**

19. LONG-TERM INVESTMENTS

Other long-term investments		
Other shares and holdings	44	44
Total	**44**	**44**

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.

20. DEFERRED TAX ASSETS AND LIABILITIES

	31.8.2009	Recognized in income statement	Recognized in shareholders' equity	31.8.2008	Recognized in income statement	Recognized in share-holders' equity	31.8.2007
Deferred tax assets							
Internal margin of inventories	1	-4		5	4		2
Losses from the fiscal period	880	503		377	377		0
Losses from the previous fiscal periods	321	231		89	89		0
Other timing differences	23	23		0	-118		118
Total	**1 225**	**754**	**0**	**471**	**351**		**120**
Deferred tax liabilities							
Cumulative appropriations	7	-153		160	-166		327
Cancelling of depreciations of the goodwill	267	-10		277	69		207
Fair values of derivative instruments	-91		-58	-33		-33	0
Other timing differences	346	14		331	-62		394
Total	**528**	**-149**	**-58**	**736**	**-159**	**-33**	**928**

On August 31, 2009, the Group had confirmed losses worth 266 thousand euros (333 thousand euros on August 31, 2008), for which no calculated fiscal claim has been entered.

The confirmed losses consist of losses of the Group's Swedish subsidiary, AK-Tehdas AB and Chinese company Vaahto Pulp & Paper Machinery Distribution (Shanghai) Co., LTD.

1 000 €	**31.8.2009**	**31.8.2008**

21. INVENTORIES

Inventories		
Materials and supplies	2 094	2 431
Work in progress	1 440	5 073
Finished products	872	739
Advance payments for inventories	88	107
Advance invoices, unpaid	132	158
Total	**4 627**	**8 508**

In the period the carrying amount of inventories was reduced by 48 thousand euros (183 thousand euros in the previous period) to correspond for its net realization value.

22. SHORT-TERM RECEIVABLES

Trade and other receivables		
Trade receivables	4 454	7 436
Advance payment receivables	418	774
Advance payment receivables from affiliated companies	0	11
Other receivables	712	163
Prepayments and accrued income	5 935	4 007
Total	**11 519**	**12 392**

Ageing analysis of trade receivables	**Trade receivables**	**Advance payment receivables**	**Total**
Not due	3 730	383	4 113
Past due less than 180 days	635	6	641
Past due more than 180 days	88	29	117
Total	**4 454**	**418**	**4 872**

The Group has booked total 167 thousands euros bad debts during the fiscal period 2008-2009.

Prepayments and accrued income	**31.8.2009**	**31.8.2008**
Prepayments and accrued income consist of:		
Accrued income on the construction contracts recognized under the percentage of completion method	5 046	2 911
Accruals of personnel expenses	346	446
Interest receivables	0	12
Accrued income on derivatives	0	2
Other prepayments and accrued income on expenses	543	636
Total	**5 935**	**4 007**
Tax receivables		
Tax receivable, income tax	0	624
Total	**0**	**624**

1 000 €	31.8.2009	31.8.2008

23. CASH AND CASH EQUIVALENTS

Cash and bank		
Cash and bank	12 400	730
Total	**12 400**	**730**
Change of liquid funds in the flow of funds statement		
Liquid funds at the beginning of the period	730	1 534
Liquid funds at the end of the period	12 400	730
Change of liquid funds in the balance sheet	**11 670**	**-804**

24. NOTES ON THE SHAREHOLDERS' EQUITY

On August 31, 2009, Vaahto Group Plc Oyj's share capital, fully paid and registered in the trade register, amounted to 2,872,302 euros, and the number of shares was 2,872,302. There were no changes in the number of shares during the 2008–2009 fiscal year. In accordance with the Articles of Association, the company's minimum share capital is 2,800,000 euros and maximum share capital 11,200,000 euros. The company has two series of shares: A and K, shares under each of which have a nominal value of 1 euro. In the Annual General Meeting, each K share carries 20 votes and each A share one vote.

Descriptions of funds in shareholders' equity are as follows:

Fair value reserve and other reserves
These comprise an emergency reserve, a revaluation reserve, and a hedging reserve for changes in the fair value of derivative financial instruments used in cash flow hedging.

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

Dividends
During the 2008-2009 fiscal year has been paid a dividend of 0.10 euros per share, amounting to a total 287,230.20 euros. To A shares has been paid a dividend amounting to a total 145,275.10 euros and to K shares a total 141,955.10 euros.

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

25. PENSION LIABILITIES

Pension arrangements have been made according to the local laws and regulations of each country to cover pension liabilities for Group personnel. In Finland, pension liabilities are covered through pension insurance companies in accordance with the Employees' Pensions Act (TyEL) system, which is regarded as a defined contribution arrangement in its entirety. Pension costs related to work performed during the fiscal year are entered in the income statement as expenses in their entirety. Pension costs are detailed in item 8 of the Notes, "Employee benefits."

26. PROVISIONS

Non-current provisions	Warranty provisions	Pension provisions	Loss provisions	Total
Provisions at the beginning of the period	115	156	0	271
Increase of the provisions	0	0	88	88
Used provisions	0	-4	0	-4
Provisions at the end of the period	**115**	**153**	**88**	**355**

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. The pension provision consists of pension liabilities of one retired person.

The loss provision is the provision recognized for the loss which is expected from Vaahto Oy's long-term project. Delivery of the project will take place in the period 2009-2010 and the provision will be then used.

1 000 €	31.8.2009	31.8.2008

27. INTEREST-BEARING LIABILITIES

Long-term liabilities, interest-bearing		
Loans from financial institutions	3 517	4 998
Pension loans	893	502
Finance leases	2 518	1 878
Total	**6 928**	**7 378**
Current liabilities, interest-bearing		
Loans from financial institutions	5 482	6 190
Pension loans	209	208
Finance leases	989	688
Total	**6 679**	**7 087**
Finance lease liabilities, minimum rentals		
Within a year	1 160	823
More than one year but no more than 5 years	2 765	2 058
Minimum rentals	**3 925**	**2 881**
Future financing cost related to leasing agreements	418	316
Future finance lease liabilities at present value	**3 507**	**2 566**
Future minimum lease payments at present value		
Within a year	989	688
More than one year but no more than 5 years	2 518	1 878
Future finance lease payments at present value	**3 507**	**2 566**

The investment made in the Group-wide SAP ERP system was mainly made in the 2007-2008 fiscal period and it was mainly financed by means of financial leasing. In the fiscal period 2008-2009, 119 thousand euros of costs for the information system project was capitalized for other tangible assets, and a corresponding amount was entered under long- and short-term financial leasing liabilities.

Vaahto Oy has concluded a hire agreement for production machinery in the 2007-2008 fiscal period; this has been treated as a financial leasing agreement in the consolidated financial statements. The agreed term of lease has started in the fiscal period 2008-2009, and total 1,290 thousand euros was capitalized to machinery and equipments, and a corresponding amount was entered under long- and short-term financial leasing liabilities.

Japrotek Oy Ab has concluded a hire agreement for production machinery in the 2008-2009 fiscal period; this has been treated as a financial leasing agreement in the consolidated financial statements. Total 340 thousand euros was capitalized to machinery and equipments, and a corresponding amount was entered under long- and short-term financial leasing liabilities.

Repayment schedule of the interest-bearing liabilities

Maturing in the fiscal period	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	Later	Total
Loans from financial institutions	5 482	1 160	1 005	805	545	0	0	8 998
Pension loans	209	188	160	160	117	95	173	1 102
Finance leases	989	1 040	665	264	332	217	0	3 507
Total	**6 679**	**2 388**	**1 831**	**1 230**	**994**	**312**	**173**	**13 607**

Maturing times and effective interest rates (weighted averages) of interest-bearing liabilities 31.8.2009	Maturing time (years)	Interest rate %
Loans from financial institutions	1.4	2.28
Loans from financial institutions including interest rate swap agreements	1.4	4.24
Pension loans	3.2	3.54
Finance leases	2.1	5.00
Finance leases including interest rate swap agreements	2.1	5.07

Unused credit limits and book limits
In the end of the fiscal year 31.8.2009 the Group had unused book limits total 5.1 million euros.

Covenants related to financing debts
The Group's loans from financial institutions involve covenants that, if broken, would lead to a revision of the terms and conditions of the financing agreement.

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 forwrd 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."

Assets and liabilities denominated in foreign currencies, not hedged 31.8.2009 (1000 euros)

Liabilities denominated in foreign currencies

Currency	Maturing 1-30 days	Maturing 30-90 days	Total currency	Total EUR
GBP	5		5	6
USD	48		48	34
SEK	522	355	876	85

Assets denominated in foreign currencies

Currency	Maturing 1-30 days	Maturing 30-90 days	Total currency	Total EUR
USD	4		4	3

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.

Credit risk
The Group does not have any significant concentrations of credit risk in its receivables, since it has a large customer base with a wide geographical spread. For the most part, protection against 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.

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 amount of the unused credit limits and book limits are indicated in item 27 of the Notes, "Interest-bearing liabilities".

1 000 €	31.8.2009	31.8.2008

29. SHORT-TERM LIABILITIES

Trade payables and other liabilities		
Advance payments received	2 620	4 221
Advance payments, unpaid	418	774
Advance payments, unpaid, from affiliated companies	0	11
Trade payables	15 665	2 397
Trade payables, unpaid	88	158
Other short-term liabilities	786	1 344
Accruals and deferred income	5 051	3 713
Total	**24 628**	**12 618**
Accruals and deferred income consist of:		
Interest liabilities	30	62
Accrued employee expenses	2 145	1 986
Derivatives	349	129
Expenses from contracts	583	605
Other accruals and deferred income	1 944	931
Total	**5 051**	**3 713**
Tax liability		
Tax liability, income tax	65	1
Total	**65**	**1**

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of derivative instruments, hedging derivatives, 1 000 €	Nominal value 31.8.2009	Positive fair value 31.8.2009	Negative fair value 31.8.2009	Net fair value 31.8.2009
Interest rate derivatives				
Interest rate swap agreements	5 380	0	-349	-349
Total	**5 380**	**0**	**-349**	**-349**

Maturing of the cash-flow hedged by the interest rate derivatives by currencies, 1 000 €	Maturing within 1-5 years	Maturing more than 5 years	Total
EUR	4 939	197	5 137
Total	**4 939**	**197**	**5 137**

Fair values of other than derivative contracts, 1 000 €	Book value 31.8.2009	Fair value 31.8.2009	Book value 31.8.2008	Fair value 31.8.2008
Financial assets				
Trade receivables and other receivables	11 519	11 519	13 799	13 799
Cash and bank	12 400	12 400	730	730
Financial liabilities				
Finance lease liabilities, short-term	989	989	688	688
Trade payables and other liabilities	24 628	24 628	8 905	8 905

The original book value of claims and debts based on other than derivative contracts corresponds to their value, since the effect of discounting is not relevant in light of the maturity of the claims.

31. SECURITIES AND RESPONSIBILITIES

1 000 €	31.8.2009	31.8.2008
Granted securities		
Debt secured by real estate and corporate mortgages		
Pension loans	367	524
Loans from financial institutions	2 271	3 844
Total	**2 638**	**4 369**
Mortgages granted to secure loans and bank guarantees		
Real estate mortgages	10 214	9 914
Corporate mortgages	6 730	7 386
Total	**16 944**	**17 300**
Corporate mortgages granted to secure other liabilities		
Corporate mortgages granted to secure the bank guarantee limit	8 235	8 235
Total	**8 235**	**8 235**
Contingent liabilities and other liabilities		
Bank guarantees		
Bank guarantee limits total	33 700	33 700
Bank guarantee limits, used	18 038	16 523
Operating lease agreements		
Within a year	251	208
More than one year but no more than 5 years	425	242
Total	**675**	**450**

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 6, “Other operating expenses”.

Other contingent liabilities		
Granted guarantees to customers	1 603	38
Guarantees granted to secure the bank guarantee limit	31 000	31 000
Guarantees granted to secure the bank loans	1 040	1 300
Total	**33 643**	**32 338**

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

Environmental impact
The 2007–2008 financial year saw Vaahto Oy 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. Furthermore, during the period under review an environmental permit for Vaahto Oy's new roll coating process was acquired (the application process was started for Vaahto Roll Service Oy, from which it was transferred to Vaahto Oy in the merger).

32. RELATED PARTY TRANSACTIONS

Parent company and subsidiaries

Group companies

Company	Registered office	Number of shares	Share of ownership %	Share of voting rights %
AP-Tela Oy	Kokkola	250	52.08	52.08
Japrotek Oy Ab	Pietarsaari	100 000	100.00	100.00
Profitus 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 Oy	Hollola	2 700	100.00	100.00

Subsidiaries of subconcern

Company	Registered office	Number of shares	Share of ownership %	Share of voting rights %
AK-Tehdas AB	Lindesberg, Ruotsi		100.00	100.00
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%	50%

Transactions with related parties	1.9.2008-31.8.2009	1.9.2007-31.8.2008
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.		
Rent income		
The renting income of the plot belonging to the corporation in the control of the members of the Board	11	10
Rent expenses		
The renting expenses of the factory property for the corporation in the control of the members of the Board	392	392
The renting expenses of the office rooms for the corporation in the control of the members of the Board	62	59
Employee benefits for the management		
Salaries and fees of the parent company management		
CEO:		
Klinga Anssi, since 1.5.2009	74	0
Vaahto Antti, until 30.4.2009	5	10
Board members:		
Jaatinen Seppo	24	19
Unkuri Martti	18	15
Vaahto Antti	14	5
Vaahto Mikko	14	5

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 Anssi Klinga, 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 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.

34. CALCULATIONS OF KEY FIGURES

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

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

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

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

Gearing = $\frac{\text{Interest bearing debts - cash and bank deposits and other securities}}{\text{Shareholders' equity + minority interest}}$ x 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 = $\frac{\text{Dividend for the fiscal year/share}}{\text{Earnings/share}}$ x 100

Effective dividend return, percentage = $\frac{\text{Dividend for the fiscal year/share}}{\text{Adjusted price of the share at the end of the fiscal year}}$ x 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 303 registered shareholders on August 31, 2009. There were in total 58,180 nominee-registered shares.

MAJOR SHAREHOLDERS According to the book-entry security system, on August 31, 2009	A shares no.	 %	K shares no.	 %	Total no.	 %	Votes %
Vaahto Antti	255 033	17.6	255 200	18.0	510 233	17.8	18.0
Vaahto Mikko	250 600	17.3	250 600	17.7	501 200	17.4	17.6
Vaahto Ilkka	189 000	13.0	247 000	17.4	436 000	15.2	17.2
Laakkonen Mikko	352 860	24.3	76 503	5.4	429 363	14.9	6.3
Vaahto Heikki	0	0.0	326 700	23.0	326 700	11.4	21.9
Mutual Employee Pension Company Varma	58 000	4.0	58 000	4.1	116 000	4.0	4.1
Hymy Lahtinen Oy	17 100	1.2	59 800	4.2	76 900	2.7	4.1
Mutual Insurance Company Fennia	35 000	2.4	35 000	2.5	70 000	2.4	2.5
Nordea Pankki Suomi Oyj (nominee-registered)	51 380	3.5	6 800	0.5	58 180	2.0	0.6
Mäkihonko Juha	25 290	1.7	5 600	0.4	30 890	1.1	0.5
Total for 10 largest	1 234 263	77.7	1 321 203	85.9	2 555 466	81.6	92.7

BREAKDOWN OF SHARE OWNERSHIP BY AMOUNT OF HOLDINGS According to the book-entry security system, on August 31, 2009	Shareholders no.	 %	Shares no.	 %	Votes no.	 %
1 - 100	119	39.3	5 893	0.2	45 223	0.2
101 - 1 000	124	40.9	50 577	1.8	324 899	1.1
1 001 - 10 000	42	13.9	127 668	4.4	974 783	3.3
10 001 - 100 000	12	4.0	365 220	12.7	3 078 059	10.3
100 001 - 1 000 000	6	2.0	2 319 496	80.8	25 385 553	85.1
	303	100.0	2 868 854	99.9	29 808 517	99.9
Outside the book-entry securities system			3 448	0.1	35 254	0.1
			2 872 302	100.0	29 843 771	100.0

BREAKDOWN OF SHARE OWNERSHIP BY CATEGORY OF OWNER According to the book-entry security system, on August 31, 2009	A shares no.	 %	K shares no.	 %	Total no.	 %	Votes %
Companies	31	10.2	157 033	5.5	1 834 771	6.1	
Financial and insurance institutions	3	1.0	138 933	4.8	1 039 647	3.5	
Public corporations	2	0.7	134 040	4.7	1 407 420	4.7	
Households	264	87.1	2 430 647	84.6	25 518 478	85.5	
Non-profit organizations	2	0.7	201	0.0	201	0.0	
Foreign countries	1	0.3	8 000	0.3	8 000	0.0	
	303	100.0	2 868 854	99.9	29 808 517	99.9	
Outside the book-entry securities system			3 448	0.1	35 254	0.1	
			2 872 302	100.0	29 843 771	100.0	

SHARE HOLDINGS OF THE MANAGEMENT According to the book-entry security system, on August 31, 2009	A shares no.	 %	K shares no.	 %	Total no.	 %	Votes %
Board of directors and CEO							
Jaatinen Seppo	0	0.0	0	0.0	0	0.0	0.0
Klinga Anssi	0	0.0	0	0.0	0	0.0	0.0
Unkuri Martti	0	0.0	0	0.0	0	0.0	0.0
Vaahto Antti	255 033	17.6	255 200	18.0	510 233	17.8	18.0
Vaahto Mikko	258 634	17.8	258 801	18.2	517 435	18.0	18.2
Other members of the Group's management							
Kerola Timo, Managing Director	0	0.0	0	0.0	0	0.0	0.0
Kessen Christian, Managing Director	0	0.0	0	0.0	0	0.0	0.0
Mattila Tapio, Business Manager	0	0.0	0	0.0	0	0.0	0.0
Strengell Jyrki, Managing Director	0	0.0	0	0.0	0	0.0	0.0
Tarkkinen Tom, Managing Director	0	0.0	0	0.0	0	0.0	0.0
Viitasalo Pekka, Managing Director	0	0.0	0	0.0	0	0.0	0.0

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 505,633 Series A shares and 505,800 Series K shares, representing 35.6% 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. ANNOUNCEMENTS IN ACCORDANCE WITH SECTION 2, SUBSECTION 10 OF THE SECURITIES MARKETS ACT

In the 2008–2009 fiscal year, Vaahto Group Plc Oyj did not receive announcements as described in the Securities Markets Act's Chapter 2, Section 10.

36. EVENTS AFTER THE END OF THE FISCAL YEAR

After the end of the fiscal year, the Board of Directors of Vaahto Group Plc Oyj decided to establish a production unit of the Pulp & Paper Machinery division in China. The objective is to start production in China during 2010.

Income Statement of the Parent Company, FAS

1000 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008	Note
NET TURNOVER	**4 525**	**2 424**	**2**
Other operating income	4	76	3
Personnel expenses	-1 228	-1 020	5
Depreciations	-34	-52	6
Other operating expenses	-2 640	-1 735	7
OPERATING PROFIT OR LOSS	**628**	**-308**	**4**
Financing income and expenses	60	137	8
PROFIT OR LOSS BEFORE EXTRAORDINARY ITEMS	**688**	**-171**	
Extraordinary expenses	-390	0	9
PROFIT OR LOSS BEFORE INCOME TAXES	**298**	**-171**	
Appropriations	-12	-5	
PROFIT OR LOSS FOR THE FISCAL YEAR	**285**	**-176**	

Balance Sheet of the Parent Company, FAS

1000 €	31.8.2009	31.8.2008	Note
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	83	43	
Tangible assets	101	91	
Investments	8 891	9 087	
NON-CURRENT ASSETS TOTAL	**9 075**	**9 221**	**12**
CURRENT ASSETS			
Long-term receivables	10	0	
Short-term receivables	1 748	7 732	
Cash and bank	12 200	92	
CURRENT ASSETS TOTAL	**13 958**	**7 824**	**13**
ASSETS TOTAL	**23 033**	**17 045**	
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Reserve fund	2 228	2 228	
Retained earnings	3 268	3 732	
Profit or loss for the fiscal year	285	-176	
SHAREHOLDERS' EQUITY TOTAL	**8 654**	**8 656**	**14**
Depreciation in excess of plan	17	5	
CUMULATIVE APPROPRIATIONS	**17**	**5**	**15**
LIABILITIES			
Long-term interest-bearing liabilities	2 182	2 727	16
Short-term interest-bearing liabilities	11 770	5 233	17
Short-term non-interest-bearing liabilities	410	423	17
LIABILITIES TOTAL	**14 362**	**8 383**	
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	**23 033**	**17 045**	

Flow of Funds Statement of the Parent Company, FAS

1000 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008
Flow of funds from operations		
Profit before extraordinary items	688	-171
Adjustment items:		
Depreciations according to plan	34	52
Other income and expenses, no payment related	-23	0
Financial income and expenses	-60	-137
Capital gains and losses	83	0
Flow of funds before the change in working capital	**721**	**-256**
Change in working capital:		
Change in short-term receivables	201	-61
Change in short-term non-interest bearing creditors	-13	70
Flow of funds before financial items and taxes	**909**	**-247**
Interest and other financial expenses from operations paid	-516	-173
Dividends received	51	151
Interests received	548	159
FLOW OF FUNDS FROM OPERATIONS	**991**	**-110**
Flow of funds from investments		
Investments in tangible and intangible assets	-84	-51
Income from sales of tangible and intangible assets	113	0
Other investments	0	-170
Granted loans	-10	-6 635
Repayments of loans receivable	5 784	810
FLOW OF FUNDS FROM INVESTMENTS	**5 803**	**-6 047**
Flow of funds from financial items		
Withdrawals of short-term loans	6 537	5 233
Repayments of short-term loans	0	-740
Withdrawals of long-term loans	0	2 727
Repayments of long-term loans	-545	0
Dividends	-287	-1 149
Group transfers	-390	0
FLOW OF FUNDS FROM FINANCIAL ITEMS	**5 314**	**6 072**
Change of liquid funds	**12 108**	**-85**
Liquid assets at the beginning of the fiscal year	92	177
Liquid assets at the end of the fiscal year	12 200	92
Change in liquid assets according to the balance sheet	12 108	-85

Notes to the Parent Company's Financial Statements

1. ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

Accounting principles for the financial statement
The financial statements of Vaahto Group Plc Oyj for the fiscal period 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 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008
2. TURNOVER BY BUSINESSES AND MARKET AREAS		
By businesses		
Administration	4 525	2 424
Total	**4 525**	**2 424**
By market areas		
Finland	4 525	2 424
Total	**4 525**	**2 424**
3. OTHER OPERATING INCOME		
Other operating income		
Capital gains	4	0
Other	0	76
Total	**4**	**76**
4. OPERATING PROFIT OR LOSS BY BUSINESSES		
Operating profit or loss		
Administration	628	-308
Total	**628**	**-308**
5. PERSONNEL		
Average number of personnel		
Office staff	19	14
Total	**19**	**14**
Personnel expenses		
Wages and salaries	997	798
Pension costs	173	162
Other personnel expenses	58	60
Total	**1 228**	**1 020**
Management's salaries and benefits		
Managing directors	74	10
Board members and substitute members	81	45
Total	155	55

1 000 €	1.9.2008-31.8.2009	1.9.2007-31.8.2008

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 v	5-10 v
Buildings	35-40 v	35-40 v
Machinery and equipment	5-25 v	5-25 v
Depreciations and decreased values		
Depreciations from tangible and intangible assets	34	52
Total	**34**	**52**

7. OTHER OPERATING EXPENSES

Other operating expenses		
Rent expenses	1 033	479
Non-statutory employee benefits	17	13
Other expenses	1 590	1 243
Total	**2 640**	**1 735**

8. FINANCIAL INCOME AND EXPENSES

Income from other investments held as non-current assets		
Group companies	50	150
Other	1	1
Total	**51**	**151**
Other interest and financial income		
Group companies	536	142
Other	54	17
Total	**590**	**159**
Financial income total	**641**	**310**
Interest and other financial expenses		
Group companies	54	68
Other	526	105
Total	**580**	**173**
Financial expenses total	**580**	**173**
Financial income and expenses total	**60**	**137**

9. EXTRAORDINARY ITEMS

Extraordinary items		
Exraordinary expenses/Group transfers	390	0
Total	**390**	**0**

10. INCOME TAXES

Income taxes		
Income taxes from operations	102	0
Income taxes from extraordinary items	-101	0
Total	**0**	**0**

11. SHAREHOLDINGS

Group companies

Company	Registered Office	Number of Shares	Group Ownership, %
AP-Tela Oy	Kokkola	250	52.08
Japrotek Oy Ab	Pietarsaari	100 000	100.00
Profitus Oy	Hollola	1 600	100.00
Stelzer Rührtechnik International GmbH	Warburg, Germany		100.00
Vaahto Group Asia Limited	Hong Kong, China		100.00
Vaahto Oy	Hollola	2 700	100.00

1000 €	31.8.2009	31.8.2008

12. NON-CURRENT ASSETS

Intangible assets		
Other long-term assets		
Acquisition cost at the beginning of the fiscal year	435	401
Increase	58	34
Acquisition cost at the end of the fiscal year	**493**	**435**
Accumulated depreciations at the beginning of the fiscal year	392	360
Depreciation of the fiscal year	17	32
Accumulated depreciations at the end of the fiscal year	**410**	**392**
Book value at the end of the fiscal year	**83**	**43**
Intangible assets total	**83**	**43**
Tangible assets		
Machinery and equipments		
Acquisition cost at the beginning of the fiscal year	541	536
Increase	26	5
Decrease	-48	0
Acquisition cost at the end of the fiscal year	**519**	**541**
Accumulated depreciations at the beginning of the fiscal year	462	442
Accumulated depreciations of the decrease	-48	0
Depreciation of the fiscal year	16	20
Accumulated depreciations at the end of the fiscal year	**430**	**462**
Book value at the end of the fiscal year	**89**	**79**
Other tangible assets		
Acquisition cost at the beginning of the fiscal year	12	0
Increase	0	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	**101**	**91**
Investments		
Shares in Group companies		
Acquisition cost at the beginning of the fiscal year	9 845	9 675
Increase	0	170
Decrease	-446	0
Acquisition cost at the end of the fiscal year	**9 399**	**9 845**
Accumulated depreciations and impairment losses at the beginning of the fiscal year	778	778
Accumulated depreciations and impairment losses of the decrease	-250	0
Accumulated depreciations and impairment losses at the end of the fiscal year	**528**	**778**
Book value at the end of the fiscal year	**8 872**	**9 067**

1 000 €	31.8.2008	31.8.2007
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	**8 891**	**9 087**

13. CURRENT ASSETS

External long-term receivables		
Other long-term receivables	10	0
Total	**10**	**0**
Long-term receivables total	**10**	**0**
External short-term receivables		
Prepaid expenses and accrued income	181	368
Total	**181**	**368**
Short-term receivables from Group companies		
Loan receivables	0	715
Other receivables	1 567	6 635
Prepaid expenses and accrued income	0	14
Total	**1 567**	**7 364**
Short-term receivables total	**1 748**	**7 732**
Prepaid expenses and accrued income consist of:		
Prepaid social security costs	17	95
Tax receivable, income tax	0	233
Other prepaid expenses and accrued income	163	40
Other prepaid expenses and accrued income from Group companies	0	14
Prepaid expenses and accrued income total	**181**	**382**

14. 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**
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	3 555	4 881
Dividends	-287	-1 149
Retained earnings in the end of the fiscal year	3 268	3 732
Profit or loss for the fiscal year	285	-176
Shareholders' equity total	8 654	8 656
Calculation on distributable assets		
Retained earnings	3 268	3 732
Profit for the fiscal year	285	-176
Distributable assets total	**3 553**	**3 555**
The distribution of shareholders' equity by series	**no.**	**euros**
A-share (1 vote/share)	1 452 751	1 452 751,00
K-shares (20 votes/share)	1 419 551	1 419 551,00
Total	**2 872 302**	**2 872 302,00**

1 000 €	31.8.2008	31.8.2007
15. CUMULATIVE APPROPRIATIONS		
Depreciation in excess of plan		
Depreciation in excess of plan, machinery and equipment	17	5
Total	**17**	**5**
16. LONG-TERM LIABILITIES		
External long-term liabilities		
Loans from financial institutions	2 182	2 727
Total	**2 182**	**2 727**
Long-term liabilities total	**2 182**	**2 727**
17. SHORT-TERM LIABILITIES		
External short-term liabilities, interest-bearing		
Loans from financial institutions	4 545	4 273
Total	**4 545**	**4 273**
Short-term liabilities to Group companies, interest-bearing		
Other liabilities	7 225	961
Total	**7 225**	**961**
External short-term liabilities, non-interest-bearing		
Accounts payable	142	29
Other liabilities	138	147
Accrued liabilities and deferred income	130	246
Total	**410**	**423**
Accrued liabilities and deferred income consist of:		
Accrued employee expenses	116	203
Interest liabilities	13	14
Other accruals and deferred income	0	29
Total	**130**	**246**
Short-term liabilities total	**12 180**	**5 656**
18. CONTINGENT LIABILITIES AND OTHER LIABILITIES		
Leasing commitments to be paid		
To be paid during fiscal year 2009-2010	1 101	1 020
Later	1 560	2 288
Total	**2 661**	**3 307**
Granted guarantees by Group companies		
Granted guarantees to customers	1 603	38
Granted guarantees to secure bank guarantee limits	31 000	31 000
Granted guarantees to secure loans	1 040	1 300
Total	**33 643**	**32 338**

Board of Directors' Proposal

Parent company funds available for distribution of profits total 3,553,365.18 euros, of which 285,281.45 euros represents profits for the fiscal period.

The Board will propose to the Annual General Meeting that no dividends be paid and that the operating profit be transferred to the earnings account.

Lahti, November 12, 2009

Seppo Jaatinen
Chairman of the Board

Martti Unkuri

Antti Vaahto

Mikko Vaahto

Anssi Klinga
CEO

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 August, 2009. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the Managing Director have complied with the Limited Liability Companies Act.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. 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, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company 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.

Lahti, November 16, 2009

Ernst & Young Oy
Authorized Public Accountant Firm
Panu Juonala, Authorized Public Accountant

Carpe Diem • Markprint Oy, Lahti, 2009

VAAHTO GROUP
1874

www.vaahtogroup.fi