

Interim
Report
January
June 2014

VAAHTO
SINCE 1874

Vaahto Group Interim Report

FOR 1 JANUARY – 30 JUNE 2014

Turnover from Vaahto Group's continuing operations from 1 January to 30 June 2014 was 8.8 million euros (15.7 M euros) with an operating loss of 0.2 million euros (profit 0.3 M euros). The order backlog of the continuing operations on 30 June 2014 was 9.7 M euros (16.4 M euros). Turnover and order backlog stayed behind the reference period due to market situation which remained challenging. Global economy continued to reflect on customers' investment decisions, postponing them. However, the order backlog grew during the first half of the year and the number of offers has remained on a good level.

In the previous Interim Management Statement, the operating profit of the Vaahto Group's continuing operations was expected to be positive for the fiscal year 2014. During the first half of the year, however, the profit target was not entirely met. The company lowered the 2014 operating profit estimate in the stock exchange release published on 31 July 2014. The latest management estimation is that the operating profit of the Group's continuing operations will be negative for the fiscal year 2014.

BUSINESS REPORTING

In February 2014, Vaahto Group announced to divest or discontinue operations of the unprofitable Paper Technology business in its entirety and to focus on the Process Technology business, in accordance to the group strategy. In the financial statements for 2013, the Service Unit of the Vaahto Paper Technology Ltd. was presented as discontinued operations as were the remaining parts of the Projects Unit, which was sold during the fiscal period of 2013.

On 30 June 2014, the Board of Directors resolved to present AP-Tela Oy as discontinued operations in the interim report. Thus, the entire Vaahto Paper Technology business has been classified as discontinued operations. From now on, Vaahto Group will report one segment which consists of Vaahto Process Technology business.

The effect of discontinued operations on profit/loss is shown on its own line, separately from continuing operations. Earlier, the group's overhead costs have been allocated also to operations now discontinued. As the costs will no longer be allocated to discontinued operations,

they affect solely continuing operations. As the volume of the continuing operations reduces, the relative effect of these costs has increased. The group is currently adjusting its administrative costs, especially regarding the group's ICT.

VAAHTO PROCESS TECHNOLOGY

Vaahto Process Technology business includes all of the company's continuing operations. Turnover of the business from 1 January to 30 June 2014 was 8.8 million euros (15.7 M euros) with an operating loss of 0.2 million euros (profit 0.3 M euros).

Vaahto Process Technology business is divided into two business areas: Japrotek Vessels and Stelzer Mixing Technology. Japrotek Vessels designs and manufactures demanding vessel structures for process industry as well as complete vessel and agitator combinations. Stelzer Mixing Technology focuses on the mixing technology for process industry and related maintenance services.

For Japrotek Vessels business area, the year started in tough market situation that improved slightly during spring as the customers began making investment decisions for their projects. In May, Japrotek Vessels received new orders, the most significant of which was a delivery to Valmet AB in Sweden consisting of tanks and digester. The number of offers remains on a good level and increased during the period. Signs of decrease in demand have not been detected although some customers postponed their investment decisions until the end of the summer vacation period.

For Stelzer Mixing Technology business area, the year started well but the market situation worsened in April. The traditional backbone of the business, food industry, began postponing investments and the markets in China slowed down. The situation in Ukraine and weakening value of the Russian ruble also reflected on the business volume. Market situation started improving only by the end of June. The number of offers, however, remains on a good level and the market position is unchanged.

As resolved in February, the Group focuses on the Process Technology business. The deployment of the strategy has begun and continues in the latter half of the year. Japrotek

Vessels will increase its focus on demanding process industry projects where vessel and agitator combinations are complemented with know-how of the customers' process model. Stelzer Mixing Technology will focus on industrial mixing products and seek strong growth in new market areas as well as industrial segments. Japrotek Vessels will support its business with the mixing know-how of Stelzer Mixing Technology. Japrotek and Stelzer will both specialize in their own specific product categories that complement each other, thus gaining synergy in production. This will both streamline the production and increase the volume by utilizing the Group's existing resources.

FINANCING AND INVESTMENTS

During the period, the cash flow from the Group's business operations was 0.8 million euros (-0.4 M euros) and the cash flow from investments was -0.2 million euros (1.0 M euros). Interest-bearing liabilities amounted to 12.2 million euros (18.5 M euros). The Group's consolidated balance sheet total was 19.3 million euros (23.6 M euros).

Group's capital expenditure during the period was 0.2 million euros (0.2 M euros).

After the financing negotiations, finished in December 2013, the Group was provided with a grace period for loans from financial institutions for 2014. Additionally, conditions of the financing agreement for 2014 were met during the first quarter and the Group received a debt relief totaling 3 million euros; 2.7 million euros for the parent company and 0.3 million euros for Vaahto Paper Technology Ltd. For financial restructuring, negotiations with the Group's main financiers are scheduled for fall 2014.

DIRECTED SHARE ISSUE

On 10 March 2014, the board of directors of Vaahto Group Plc resolved to issue up to 2,000,000 new shares in a directed share issue based on an authorization by the general meeting of shareholders on 10 April 2013.

In the share issue, the 10 largest shareholders had a subscription right. The basis for the deviation from the pre-emptive subscription right was, according to the resolution to issue shares, the strengthening of the compa-

ny's financial standing and the securing of the continuance of the company's operations. In the share issue, Hannu Laakkonen subscribed for 1,000,000 shares and Mikko Laakkonen subscribed for 1,000,000 shares. The subscription price per share for all the shares was 0.52 euro. The subscription price was determined on the basis of bids received by the company.

The issued new shares have been registered with the Trade Register on 31 March 2014. Subsequent to the share issue, the total number of shares in the company and the number of votes carried by the shares is 5,977,360. The issued new shares represent 33.5% of the total amount of shares of the company. The issued new shares carry shareholder rights in the company from the date of registration with the Trade Register.

The subscribers have given the company an undertaking not to sell, transfer, donate, or otherwise dispose of the shares issued in the share issue within 180 calendar days from the registering of the shares with the trade register. The company will apply for the listing of the shares at the latest within one year from the issuance of the shares. In connection with the application, the company will publish a listing prospectus in accordance with the Finnish Securities Market Act and the EU Prospectus Regulation.

EQUITY

On 30 June 2014, the Group has classified AP-Tela Oy as discontinued operations. Also the liquidation processes of the discontinued operations previously classified have progressed. Concerning these, the Group has specified its estimate on the appreciation of the balance sheet items as well as cost related to divestments and written off an additional 1.8 million euros. The cost will be reported in the operating profit of the discontinued operations.

In the financial statements 2013, the equity of the parent company Vaahto Group Plc Oyj was negative by 4.3 million euros. The issue of the new shares in the first quarter of 2014 as well as the waiver of loans had a positive impact on the equity of the parent company. Along with the classification of AP-Tela Oy as discontinued operations, the parent company impaired the shares of AP-Tela, which

lowered the equity of the parent company. On 30 June 2014, the equity was negative by 4,6 million euros.

AUTHORIZATION TO DECIDE ON A SHARE ISSUE

On 15 April 2014, the Annual General Meeting authorized the Board to decide on an issue of new shares as well as option rights and other special rights entitling to shares referred to in Chapter 10 Section 1 of the Finnish Companies Act in one or several lots. The number of new shares issued would be no more than 10,000,000, including shares to be issued based on the special rights.

The authorization is in effect until 31 May 2015, unless the General Meeting amends or cancels the authorization prior to that.

RISKS

The liquidity of the Group remains tight and includes significant risks. Sufficiency of the working capital is followed actively with cash flow forecasts. For the continuity of the operations, it is important that in 2014, the company reaches the result and profitability objectives set in the management forecasts. Negotiations with the Group's main financiers on financial restructuring are scheduled for fall 2014.

Negotiations with the financiers, planned divestments of the Paper Technology business together with the authorization of the Board of Directors to decide on a share issue if used, will support the improving of the Group's financial position and liquidity.

PERSONNEL

During the period, the average number of personnel in the Group was 225 (275).

Vesa Alatalo was appointed as CEO from 16 January 2014 onward. Ari Viinikkala served as CEO until 15 January 2014.

OUTLOOK FOR THE FISCAL YEAR 2014

Global economy and business fluctuation of customer industries have a direct impact on the demand of the Vaahto Group's products as well as its financial situation. The order backlog grew during spring and markets are expected to be recovering, although slower than anti-

pated in the beginning of the year.

In the tough market situation the Group businesses have focused on their key segments, where the customer receives added value through the Group's strong process know-how. Customers' willingness to invest increased towards the end of the first half, which will have a positive impact on the Vaahto Process Technology business. The number of offers has increased and particularly Japrotek Vessels has received new orders. This trend is expected to continue steadily during the second half.

In accordance with the new strategy, the Group will focus on process industry and the deployment of the strategy is currently ongoing. Focusing will become more visible during fall. Streamlining of operations will also continue. During the period, the Group's cost structure has been under scrutiny. The effects of the changes in the cost structure are expected to become visible during the second half. However, the operating profit of the Vaahto Group's continuing operations is expected to be negative for the fiscal year 2014.

EVENTS AFTER THE PERIOD

The CEO of Vaahto Group Plc Oyj Vesa Alatalo is leaving the company on 31 August 2014 to become Managing Director of Oy SKF Ab. The Board of Directors appointed M.Sc. (Tech.) Topi Karppanen as acting CEO starting on 1 September 2014. Karppanen has been a member of the Board of Vaahto Group Plc Oyj since 2010.

In Lahti on 22 August 2014

VAAHTO GROUP PLC OYJ

The Board of Directors

Consolidated Statement of Comprehensive Income, IFRS

1 000 EUR	Interim Report 1.1.-30.6.2014 6 months	Interim Report 1.1.-30.6.2013 6 months	Interim Report 1.4.-30.6.2014 3 months	Interim Report 1.4.-30.6.2013 3 months	Annual Report 1.1.-31.12.2013 12 months
NETTURNOVER	8 783	15 681	4 407	7 570	32 165
Change in finished goods and work in progress	47	-1 031	63	220	-1 524
Other operating income	189	3	1	2	22
Material and services	-3 213	-7 667	-1 796	-4 342	-16 617
Employee benefit expenses	-4 011	-4 039	-2 046	-2 057	-7 911
Depreciations	-128	-273	-41	-72	-393
Other operating expenses	-1 909	-2 367	-914	-1 234	-4 313
OPERATING PROFIT OR LOSS	-242	307	-326	87	1 428
Financial income	3 026	80	341	64	1 107
Financial expenses	-815	-503	-559	-279	-1 087
PROFIT OR LOSS BEFORE TAXES	1 969	-116	-545	-128	1 448
Tax on income from operations	-67	-80	-23	-54	-586
PROFIT OR LOSS FROM THE CONTINUING OPERATIONS	1 902	-195	-567	-182	862
DISCONTINUED OPERATIONS					
Profit or loss from the discontinued operations	-2 076	-1 912	-2 285	-729	-4 952
PROFIT OR LOSS	-174	-2 107	-2 852	-911	-4 090
OTHER COMPREHENSIVE INCOME					
Translation differences	-5	-4	0	-3	-10
OTHER COMPREHENSIVE INCOME, NET OF TAX	-5	-4	0	-3	-10
TOTAL COMPREHENSIVE INCOME	-179	-2 112	-2 852	-914	-4 099
Earnings per share calculated on profit attributable to equity holders of the parent					
EPS undiluted, euros/share, continuing operations	0,38	-0,05	-0,11	-0,05	0,22
EPS diluted, euros/share, continuing operations	0,38	-0,05	-0,11	-0,05	0,22
EPS undiluted, euros/share, discontinued operations	-0,42	-0,48	-0,46	-0,18	-1,24
EPS diluted, euros/share, discontinued operations	-0,42	-0,48	-0,46	-0,18	-1,24
EPS undiluted, euros/share	-0,04	-0,53	-0,57	-0,23	-1,03
EPS diluted, euros/share	-0,04	-0,53	-0,57	-0,23	-1,03
Average number of shares					
-undiluted	4 977 360	3 977 360	4 977 360	3 977 360	3 977 360
-diluted	4 977 360	3 977 360	4 977 360	3 977 360	3 977 360

Consolidated Balance Sheet, IFRS

1 000 EUR	Interim Report 30.6.2014	Annual Report 31.12.2013
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	30	60
Goodwill	1 583	1 692
Tangible assets	2 264	5 241
Shares in affiliated companies	0	74
Available for sale investments	35	35
NON-CURRENT ASSETS	3 912	7 102
CURRENT ASSETS		
Inventories	2 640	2 788
Trade receivables and other receivables	4 160	6 992
Current receivables for revenue recognized in part prior to project completion	216	1 727
Cash and bank	96	129
CURRENT ASSETS	7 113	11 637
NON-CURRENT ASSETS HELD FOR SALE	8 291	4 886
ASSETS	19 316	23 624
EQUITY AND LIABILITIES		
SHAREHOLDER'S EQUITY		
Share capital	2 872	2 872
Share premium account	6	6
Fair value reserve and other reserves	6 060	5 063
Translation differences	51	48
Retained earnings	-14 433	-14 251
SHAREHOLDER'S EQUITY	-5 444	-6 262
NON-CURRENT LIABILITIES		
Deferred tax liability	632	649
Long-term liabilities, interest-bearing	5 287	11 763
Non-current provisions	262	362
NON-CURRENT LIABILITIES	6 181	12 774
CURRENT LIABILITIES		
Short-term liabilities, interest-bearing	6 915	6 758
Trade payables and other liabilities	6 555	7 787
Tax liability, income tax	232	200
CURRENT LIABILITIES	13 702	14 745
LIABILITIES HELD FOR SALE		
Interest-bearing liabilities held for sale	90	0
Interest-free liabilities held for sale	4 788	2 367
LIABILITIES HELD FOR SALE	4 878	2 367
EQUITY AND LIABILITIES	19 316	23 624

Key Figures, IFRS

1 000 EUR	Interim Report 1.1.-30.6.2014 6 months	Interim Report 1.1.-30.6.2013 6 months	Annual Report 1.1.-31.12.2013 12 months
The business indicators			
Operating profit or loss, continuing operations	-242	307	1 428
% of turnover	-2,8	2,0	-93,7
Profit or loss before taxes, continuing operations	1 969	-116	1 448
% of turnover	22,4	-0,7	101,4
Profit or loss from the discontinued operations	-2 076	-1 912	-4 952
Earnings per share calculated on profit attributable to equity holders of the parent	-174	-2 107	-4 090
% of turnover	-0,7	-4,8	-6,8
Return on equity (ROE), %	neg	neg	neg
Return on investment (ROI), %	neg	neg	neg
Earnings per share EUR	-0,04	-0,53	-1,03
Shareholders' equity per share EUR	neg	neg	neg
Equity ratio, %	neg	neg	neg
Gearing	na	na	na
Gross investments in fixed assets	181	166	869
Order book, continuing operations	9 693	16 361	5 793
Total average number of personnel	225	275	256

Consolidated Flow of Funds Statement, IFRS

1 000 EUR	Interim Report 1.1.-30.6.2014 6 months	Interim Report 1.1.-30.6.2013 6 months	Annual Report 1.1.-31.12.2013 12 months
Profit or loss before taxes	-174	-2 134	-4 090
Adjustments	80	340	1 383
Change in working capital	1 605	1 671	1 418
Financial income and expenses and taxes	-671	-294	-1 070
Flow of funds from operations	840	-417	-2 359
Investments in tangible and intangible assets	-181	-166	-869
Income from sales of tangible and intangible assets	0	1 188	1 188
Flow of funds from investments	-181	1 022	320
Share issue	1 040	0	0
Increase of the interest-bearing liabilities	221	27	3 673
Decrease of the interest-bearing liabilities	-1 953	-891	-1 904
Flow of funds from financial items	-692	-865	1 769
Change of liquid funds total	-33	-260	-271
Change of liquid funds from discontinued operations	-488	522	235

Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

Changes in shareholders' equity 1.1.-30.6.2014	Share capital	Share premium account	Unrestricted equity reserve	Reserve fund	Translation differences	Retained earnings	Total
Shareholders' equity in the beginning of the period	2 872	6	3 068	1 995	48	-14 251	-6 262
Comprehensive income							
Profit or loss for the period						-174	-174
Translation differences					3	-8	-5
Total comprehensive income	0	0	0	0	3	-182	-179
Transactions with owners							
Share issue			1 040				1 040
Transaction costs for equity			-32				-32
Deferred taxes due to period changes			6				6
Effect of change in tax rate			-17				-17
Transactions with owners total	0	0	997	0	0	0	997
Shareholders' equity at the end of the fiscal period	2 872	6	4 065	1 995	51	-14 433	-5 444

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

Securities and Responsibilities

1 000 EUR

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Granted securities

Debt secured by real estate and corporate mortgages

Loans from financial institutions and pension loans	6 051	11 092
Other loans	2 000	3 350
Credit limits in use	3 698	3 872
Total	11 749	18 313

Loans from financial institutions are secured by real estate and corporate mortgages and share pledges. Other loans are secured by share pledges and bank deposits. Share pledges are the share capitals of Vaahto Group Plc Oyj's subsidiaries.

Securities and Responsibilities

1 000 EUR

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Mortgages granted to secure loans and bank guarantees

Real estate mortgages	2 543	2 543
Corporate mortgages	4 928	4 928
Total	7 471	7 471

Mortgages granted to secure the bank guarantee limit

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

Other granted securities for own behalf

Deposits	1 483	1 483
Total	1 483	1 483

Other granted securities

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

Contingent liabilities and other liabilities

Bank guarantees

Bank guarantee limits total	4 990	6 163
Bank guarantee limits, used	4 652	4 598

Operating lease agreements

Within a year	185	266
More than one year but no more than 5 years	234	276
Total	418	542

Contracts other than financial leasing contracts consist mainly of short-term leasing contracts for IT equipment and software. The terms and conditions 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.

Rent liabilities

Within a year	792	792
More than one year but no more than 5 years	3 166	3 166
Later	1 885	1 885
Total	5 843	5 843

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

Other contingent liabilities

Granted guarantees to customers and creditors

Guarantees granted to secure bank guarantee limit	4 990	4 110
Guarantees granted to secure bank loans	2 552	3 580
Guarantees granted to secure guarantee insurances	2 175	2 175
Guarantees granted to secure rent guarantees	400	400
Others guarantees	427	427
Total	10 544	10 692

Discontinued Operations

1 000 EUR	Interim Report 1.1. - 30.6.2014 6 months	Interim Report 1.1. - 30.6.2013 6 months	Annual Report 1.1.-31.12.2013 12 months
Profit or loss of the discontinued operations			
Turnover	4 529	6 294	12 115
Other income	119	295	463
Expenses	-4 991	-7 918	-15 222
Amortizations, Sales gains and losses	-1 593	-171	-1 500
Depreciations	-162	-518	-880
Profit or loss before taxes	-2 097	-2 018	-5 023
Taxes	21	106	71
Profit or loss from the discontinued operations	-2 076	-1 912	-4 952
Flow of funds from the discontinued operations			
Flow of funds from operations	-465	-615	-902
Flow of funds from investments	0	1 188	1 188
Flow of funds from financial items	-23	-52	-52
Flow of funds total	-488	522	235
Non-current assets held for sale of discontinued operations			
	30.6.2014	30.6.2013	31.12.2013
Intangible assets	12	1	4
Tangible assets	5 140	0	2 250
Inventories	789	708	434
Receivables	2 350	2 170	2 197
Assets total	8 291	2 878	4 886
Liabilities of disposal group held for sale of discontinued operations			
	30.6.2014	30.6.2013	31.12.2013
Non-current liabilities held for sale, interest-bearing	43	0	0
Current liabilities held for sale, interest-bearing	47	0	0
Current liabilities held for sale, interest-free	4 788	1 348	2 367
Liabilities total	4 878	1 348	2 367

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

Notes required by IAS 34

Accounting principles

The interim report was drawn up according to the same accounting principles and calculation methods as the previous financial statement, for the fiscal period that ended on December 31, 2013.

Dividends paid

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