FINANCIAL STATEMENTS
2007-2008

VAAHTO GROUP
1874

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Review by the Board

FISCAL PERIOD OF SEPTEMBER 1, 2007 – AUGUST 31, 2008

Business developments

Vaahto Group's turnover for the fiscal year ending in August 2008 was 73.2 million euros (88.2 million euros), with an operating profit of 0.6 million euros (5.8 million euros). The Group's turnover decreased by 17% from the previous fiscal year's figure. In addition to the decreased turnover, the result was undermined by the poor profitability of the Pulp & Paper Machinery division's project deliveries completed during the period under review. Vaahto Group's order backlog increased toward the end of the period, coming to 54.4 million euros (42.9 million euros) on August 31.

Pulp & Paper Machinery

The Pulp & Paper Machinery division's turnover for the fiscal year was 39.5 million euros (54.2 million euros), with an operating loss of 3.3 million euros (operating profit of 3.7 million euros). The division's result was significantly lower than in the previous fiscal year and became negative. Profits were hampered by the decreased turnover and the poor profitability of project deliveries completed during the period.

The division's roll sales and roll-servicing business saw moderate results. The expansion of the product range has strengthened the competitiveness of the division's roll-servicing business and supports Pulp & Paper Machinery's full-system deliveries.

The market situation has remained challenging. The forest industry's investment rate in Finland and the rest of Europe is low, and the competitive situation in Asia has tightened considerably. Despite the tough competition, the Pulp & Paper Machinery division's sales picked up toward the end of the fiscal year. Significant orders included the modernization of a paper machine for Kama in Russia and delivery of the main equipment for a multi-layer board machine at the Jingxing Pinghu plant in China.

The operations of the subsidiary company established in Shanghai in the previous fiscal year have gotten off to a good start, which has improved the division's competitive position in the Chinese market.

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.

Process Machinery

The Process Machinery division's turnover for the fiscal year was 34.4 million euros (34.1 million euros), with an operating profit of 4.0 million euros (2.0 million euros). Profitability improved for both tanks and agitators.

The Process Machinery division's sales were good during the period under review. The most significant orders for Japrotek Oy Ab, part of the division, included an absorption tower for Uhde GmbH in Germany and a leaching autoclave for Norilsk Nickel Harjavalta Oy. Stelzer Rührtechnik International GmbH, a German company in the division, achieved good sales for the fiscal year, and the company received significant orders from, e.g., North America and China, in addition to its strong local market area in Central Europe.

During the period under review, Vaahto Oy signed an agreement to sell its spiral heat exchanger business, which belonged to the Process Machinery division, to the German HES Heat Exchanger Systems GmbH. The sale included the spiral heat exchanger production line and its machinery and equipment, with related intangible rights. The production machinery and equipment were transferred to the buyer in spring 2008. The annual turnover for spiral heat exchanger business has fluctuated between two and four million euros. Vaahto Oy recognized a profit of 0.6 million euros for the sale in the fourth quarter of the fiscal year.

Results

Vaahto Group's operating profit for the fiscal year was 0.6 million euros, as compared to 5.8 million euros in the previous fiscal year. The operating profit for the period equaled 0.9% (6.6%) of the Group's turnover. Profits for the fiscal year totaled 0.3 million euros (3.9 million euros), and the Group saw a 2.6% (25.8%) return on investment. The main reasons for the reduced profitability were the decreased turnover and the poor profitability of the Pulp & Paper Machinery project deliveries completed during the period.

Financing

The Group's cash flow was 1.2 million euros (-5.8 million euros). The Group's net financial expenses came to 0.7 million euros (0.6 million euros), or 1.0% (0.7%) of turnover. Investment cash flow in the fiscal year was -4.0 million euros (-1.1 million euros). The increase in interest-bearing debt was 3.2 million euros.

Period-end total assets and liabilities on the consolidated balance sheet stood at 41.8 million euros (52.2 million euros), and the parent company's balance sheet showed 17.0 million euros (11.1 million euros). The Group's equity ratio increased slightly, to 37.3% (35.5%).

Investments

The Group's investments in capital assets for the fiscal period totaled 4.6 million euros (1.5 million euros). The most significant investments were Vaahto Group's new enterprise resource planning system, the polyurethane and composite equipment for Vaahto Roll Service Oy (formerly AK-Tehdas Oy), and Japrotek Oy Ab's water treatment equipment. Other investments consisted mainly of smaller machinery and equipment acquisitions and of investments in information systems.

Information systems

The Group's information systems and information management were developed further, in accordance with the centralized operations model. The period saw the new Group-wide SAP enterprise resource planning system implemented successfully.

Research and development

The Group's research and development activities focused for the most part on improving 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 426 (414) over the fiscal year and numbered 424 (428) 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 25 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 14, 2007, 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 throughout the fiscal period.

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

Forecast of developments

Vaahto Group's competitiveness has improved, thanks to determined product development and the expanded product range. However, the market situation for the Group's major products is highly challenging. In Europe and North America, the forest industry is having trouble and investing very carefully. In the largest growing market area, China, local suppliers are growing stronger and competition is growing tighter. In addition, the international financial crisis has caused insecurity in the market and postponement of investment decisions.

In spite of the challenging market situation, the Group's order book as of 31 August is higher than a year earlier, laying a foundation for business growth.

Proposal for distribution of profits

Parent company funds available for distribution of profits total 3,555,313.93 euros, of which 176,360.06 euros represents loss for the fiscal period.

The Board will propose to the Annual General Meeting that a dividend of 0.10 euros per share, for a total of 287,230.20 euros, be paid. The remaining operating profit is to be transferred to the earnings account.

Key Figures

The business indicators for fiscal years 2007-2008, 2006-2007, 2005-2006 and 2004-2005 have been calculated in accordance with IFRS principles, while the business indicators for previous fiscal years have been calculated in accordance with FAS principles (as used at the time).

The business indicators **1 000 €**	**2007/2008** **12 months** **IFRS**	**2006/2007** **12 months** **IFRS**	**2005/2006** **12 months** **IFRS**	**2004/2005** **12 months** **IFRS**	**2003/2004** **12 months** **FAS**
Turnover	73 207	88 161	65 414	58 084	61 700
Change, %	-17.0	34.8	12.6	-5.9	-13.4
Operating profit or loss	635	5 812	2 461	588	2 812
% of turnover	0.9	6.6	3.8	1.0	4.6
Profit or loss before taxes	-77	5 226	1 513	-85	2 167
% of turnover	-0.1	5.9	2.3	-0.1	3.5
Earnings per share calculated on profit attributable to equity holders of the parent	238	3 639	920	-509	1 676
% of turnover	0.3	4.1	1.4	-0.9	2.7
Return on equity (ROE), %	2.2	29.5	9.4	-2.2	15.6
Return on investment (ROI), %	2.6	25.8	12.5	2.8	10.8
Equity ratio, %	37.3	35.5	39.1	35.2	33.2
Current ratio	1.1	1.1	1.0	1.0	1.0
Gearing	99.8	65.5	18.4	57.9	83.1
Gross investments in fixed assets	4 613	1 502	1 859	1 139	1 188
% of turnover	6.3	1.7	2.8	2.0	1.9
Order backlog	54 384	42 894	49 723	34 240	19 744
Consolidated balance sheet total	41 847	52 190	42 892	39 246	41 375
Total number of personnel (average)	426	414	410	420	464

Share related data	**2007/2008** **12 months** **IFRS**	**2006/2007** **12 months** **IFRS**	**2005/2006** **12 months** **IFRS**	**2004/2005** **12 months** **IFRS**	**2003/2004** **12 months** **FAS**
Earning per share (EPS), euros	0.08	1.27	0.32	-0.18	0.61
Shareholders' equity per share, euros	4.32	4.68	3.65	3.44	3.74
Dividend per share, euros 1)	0.10	0.40	0.20	0.12	0.12
Dividend payout, %	120.6	31.6	62.5	-67.8	19.8
Effective dividend return, %	1.0	3.1	2.9	2.4	3.7
Price earnings ratio (P/E)	124.0	10.3	21.6	-28.6	5.3
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 €	2007/2008 12 months	2006/2007 12 months	2005/2006 12 months	2004/2005 12 months	2003/2004 12 months
A share					
- high	12.32	14.20	8.70	5.98	3.55
- low	8.85	6.52	4.21	2.91	2.50
- average	10.55	11.11	6.22	4.30	2.84
- share price at the end of the fiscal year	9.82	12.54	6.50	5.04	3.18
K share					
- high	12.55	14.95	9.57	5.92	3.90
- low	8.80	7.28	4.38	2.90	2.55
- average	10.35	11.75	5.76	4.33	2.91
- share price at the end of the fiscal year	10.74	13.51	7.37	5.09	3.25
Total market value, million euros					
A share	14.3	18.2	9.4	7.3	4.6
K share	15.2	19.2	10.5	7.2	4.6
Total	29.5	37.4	19.9	14.5	9.2
Number of shares traded during the fiscal year					
A share	1 413 803	2 596 692	614 526	495 445	558 800
K share	1 062 841	1 082 285	184 810	140 000	51 430
Number of shares traded, %					
A share	97.3	178.7	42.3	34.1	38.5
K share	74.9	76.2	13.0	9.9	3.6
Number of shareholders	305	315	340	435	411

Consolidated Income Statement, IFRS

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007	Note
NET TURNOVER	**73 207**	**88 161**	3,4
Change in finished goods and work in progress	92	696	
Production for own use	693	377	
Other operating income	688	303	5
Material and services	-39 404	-50 629	
Employee benefit expenses	-21 082	-20 241	8
Depreciations	-2 220	-1 840	7
Other operating expenses	-11 339	-11 015	6
OPERATING PROFIT	**635**	**5 812**	
Financing income and expenses	-726	-611	10,11
Share of profits of affiliated companies	14	24	18
PROFIT OR LOSS BEFORE TAXES	**-77**	**5 226**	
Tax on income from operations	396	-1 313	12
PROFIT OR LOSS FOR THE FISCAL YEAR	**320**	**3 913**	
NET PROFIT OR LOSS ATTRIBUTABLE:			
To equity holders of the parent	238	3 639	
To minority interest	82	274	
	320	3 913	
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS undiluted, euros/share, continuing operations	0,08	1,27	13
EPS diluted, euros/share, continuing operations	0,08	1,27	
Average number of shares			
-undiluted	2 872 302	2 872 302	
-diluted	2 872 302	2 872 302	

Consolidated Balance Sheet, IFRS

1 000 €	31.8.2008	31.8.2007	Note
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3 127	621	15
Goodwill	1 702	1 702	16
Tangible assets	14 198	14 644	14
Shares in affiliated companies	39	24	18
Non-current trade and other receivables	13	13	19
Other long-term investments	44	44	20
Deferred tax asset	471	120	21
NON-CURRENT ASSETS	**19 594**	**17 169**	
CURRENT ASSETS			
Inventories	8 508	8 188	22
Trade receivables anf other receivables	12 392	25 276	23
Tax receivable, income tax	624	23	23
Cash equivalents	0	960	24
Cash and bank	730	574	24
CURRENT ASSETS	**22 253**	**35 021**	
ASSETS	**41 847**	**52 190**	
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Share premium account	6	6	
Other reserves	2 006	2 128	
Retained earnings	7 537	8 436	
Equity attributable to equity holders of the parent	**12 421**	**13 442**	
Minority share	1 336	1 393	
SHAREHOLDERS' EQUITY	**13 757**	**14 835**	25
NON-CURRENT LIABILITIES			
Deferred tax liability	736	928	21
Long-term liabilities, interest-bearing	7 378	4 923	28
Non-current provisions	271	684	27
NON-CURRENT LIABILITIES	**8 385**	**6 536**	
CURRENT LIABILITIES			
Short-term liabilities, interest-bearing	7 087	6 331	28
Trade payables and other liabilities	12 618	23 558	30
Tax liability, income tax	1	931	30
CURRENT LIABILITIES	**19 705**	**30 819**	
EQUITY AND LIABILITIES	**41 847**	**52 190**	

Consolidated Flow of Funds Statement, IFRS

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007
Flow of funds from operations		
Profit or loss before taxes	-77	5 226
Adjustments:		
Depreciations	2 220	1 840
Unrealized foreign exchange gains and losses	-148	16
Other income and expenses, no payment related	-409	428
Financing income and expenses	726	611
Share of profits of affiliated companies	-14	-24
Other adjustments	-558	-173
Flow of funds from operations before the change in working capital	**1 740**	**7 923**
Change in working capital:		
Change in short-term receivables	7 627	-11 287
Change in inventories	-659	-505
Change in short-term non-interest-bearing creditors	-6 631	-5
Flow of funds from operations before the financial items and taxes	**2 076**	**-3 875**
Interests and other financial expenses from operations paid	-796	-735
Dividends received	2	7
Interests received	68	118
Income taxes paid	-114	-1 307
FLOW OF FUNDS FROM OPERATIONS	**1 236**	**-5 792**
Flow of funds from investments		
Investments in tangible and intangible assets	-4 613	-1 502
Income from sales of tangible and intangible assets	650	405
Granted loans	0	-11
FLOW OF FUNDS FROM INVESTMENTS	**-3 963**	**-1 109**
Flow of funds from financial items		
Withdrawals of short-term loans	5 688	4 297
Repayments of short-term loans	-5 840	-1 792
Withdrawals of long-term loans	4 878	2 247
Repayments of long-term loans	-1 515	-1 637
Dividends	-1 287	-671
FLOW OF FUNDS FROM FINANCIAL ITEMS	**1 923**	**2 444**
Change of liquid funds	**-804**	**-4 457**
Liquid assets at the beginning of the fiscal year	1 534	5 991
Liquid assets at the end of the fiscal year	730	1 534
Change in liquid assets according to the balance sheet	-804	-4 457

Consolidated Statement of Changes in Shareholders' Equity, IFRS

Change in shareholders' equity 1.9.2007 - 31.8.2008 1 000 €	**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 (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**

Change in shareholders' equity 1.9.2006 - 31.8.2007 1 000 €	**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**	**6**	**2 112**	**5 479**	**10 475**	**1 215**	**11 689**
Cash flow hedging:								
Increase (hedging reserve)	0	0	16	0	0	16	0	16
Decrease of the revaluation	0	0	0	0	-106	-106	0	-106
Change in translation difference	0	0	0	0	-7	-7	0	-7
Reclassifications between items	0	0	0	-6	6	0	0	0
Net profits or losses regocnized directly to shareholders' equity	**0**	**0**	**16**	**-6**	**-106**	**-97**	**0**	**-97**
Profit or loss for the period	0	0	0	0	3 639	3 639	274	3 913
Total profits and losses	**0**	**0**	**16**	**-6**	**3 532**	**3 542**	**274**	**3 816**
Dividend distribution	0	0	0	0	-574	-574	-97	-671
Shareholders' equity at the end of the fiscal period	**2 872**	**6**	**22**	**2 106**	**8 437**	**13 442**	**1 393**	**14 835**

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Notes to the Consolidated Financial Statements

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 13, 2008, 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, 2007 – August 31, 2008, 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

In the 2007–2008 fiscal year, the Group started applying the IFRS 7 ("Financial Instruments: Disclosures") standard. Implementation of the new standard affects the notes to the consolidated financial statements concerning financial instruments but not the classification or valuation of financial instruments.

The Group expects no other changes to standards or their interpretations published by August 31, 2008, to affect the Group's financial statement reporting.

IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
IFRIC 15	Agreements for the Construction of Real Estate

In the 2009–2010 fiscal year, the Group will start applying the IFRS 8 ("Operating Segments") standard (effective from 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, effective from 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.

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 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, 2008.

The previous fiscal year saw the Group establish a subsidiary company in Shanghai, China: Pulp & Paper Machinery Distribution (Shanghai) Co., Ltd. The company is to focus on the Chinese sales and marketing for Vaahto's Pulp & Paper Machinery division and to purchase materials and subcontracting services for the division's delivery projects. The company was included in the consolidated financial statements for the first time for the fiscal year ending on August 31, 2008.

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; non-tax-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 straight-line 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.

Investment properties
Investment properties refer to real-estate properties that the Group holds for the purpose of receiving rental income or an increase in property value. Investment properties are valued using the acquisition cost method. As allowed by the IFRS 1 transition standard, the acquisition costs used are the revaluated amounts of the investment properties, with accumulated depreciation taken into account.

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 impairment loss is reversed if conditions have changed and the recoverable amount for the asset changed after the impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been declared if no impairment loss had been recognized. An impairment loss in relation to goodwill is never reversed.

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

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

Financial assets and liabilities
Financial assets are classified as belonging to the following categories: loans and other receivables, 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.

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.

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 18, 2008, 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.

Fiscal period 2007-2008 1 000 €	**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

Fiscal period 2006-2007 1 000 €	**Finland**	**Other Europe**	**North America**	**Asia**	**Africa**	**Other**	**Group total**
Net turnover	26 361	40 525	3 718	14 125	197	3 235	88 161
Assets	45 489	6 700	0	0	0	0	52 190
Investments	1 475	28	0	0	0	0	1 502

Business segments / Primary segment information

Fiscal period 2007-2008 1 000 €	Pulp & Paper Machinery	Process Machinery	Other business	Eliminations	Non-allocated items	Group total
Income statement information						
External net sales	38 801	34 406				73 207
Intra-Group net sales	748	1		-748		0
Net turnover	**39 549**	**34 406**		**-748**		**73 207**
Operating profit or loss of the segment	-3 330	3 982	-2	-14		635
Operating profit or loss						**635**
Financing income and expenses					-726	-726
Shares of profits of affiliated companies	14					14
Income taxes					396	396
Profit or loss for the period	-3 316	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

Fiscal period 2006-2007 1 000 €	Pulp & Paper Machinery	Process Machinery	Other business	Eliminations	Non-allocated items	Group total
Income statement information						
External net sales	54 136	34 025				88 161
Intra-Group net sales	20	25		-45		0
Net turnover	**54 156**	**34 050**		**-45**		**88 161**
Operating profit or loss of the segment	3 721	1 992	113	-14		5 812
Operating profit or loss						**5 812**
Financing income and expenses					-611	-611
Shares of profits of affiliated companies	24					24
Income taxes					-1 313	-1 313
Profit or loss for the period	24	1 992	113	-14		
Profit or loss for the period						**3 913**
Balance sheet information						
Segments assets	29 796	19 759	96	-166		49 486
Shares in affiliated companies	24					24
Non-allocated assets					2 680	2 680
Assets total	**29 820**	**19 759**	**96**	**-166**		**52 190**
Segments liabilities	12 339	10 071	10	-110		22 310
Non-allocated liabilities					15 045	15 045
Liabilities total	**12 339**	**10 071**	**10**	**-110**		**37 355**
Other information						
Net sales, goods	54 136	34 025				88 161
Investments	1 348	155				1 502
Depreciation	1 236	604				1 840
Average number of personnel	243	171				414

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007

4. CONSTRUCTION CONTRACTS

Net turnover		
Net turnover of construction contracts recognized under the percentage of completion method	32 395	52 976
Other turnover	40 811	35 185
Total	**73 207**	**88 161**
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	15 257	59 162
Order backlog		
Construction contracts recognized under the percentage of completion method	44 279	26 957
Projects entered on completion of the project	10 105	15 937
Order backlog total	**54 384**	**42 894**

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	14 281	59 162
Advances received from the customers	11 761	47 200
Difference	**2 520**	**11 962**
Accrued income from the construction contracts in the Balance Sheet	2 911	12 446
Advance payments from the construction contracts in the Balance Sheet	391	485
Receivables from the construction contracts in the Balance Sheet	**2 520**	**11 962**

5. OTHER OPERATING INCOME

Other operating income		
Profit from sales of intangible assets	275	0
Profit from sales of investment properties	0	110
Profit from sales of other tangible assets	287	64
Rent income from investments properties	0	16
Other rent income	17	21
Subventions	8	0
Other income	101	92
Total	**688**	**303**

6. OTHER OPERATING EXPENSES

Other operating expenses		
Overhead costs of production	1 876	2 098
Sales costs	1 876	2 016
Non-statutory employee benefits, variable	189	163
Rents, variable	144	74
Other variable expenses	1 202	1 129
Traveling expenses	1 657	1 434
Rents, fixed	702	543
Expenses from real estates and apartments	850	816
IT-costs	692	438
Non-statutory employee benefits, fixed	206	210
Marketing expenses	261	358
Other fixed expenses	1 683	1 722
Investment property management expenses	0	14
Losses from sales of fixed assets (investments)	0	1
Total	**11 339**	**11 015**
Other operating expenses include fees paid to the auditors		
Auditing fees	71	83
Consulting and other fees	20	29
Total	**91**	**111**

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007

7. DEPRECIATIONS AND IMPAIRMENT LOSSES

Depreciations by groups of assets

Intangible assets		
Development expenditure	150	104
Intangible rights	2	0
Other long-term assets	103	109
Other long-term assets, financial lease	338	0
Total	**593**	**213**
Tangible assets		
Buildings	321	313
Machinery and equipment	1 115	1 098
Machinery and equipment, financial lease	126	139
Other tangible assets	64	76
Total	**1 627**	**1 627**
Total	**2 220**	**1 840**

8. EMPLOYEE BENEFITS

Employee benefits expenses		
Salaries and fees	16 882	15 922
Pension expenses, defined contribution plan	2 876	2 667
Other employee benefits	1 324	1 652
Total	**21 082**	**20 241**
Management and Board salaries, fees and benefits		
Managing Directors	262	234
Board members and substitute members	45	46
Total	**307**	**280**
Average number of personnel of the Group		
Office staff	178	167
Workers	248	247
Total	**426**	**414**

The information concerning the employee benefits of the management can be found on note 33. ”Related party transactions”.

9. RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure		
Research and development expenditure on income statement	197	128
Increase in capitalized research and development expenditure	167	153
Total	**364**	**281**

10. FINANCING INCOME

Financing income		
Interest income	56	56
Dividends	2	7
Foreign exchange gains	12	50
Other financing income	0	12
Total	**70**	**125**

11. FINANCING EXPENSES

Financing expenses		
Interest expenses	703	513
Foreign exchange losses	93	52
Other financing expenses	1	171
Total	**796**	**735**

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007

12. INCOME TAXES

Income taxes in income statement		
Tax on income from operations	117	1 324
Tax for previous accounting periods	-3	-17
Change in deferred tax liabilities and tax assets	-511	5
Total	**-396**	**1 313**
Reconciliation between tax provision on income statement and mathematical tax based on parent company's tax rate 26%		
Profit or loss before taxes	-77	5 226
Mathematical tax based on parent company's tax rate 26%	-20	1 359
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	27	3
Non-deductible income	-0	-1
Non-deductible expenses	-40	22
Tax for previous accounting periods	-3	-17
Using losses for which no tax assets have been entered	-320	0
Recognized tax asset on losses from the previous fiscal periods	-89	0
Unrecognized taxes on losses from the fiscal period	51	-19
Shares of profits of affiliated companies	-4	-6
Decrease of the revaluation	0	-28
Tax provision on income statement	**-396**	**1 313**
Effective tax rate	518%	25%
Deferred tax liabilities and tax assets booked to the shareholders' equity		
Interest rate derivatives		
Deferred tax liabilities in the beginning of the period	0	0
Deferred taxes' share of period movements (decrease of the deferred tax liabilities)	33	0
Decrease of the deferred tax liabilities in the end of the period	**33**	**0**

13. EARNINGS PER SHARE

Net profit or loss attributable to shareholders' of the parent, euros	238	3 639
Average number of shares during the fiscal period	2 872 302	2 872 302
Earnings per share undiluted, euros/share	0.08	1.27

14. TANGIBLE ASSETS

Fiscal period 2007-2008 1 000 €	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		-16 977
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**

Fiscal period 2006-2007 **1 000 €**	**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	755	9 558	15 473	2 136	1 212	1 470	30 604
Increase	58	63	646		74	461	1 302
Decrease			-223		-7		-230
Transfers between items		451	806	-72	246	-1 486	-55
Acquisition cost at the end of the period	813	10 072	16 702	2 064	1 525	445	31 621
Accumulated depreciations and impairment losses at the beginning of the period		-3 156	-10 796	-582	-1 039		-15 573
Depreciations of transfers' and decrease items			223				223
Depreciations		-313	-1 098	-139	-76		-1 627
Accumulated depreciations and impairment losses at the end of the period		-3 469	-11 672	-721	-1 115		-16 977
Book value at the beginning of the period	755	6 402	4 677	1 554	173	1 470	15 031
Book value at the end of the period	**813**	**6 603**	**5 030**	**1 343**	**410**	**445**	**14 644**

15. INTANGIBLE ASSETS

Fiscal period 2007-2008 **1 000 €**	**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		2 547	2 944	2 944
Increase	167	6	50	2 900	3 123		0
Decrease		-50 456			-50 456		0
Transfers between items		1	-1		0		0
Acquisition cost at the end of the period	715	45	1 959	2 900	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**

Fiscal period 2006-2007 **1 000 €**	**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	395	88	1 839		2 322	2 944	2 944
Increase	153		55		208		0
Decrease			-38		-38		0
Transfers between items			55		55		0
Acquisition cost at the end of the period	548	88	1 911		2 547	2 944	2 944
Accumulated depreciations and impairment losses at the beginning of the period	-54	-87	-1 582		-1 723	-1 242	-1 242
Depreciations of transfers' and decrease items			11		11		0
Depreciations	-104		-109		-213		0
Accumulated depreciations and impairment losses at the end of the period	-157	-88	-1 681		-1 926	-1 242	-1 242
Book value at the beginning of the period	342	0	257		599	1 702	1 702
Book value at the end of the period	**391**	**0**	**230**		**621**	**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 2007-2008, total 2,900 thousand euros development and acquisition costs of the new 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 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007

16. GOODWILL

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 Roll Service Oy (formerly AK-Tehdas 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 will increase moderately and profitability decrease slightly in the forecast period. The increase in turnover is influenced by the product development investments made and reorganization carried out is sales and marketing operations. Due to the rationalization activities carried out in the company over the past few years, the profitability has been improved.

Discount rate:
The pretax WACC spesified for Vaahto Group has been used as the discount rate. The discount rate for fiscal period 2007-2008 was 12.16% - 12.67% (12.33%-12.83% in 2006-2007).

Sensitivity of the main assumptions used in testing of depreciation:
Where the forecast used for Stelzer Rührtechnik International GmbH's depreciation testing is concerned, the cash flow may decrease by about 40% or the discount rate may increase by about 10% 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. 2008	31. 8. 2007

17. INVESTMENT PROPERTIES

Investment properties		
Acquisition cost at the beginning of the period	0	700
Decrease	0	-700
Acquisition cost at the end of the period	0	0
Accumulated depreciations and impairment losses at the beginning of the period	0	-392
Accumulated depreciations and impairment losses at the end of the period	0	392
Book value at the beginning of the period	0	308
Book value at the end of the period	**0**	**0**
Fair value of the investment properties at the end of the period	0	0

The investment property owned by the Group (industrial and office building) has been sold during the previous fiscal period.

18. SHARES IN AFFILIATED COMPANIES

Shares in affiliated companies		
Shares of profit of affiliated companies from the previous fiscal periods	24	0
Shares of profit of affiliated companies from the fiscal period	14	24
Total	**39**	**24**

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

19. LONG-TERM RECEIVABLES

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

1 000 €	31. 8. 2008	31. 8. 2007
20. 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.

21. DEFERRED TAX ASSETS AND LIABILITIES

1 000 €	31.8.2008	Recognized in income statement	Recognized in shareholders' equity	31.8.2007	Recognized in income statement	31.8.2006
Deferred tax assets						
Internal margin of inventories	5	4	0	2	1	1
Losses from the fiscal period	377	377	0	0	0	0
Losses from the previous fiscal periods	89	89	0	0	0	0
Other timing differences	0	-118	0	118	118	0
Total	**471**	**351**	**0**	**120**	**119**	**1**
Deferred tax liabilities						
Cumulative appropriations	160	-166	0	327	43	284
Cancelling of depreciations of the goodwill	277	69	0	207	69	138
Fair values of derivative instruments	-33	0	-33	0	0	0
Other timing differences	331	-62	0	394	12	381
Total	**736**	**-159**	**-33**	**928**	**124**	**803**

On August 31, 2008, the Group had confirmed losses worth 333 thousand euros (1,909 thousand euros on August 31, 2007), for which no deferred tax asset 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.

No deferred tax assets were earlier recognized for the confirmed losses of the Group's German subsidiary Stelzer Rührtechnik International GmbH for previous fiscal years, since the requirements for this were not considered fulfilled. The reorganization carried out within the company has improved its profitability, and most of the losses for previous fiscal years have now been used. For the remaining losses, deferred tax assets were recognized for the 2007–2008 fiscal year. Losses confirmed according to local tax laws do not expire.

1 000 €	31.8.2008	31.8.2007
22. INVENTORIES		
Inventories		
Materials and supplies	2 431	3 056
Work in progress	5 073	4 659
Finished products	739	0
Advance payments for inventories	107	291
Advance invoices, unpaid	158	182
Total	**8 508**	**8 188**

In the period the carrying amount of inventories was reduced by 83 thousand euros (163 thousand euros in the previous period) to correspond for its net realization value.

1 000 €	31.8.2008	31.8.2007
23. SHORT-TERM RECEIVABLES		
Trade and other receivables		
Trade receivables	7 436	7 212
Advance payment receivables	774	4 114
Advance payment receivables from affiliated companies	11	0
Other receivables	163	841
Prepayments and accrued income	4 007	13 110
Total	**12 392**	**25 276**

Ageing analysis of trade receivables	Trade receivables	Advance payment receivables	Advance payment receivables from affiliated companies	Total
Not due	3 924	320	11	4 256
Past due less than 180 days	3 130	453	0	3 584
Past due more than 180 days	382	0	0	382
Total	**7 436**	**774**	**11**	**8 221**

The Group has not booked any bad debts during the fiscal period 2007-2008.

1 000 €	31.8.2008	31.8.2007
Prepayments and accrued income		
Prepayments and accrued income consist of:		
Accrued income on the construction contracts recognized under the percentage of completion method	2 911	12 446
Accrued income on derivatives	2	36
Interest receivables	12	1
Accruals of personnel expenses	446	300
Other prepayments and accrued income on expenses	636	327
Total	**4 007**	**13 110**
Tax receivables		
Tax receivable, income tax	624	23
Total	**624**	**23**

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents		
Cash equivalents	0	960
Cash and bank	730	574
Total	**730**	**1 534**
Change of liquid funds in the flow of funds statement		
Liquid funds at the beginning of the period	1 534	5 991
Liquid funds at the end of the period	730	1 534
Change of liquid funds in the balance sheet	**-804**	**-4 457**

25. NOTES ON THE SHAREHOLDERS' EQUITY

On August 31, 2008, 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 2007–2008 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
After the balance sheet date, the Board proposed that a dividend of 0.10 euros per share be paid.

26. 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."

27. PROVISIONS

Fiscal period 2007-2008 1 000 €	Warranty provisions	Pension provisions	Provision for unprofitable contracts	Total
Non-current provisions				
Provisions at the beginning of the period	70	160	455	684
Increase of the provisions	50	0	0	50
Used provisions	-5	-4	-455	-463
Provisions at the end of the period	**115**	**156**	**0**	**271**

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 was expected from Vaahto Oy's long-term project. Delivery of the project has took place in the period 2007-2008 and the provision has then been used.

28. INTEREST-BEARING LIABILITIES

1 000 €	31.8.2008	31.8.2007
Long-term liabilities, interest-bearing		
Loans from financial institutions	4 998	4 213
Pension loans	502	710
Finance leases	1 878	0
Total	**7 378**	**4 923**
Current liabilities, interest-bearing		
Loans from financial institutions	6 190	5 792
Pension loans	208	252
Finance leases	688	287
Total	**7 087**	**6 331**
Finance lease liabilities, minimum rentals		
Within a year	823	295
More than one year but no more than 5 years	2 058	0
Minimum rentals	**2 881**	**295**
Future financing cost related to leasing agreements	316	8
Future finance lease liabilities at present value	**2 566**	**287**
Future minimum lease payments at present value		
Within a year	688	287
More than one year but no more than 5 years	1 878	0
Future finance lease payments at present value	**2 566**	**287**

The investment made in the Group-wide SAP ERP system in the 2007–2008 fiscal year was mainly financed by means of financial leasing. In the consolidated financial statements, 2,900 thousand euros of costs for this information system project was capitalized for other intangible assets, and a corresponding amount was entered under long- and short-term financial leasing liabilities.

Vaahto Oy concluded a hire agreement for production machinery in the 2007–2008 fiscal year; this is to be treated as a financial leasing agreement in the consolidated financial statements. The agreed term of lease has not yet started, so the leasing object or leasing liability has not yet been entered on the balance sheet. In accordance with the hire agreement, 12 thousand euros was paid as advance rental fees in the 2007–2008 fiscal year and entered under financing costs.

Repayment schedule of the interest-bearing liabilities

Maturing in the fiscal period	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	Later	Total
Loans from financial institutions	6 190	1 482	1 160	1 005	805	545	0	11 189
Pension loans	208	123	103	75	74	31	97	710
Finance leases	688	721	762	394	0	0	0	2 566
Total	**7 087**	**2 326**	**2 026**	**1 474**	**880**	**576**	**97**	**14 465**

Maturing times and effective interest rates (weighted averages) of interest-bearing liabilities 31.8.2008

	Maturing time (years)	Interest rate %
Loans from financial institutions	1.6	5.37
Loans from financial institutions including interest rate swap agreements	1.6	5.43
Pension loans	2.7	4.30
Finance leases	1.8	5.27

29. 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 result. The primary financial risks are currency and interest rate risks, and the Group uses currency forward contracts and interest rate swaps for risk management. The Group's general principles of risk management are approved by the Board, and their implementation 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 31 of the Notes, "Fair values of financial assets and liabilities."

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 risks 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.

1 000 €	**31.8.2008**	**31.8.2007**

30. SHORT-TERM LIABILITIES

Trade payables and other liabilities		
Advance payments received	4 221	6 261
Advance payments, unpaid	774	4 114
Advance payments, unpaid, from affiliated companies	11	0
Trade payables	2 397	7 074
Trade payables, unpaid advance payments	158	182
Other short-term liabilities	1 344	1 261
Accruals and deferred income	3 713	4 666
Total	**12 618**	**23 558**
Accruals and deferred income consist of:		
Interest liabilities	62	58
Accrued employee expenses	1 986	1 884
Derivatives	129	14
Expenses from contracts	605	1 722
Other accruals and deferred income	931	987
Total	**3 713**	**4 666**
Tax liability		
Tax liability, income tax	1	931
Total	**1**	**931**

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair values of derivative instruments

Interest rate derivatives **1 000 €**	**Nominal value 31.8.2008**	**Positive fair value 31.8.2008**	**Negative fair value 31.8.2008**	**Net fair value 31.8.2008**
Interest rate swap agreements	15 924	14	-140	-126
Total	**15 924**	**14**	**-140**	**-126**

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

Interest rate derivatives	**Currency**	**Amount**
Maturing within 1-5 years	EUR	10 334
Maturing more than 5 years	EUR	5 590
Total	**EUR**	**15 924**

Fair values of other than derivative contracts

Financial assets **1 000 €**	**Book value 31.8.2008**	**Fair value 31.8.2008**	**Book value 31.8.2007**	**Fair value 31.8.2007**
Trade receivables and other receivables	13 799	13 799	25 276	25 276
Cash equivalents	0	0	960	960
Cash and bank	730	730	574	574

Financial liabilities **1 000 €**	**Book value 31.8.2008**	**Fair value 31.8.2008**	**Book value 31.8.2007**	**Fair value 31.8.2007**
Finance lease liabilities, short-term	688	688	287	287
Trade payables and other liabilities	8 905	8 905	23 558	23 558

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.

1 000 €	31.8.2008	31.8.2007

32. SECURITIES AND CONTINGENT LIABILITIES

Granted securities

Debt secured by real estate and corporate mortgages		
Pension loans	524	752
Loans from financial institutions	3 844	9 031
Total	**4 369**	**9 783**
Mortgages granted to secure loans and bank guarantees		
Real estate mortgages	9 914	9 914
Corporate mortgages	7 386	7 386
Total	**17 300**	**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	26 700
Bank guarantee limits, used	16 523	21 692
Operating lease agreements		
Within a year	208	114
More than one year but no more than 5 years	242	272
Total	**450**	**386**

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	38	452
Total	**38**	**452**

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 fiscal year saw Vaahto Oy complete final assessments of procedures for the old pickling facility at the Hollola plant in accordance with the environmental permit. Other projects involving environmental impact included the construction of and environmental permit for Japrotek Oy Ab’s new pickling facility, as well as the environmental permit application for Vaahto Roll Service Oy’s new roll coating process.

33. RELATED PARTY TRANSACTIONS

Parent company and subsidiaries

Group companies

Company	Registered office	Number of shares	Share of ownership %	Share of voting rights %
Akpija Oy	Joutseno	190	100.00	100.00
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
Vaahto Roll Service Oy (formerly AK-Tehdas Oy)	Tampere	2 900	100.00	100.00

Subsidiaries of subconcern

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

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007
Rent income		
The renting income of the plot belonging to the corporation in the control of the members of the Board	10	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	59	57
Employee benefits for the management		
Salaries and fees of the parent company management		
CEO	10	10
Board members:		
Jaatinen Seppo	19	19
Unkuri Martti	15	15
Vaahto Antti	5	5
Vaahto Mikko	5	5

No special conditions for retirement, pension benefits, or discharge-related conditions have been spesified for the members of the Group's management.

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) =	Profit or loss before taxes - income taxes / Shareholders' equity + minority interest (average)	x 100
Return on investments % (ROI) =	Profit or loss before taxes + interest expenses and other financial expenses / Total assets - non-interest bearing debts (average)	x 100
Equity ratio =	Shareholders' equity + minority interest / Total assets - advances received	x 100
Current ratio =	Current assets / Short-term liabilities	
Gearing =	Interest bearing debts - cash and bank deposits and other securities / Shareholders' equity + minority interest	x 100
	Formulas for per share items	
Earnings per share, euros =	Profit or loss before taxes - income taxes -/+ minority interest / Number of shares outstanding issue adjusted (average)	
Shareholders' equity/share, euros =	Shareholders' equity / Number of shares outstanding issue adjusted, at the end of the fiscal year	
Dividend/share, euros =	Dividend for the fiscal year/share / Adjustment factor of share issue made after closing the books	
Dividend/share, percantage =	Dividend for the fiscal year/share / Earnings/share	x 100
Effective dividend return, percentage =	Dividend for the fiscal year/share / Adjusted price of the share at the end of the fiscal year	x 100
Price per earnings (P/E) =	Adjusted price of the share at the end of the fiscal year / Earnings/share	
Average share price =	Total value of shares traded during the fiscal year / 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	

35. SHARES AND SHAREHOLDERS

According to the book-entry security system, Vaahto Group Plc Oyj had 305 registered shareholders on August 31, 2008.
There were in total 73,036 nominee-registered shares.

MAJOR SHAREHOLDERS **According to the book-entry security system, on August 31, 2008**	**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	20 500	1.4	61 000	4.3	81 500	2.8	4.2
Mutual Insurance Company Fennia	35 000	2.4	35 000	2.5	70 000	2.4	2.5
Svenska Handelsbanken AB (Publ)	47 580	3.3	6 800	0.5	54 380	1.9	0.6
Kanerva Jyri	27 990	1.9	2 200	0.2	30 190	1.1	0.2
Total for 10 largest	1 236 563	77.7	1 319 003	85.9	2 555 566	81.6	92.5

BREAKDOWN OF SHARE OWNERSHIP BY AMOUNT OF HOLDINGS **According to the book-entry security system, on August 31, 2008**	**Shareholders** **no.**	**%**	**Shares** **no.**	**%**	**Votes** **no.**	**%**
1 - 100	111	36.4	5 718	0.2	45 105	0.2
101 - 1 000	127	41.6	52 369	1.8	340 371	1.1
1 001 - 10 000	50	16.4	154 082	5.4	1 113 297	3.7
10 001 - 100 000	11	3.6	337 189	11.7	2 924 191	9.8
100 001 - 1 000 000	6	2.0	2 319 496	80.8	25 385 553	85.1
	305	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, 2008**	**Shareholders** **no.**	**%**	**Shares** **no.**	**%**	**Votes** **no.**	**%**
Companies	31	10.2	155 710	5.4	1 915 148	6.4
Financial and insurance institutions	5	1.6	154 950	5.4	998 227	3.3
Public corporations	2	0.7	134 040	4.7	1 407 420	4.7
Households	264	86.6	2 415 953	84.1	25 479 521	85.4
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
	305	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, 2008**	**A shares** **no.**	**%**	**K shares** **no.**	**%**	**Total** **no.**	**%**	**Votes** **%**
Board of directors and CEO							
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
CEO's of the subsidiaries							
Lassfolk Torsten	20	0.0	20	0.0	40	0.0	0.0
Vaahto Antti	255 033	17.6	255 200	18.0	510 233	17.8	18.0

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 holdings also include the shares of companies under the relevant body or individual's control and of minor persons under guardianship.
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.

36. ANNOUNCEMENTS IN ACCORDANCE WITH SECTION 2, SUBSECTION 10 OF THE SECURITIES MARKETS ACT

On September 17, 2007, Vaahto Group Plc Oyj received an announcement that Heikki Vaahto's ownership in Vaahto Group Plc Oyj has decreased by 25% of the total number of votes. Ownership by share type:
Vaahto Group A: 0 shares
Vaahto Group K: 326,700 shares
Total ownership: 11.37% of all shares and 21.89% of all votes

37. EVENTS AFTER THE END OF THE FISCAL YEAR

Dissolution of Akpija Oy
The decision was made to dissolve Akpija Oy, a subsidiary fully owned by Vaahto Group Plc Oyj, after that company's operations ceased. The real property owned by Akpija Oy was sold during the previous fiscal year, and the company did not have any operations in the 2007–2008 fiscal year. The Annual General Meeting of September 16, 2008, decided to place the company in liquidation, which was registered in the trade register on September 30, 2008.

Merger of Vaahto Roll Service Oy with Vaahto Oy
The Vaahto Group Plc Oyj Board has decided to take action to merge Vaahto Roll Service Oy with Vaahto Oy without any merger compensation. The merger is to take place during the fiscal period September 1, 2008 – August 31, 2009. Vaahto Oy and Vaahto Roll Service Oy are both wholly owned subsidiaries of the Group's parent company, Vaahto Group Plc Oyj. The purpose of the merger is to simplify the Group's structure and develop the operations of Vaahto's Pulp & Paper Machinery division.

Income Statement of the Parent Company, FAS

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007	Note
NET TURNOVER	**2 424**	**1 600**	2
Other operating income	76	144	3
Personnel expenses	-1 020	-595	5
Depreciations	-52	-49	6
Other operating expenses	-1 735	-1 147	7
OPERATING PROFIT	**-308**	**-48**	4
Financing income and expenses	137	48	8
PROFIT BEFORE EXTRAORDINARY ITEMS	**-171**	**0**	
Extraordinary income	0	1 000	9
PROFIT OR LOSS BEFORE INCOME TAXES	**-171**	**1 000**	
Appropriations	-5	0	
Tax on income from operations	0	-214	10
PROFIT OR LOSS FOR THE FISCAL YEAR	**-176**	**786**	

Balance Sheet of the Parent Company, FAS

1 000 €	31.8.2008	31.8.2007	
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	43	40	
Tangible assets	91	94	
Investments	9 087	8 917	
NON-CURRENT ASSETS TOTAL	**9 221**	**9 052**	12
CURRENT ASSETS			
Short-term receivables	7 732	1 846	
Cash and bank deposits	92	177	
CURRENT ASSETS TOTAL	**7 824**	**2 023**	13
ASSETS TOTAL	**17 045**	**11 074**	
LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Reserve fund	2 228	2 228	
Retained earnings	3 732	4 094	
Profit or loss for the fiscal year	-176	786	
SHAREHOLDERS' EQUITY TOTAL	**8 656**	**9 981**	14
Depreciation in excess of plan	5	0	
CUMULATIVE APPROPRIATIONS	**5**	**0**	15
LIABILITIES			
Long-term interest-bearing liabilities	2 727	0	16
Short-term interest-bearing liabilities	961	740	17
Short-term non-interest-bearing liabilities	4 696	353	17
LIABILITIES TOTAL	**8 383**	**1 093**	
SHAREHOLDERS' EQUITY AND LIABILITIES TOTAL	**17 045**	**11 074**	

Flow of Funds Statement of the Parent Company, FAS

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007
Flow of funds from operatioms		
Profit before extraordinary items	-171	0
Adjustment items:		
Depreciations according to plan	52	49
Financial income and expenses	-137	-48
Flow of funds before the change in working capital	**-256**	**1**
Change in working capital:		
Change in short-term receivables	-61	391
Change in short-term non-interest bearing creditors	70	167
Flow of funds before financial items and taxes	**-247**	**559**
Interests and other financial expenses from operations paid	-173	-77
Dividends received	151	107
Interests received	159	18
Income taxes paid	0	-214
FLOW OF FUNDS FROM OPERATIONS	**-110**	**393**
Flow of funds from investments		
Investments in tangible and intangible assets	-51	-34
Other investments	-170	0
Granted loans	-6 635	-1 070
Repayments of loans receivable	810	60
FLOW OF FUNDS FROM INVESTMENTS	**-6 047**	**-1 044**
Flow of funds from financial items		
Withdrawals of short-term loans	5 233	500
Repayments of short-term loans	-740	-1 065
Withdrawals of long-term loans	2 727	0
Dividends	-1 149	-574
Group transfers	0	1 000
FLOW OF FUNDS FROM FINANCIAL ITEMS	**6 072**	**-139**
Change of liquid funds	**-85**	**790**
Liquid assets at the beginning of the fiscal year	177	967
Liquid assets at the end of the fiscal year	92	177
Change in liquid assets according to the balance sheet	-85	-790

Notes to the Parent Company's Financial Statements

1. ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

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.

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007
2. TURNOVER BY BUSINESSES AND MARKET AREAS		
By businesses		
Administration	2 424	1 600
Total	**2 424**	**1 600**
By market areas		
Finland	2 424	1 600
Total	**2 424**	**1 600**
3. OTHER OPERATING INCOME		
Other	76	144
Total	**76**	**144**
4. OPERATING PROFIT OR LOSS BY BUSINESSES		
Administration	-308	-48
Total	**-308**	**-48**
5. PERSONNEL		
Average number of personnel		
Office staff	14	9
Total	**14**	**9**
Personnel expenses		
Wages and salaries	798	474
Pension costs	162	78
Other personnel expenses	60	44
Total	**1 020**	**595**
Management's salaries and benefits		
Managing directors	10	10
Board members and substitute members	45	45
Total	**55**	**55**

1 000 €	1.9.2007-31.8.2008	1.9.2006-31.8.2007

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		
Buildings	5-10 years	5-10 years
Machinery and equipment	35-40 years	35-40 years
	5-25 years	5-25 years
Depreciations and decreased values		
Depreciations from tangible and intangible assets	52	49
Total	**52**	**49**

7. OTHER OPERATING EXPENSES

Rent expenses	479	144
Non-statutory employee benefits	13	17
Other expenses	1 243	986
Total	**1 735**	**1 147**

8. FINANCIAL INCOME AND EXPENSES

Income from other investments held as non-current assets		
Group companies	150	105
Other	1	2
Total	**151**	**107**
Interest income from long-term investments		
Group companies	142	7
Other	17	12
Total	**159**	**18**
Financial income total	**310**	**125**
Interest and other financial expenses		
Group companies	68	77
Other	105	0
Total	**173**	**77**
Financial income and expenses total	**137**	**48**

9. EXTRAORDINARY ITEMS

Exraordinary income/Group transfers	0	1 000
Total	**0**	**1 000**

10. INCOME TAXES

Income taxes from operations	0	-46
Income taxes from extraordinary items	0	260
Total	**0**	**214**

11. SHAREHOLDINGS

Group companies

Company	**Registered Office**	**Number of Shares**	**Group Ownership, %**
Akpija Oy	Joutseno	190	100.00
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
Vaahto Roll Service Oy	Tampere	2 900	100.00

1 000 €	**31.8.2008**	**31.8.2007**
12. NON-CURRENT ASSETS		
Intangible assets		
Other long-term assets		
Acquisition cost at the beginning of the fiscal year	401	390
Increase	34	11
Acquisition cost at the end of the fiscal year	**435**	**401**
Accumulated depreciations at the beginning of the fiscal year	360	335
Depreciation of the fiscal year	32	26
Accumulated depreciations at the end of the fiscal year	**392**	**360**
Book value at the end of the fiscal year	**43**	**40**
Intangible assets total	**43**	**40**
Machinery and equipments		
Acquisition cost at the beginning of the fiscal year	536	513
Increase	5	23
Acquisition cost at the end of the fiscal year	**541**	**536**
Accumulated depreciations at the beginning of the fiscal year	442	418
Depreciation of the fiscal year	20	23
Accumulated depreciations at the end of the fiscal year	**462**	**442**
Book value at the end of the fiscal year	**79**	**94**
Other tangible assets		
Acquisition cost at the beginning of the fiscal year	0	0
Increase	12	0
Acquisition cost at the end of the fiscal year	**12**	**0**
Book value at the end of the fiscal year	**12**	**0**
Tangible assets total	**91**	**94**
Investments		
Shares in Group companies		
Acquisition cost at the beginning of the fiscal year	9 675	9 675
Increase	170	0
Acquisition cost at the end of the fiscal year	**9 845**	**9 675**
Accumulated depreciations at the beginning of the fiscal year	778	778
Accumulated depreciations at the end of the fiscal year	**778**	**778**
Book value at the end of the fiscal year	**9 067**	**8 897**
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	**9 087**	**8 917**

1 000 €	31.8.2008	31.8.2007

13. CURRENT ASSETS

External short-term receivables		
Prepaid expenses and accrued income	368	44
Total	**368**	**44**
Short-term receivables from Group companies		
Trade receivables	0	273
Loan receivables	715	715
Other receivables	6 635	810
Prepaid expenses and accrued income	14	4
Total	**7 364**	**1 802**
Short-term receivables total	**7 732**	**1 846**
Prepaid expenses and accrued income consist of:		
Prepaid social security costs	95	26
Tax receivable, income tax	233	0
Other prepaid expenses and accrued income	40	18
Other prepaid expenses and accrued income from Group companies	14	4
Prepaid expenses and accrued income total	**382**	**48**

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	4 881	4 669
Dividends	-1 149	-574
Retained earnings in the end of the fiscal year	**3 732**	**4 094**
Profit or loss for the fiscal year	**-176**	**786**
Shareholders' equity total	**8 656**	**9 981**
Calculation on distributable assets		
Retained earnings	3 732	4 094
Profit for the fiscal year	-176	786
Distributable assets total	**3 555**	**4 881**
The distribution of shareholders' equity by series	**no.**	**euros**
A-shares (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**

15. CUMULATIVE APPROPRIATIONS

Depreciation in excess of plan, machinery and equipment	5	0
Total	**5**	**0**

16. LONG-TERM LIABILITIES

External long-term liabilities		
Lonas from financial institutions	2 727	0
Total	**2 727**	**0**

1 000 €	31.8.2008	31.8.2007

17. SHORT-TERM LIABILITIES

External short-term liabilities		
Loans from financial institutions	4 273	0
Accounts payable	29	42
Other liabilities	147	104
Accrued liabilities and deferred income	246	194
Total	**4 696**	**340**
Short-term liabilities to Group companies		
Accounts payable	0	12
Other liabilities	961	740
Total	**961**	**753**
Short-term liabilities total	**5 656**	**1 093**
Accrued liabilities and deferred income consist of:		
Accrued employee expenses	203	55
Interest liabilities	14	0
Tax liability, income tax	0	139
Other accruals and deferred income	29	0
Total	**246**	**194**

18. CONTINGENT LIABILITIES AND OTHER LIABILITIES

Leasing commitments to be paid		
To be paid during fiscal year 2008-2009	1 020	83
Later	2 288	270
Total	**3 307**	**353**
Granted guarantees by Group companies		
Granted guarantees	38	452
Granted guarantees to secure bank guarantee limits	31 000	24 000
Granted guarantees to secure loans	1 300	1 300
Total	**32 338**	**25 752**

Board of Directors' Proposal

Parent company funds available for distribution of profits total 3,555,313.93 euros, of which 176,360.06 euros represents loss for the fiscal period.

The Board will propose to the Annual General Meeting that a dividend of 0.10 euros per share, amounting to a total of 287,230.20 euros, be paid. The remaining operating profit is to be transferred to the earnings account.

Lahti, November 13, 2008

Seppo Jaatinen
Chairman of the Board

Martti Unkuri

Antti Vaahto
CEO

Mikko Vaahto

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, 2008. 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 18, 2008

Ernst & Young Oy
Authorized Public Accountant Firm

Pauli Hirviniemi
Authorized Public Accountant

VAAHTO GROUP
1874

www.vaahtogroup.fi

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