Annual Report 2014

VAAHTO
SINCE 1874

Vaahto Group

Vaahto Group
is a globally operating high technology company serving process industry.

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

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

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

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

VAAHTO GROUP

VAAHTO PROCESS TECHNOLOGY

Stelzer Mixing Technology
Japrotek Vessels

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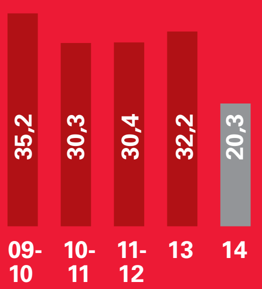
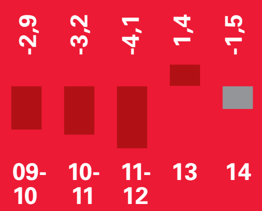
Key Figures

IFRS, MEUR	2014	2013
Turnover, continuing operations	**20,3**	32,2
Operating profit or loss, continuing operations	**-1,5**	1,4
Return on investment ROI%	**neg**	neg
Equity ratio%	**neg**	neg
Investments	**0,3**	0,9
Number of personnel average	**216**	256

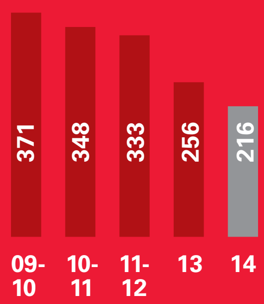
TURNOVER, CONTINUING OPERATIONS MEUR



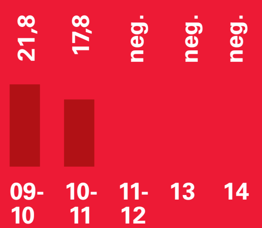
OPERATING PROFIT OR LOSS, CONTINUING OPERATIONS MEUR



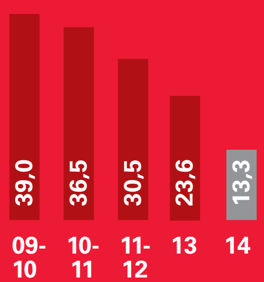
NUMBER OF PERSONNEL AVERAGE



EQUITY RATIO%



CONSOLIDATED BALANCE SHEET TOTAL MEUR



CEO's Review

Fiscal year 2014 was disappointment for Vaahto Group. Positive progress started during previous year didn't continue and the company stayed behind all the targets. Compared to previous year, turnover decreased by a third and the result was negative. Order book, however, developed positively being almost double at the end of the fiscal year compared to the end of 2013.

According to our strategy, we continued actions to target Process Technology business. As part of our strategy, we finished the sale of the heavily unprofitable Vaahto Paper Technology business that concentrated to pulp, paper and board industry solutions. The sale of the business was completed on September 2014.

After the sale of the business, Vapate Oy (former Vaahto Paper Technology Oy) didn't have operative business anymore. The Board of Directors of the company stated that the liabilities of the company were greater than its assets and the company was no longer able to meet its obligations. Vapate Oy was filed for bankruptcy on October 2014.

Vaahto Process Technology business is divided into two business areas: Japrotek Vessels and Stelzer Mixing Technology. Japrotek Vessels designs and manufactures demanding vessel structures for process industry as well as complete vessel and agitator combinations. Stelzer Mixing Technology focuses on the mixing technology for process industry and related maintenance services. Agitators and vessels have strong synergy, and our goal is to deliver complete vessel–agitator combinations to end users that minimize the customer's production risk while guaranteeing optimal process results.

Fiscal year 2014 for Japrotek Vessels was challenging due to general market situation. However, order book increased compared to fiscal year 2013 despite the customers postponing their investment decisions to year 2015. Despite the challenging market situation, Japrotek Vessels acquired new titanium processing related orders of which the most significant are delivery of a leaching autoclave to a customer in Finland and a crystallization plant to Kemira in Brazil. We are expecting the market situation for Japrotek Vessels to continued challenging also during fiscal year 2015.

During the fiscal year 2014 Stelzer Mixing Technology faced challenges on two important market areas: China and food industry. Customers postponed their investments on new projects. However, the number of new orders received was on a same level than previous fiscal year. At the end of the fiscal year 2014 Stelzer got an order of a biggest single agitator in its history. Agitator will be handed over to a customer in chemical industry in Asia during year 2015. We are expecting the market situation to get a little bit better during the beginning of the year 2015.

We seek growth especially from Eastern Middle-Europe, Asia and Scandinavia.

Our target is to improve profitability already during fiscal year 2015 and also in the future by concentrating on Process Technology. Deployment of the strategy focusing on Process Technology continues ahead.

The liquidity situation of the Group stayed tight during the whole fiscal year 2014 and especially at the end of the year it assumedly had an influence on the confidence of our clientele, suppliers and service providers towards us. To restore that confidence, Vaahto Group has to continue actions to improve financial standing and liquidity and also to improve profitability and competitiveness.

After the end of the fiscal year 2014, Vaahto Group made an agreement on February 2015 of an arrangement with its major creditors. The purpose of the arrangement is the strengthening of the company's financial standing and the securing of the continuance of the company's operations. At the same time, Vaahto Group Plc Oyj issued 10,000,000 new shares in a targeted share issue.

Alongside with the stabilization agreement, the Group started an operations and cost adjustment program. The target of the program is to generate annual savings of over 0.8 M euros. As a part of the program, operations of the parent company Vaahto Group Plc Oyj will be transferred to the premises of Japrotek Oy Ab until the end of August 2015.

All of the market areas Vaahto Group is operating on are facing tough competition. To manage on this competition, mediocre performance is not enough. I want to thank the personnel of Vaahto Group of the work well done in challenging circumstances. I would also like to thank shareholders, financiers and other stakeholders of the cooperation and confidence towards us.

Topi Karppanen

CEO

Vaahto Process Technology

Areas of Expertise

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

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

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

Key Figures

MEUR	2014	2013
Turnover, continuing operations	20,3	32,2
Profit, continuing operations	-1,5	1,4
Number of personnel average	140	138

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

Stelzer Mixing Technology

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

Japrotek Vessels

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

Vaahto Group focuses on Process Technology business

During the fiscal year 2014 Stelzer Mixing Technology business area faced challenges on two important market areas: China and food industry. Customers postponed their investments on new projects. However, the number of new orders received was on a same level than previous fiscal year. At the end of the fiscal year 2014 Stelzer got an order of a biggest single agitator in its history.

Fiscal year 2014 for Japrotek Vessels was challenging due to general market situation. However, order book increased compared to fiscal year 2013 despite the customers postponing their investment decisions to year 2015.

Stelzer is to Deliver the Largest Agitator in its History

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

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

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

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

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

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

Quality and Technical Competence as Core Strengths

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

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

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

Stelzer Received an Order for 500 kW Agitator

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

In 2014 Stelzer recognized a significant decrease in two of its major areas: China and food-industry. The reason is a low level of investments. Many of projects and decisions were postponed. Nevertheless, Stelzer won two important projects and increased the volume of sewage water agitators. These orders helped Stelzer to close 2014 with an order intake similar to the level of 2013.

Stelzer received the order about the largest single-agitator in its history end of the year. The agitator will be designed and manufactured in Warburg and delivered to the Asian chemical industry. In second quarter of 2014 Stelzer received the order of all agitators of a green energy project in Germany. Thirdly Stelzer received orders with a total of more than a quarter million euro from the sewage treatment. Stelzer convinced by technic and detailed, extensive process knowhow. Stelzer could also give proof of experience in requested applications by using CFD-simulations and project management.

Due to the significant new orders received at the end of the fiscal year 2014, employment situation for Stelzer is good during the first half of the year 2015. Market situation is expected to get a little bit better and number of offers is at good level.

Products and services of Stelzer Mixing Technology

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

Stelzer Mixing Technology's...

- Primary customers are the food-processing industry; the medical, environmental, and biotech industries; and the chemical industry
- Important market areas are Central Europe, the Nordic region, and Asia
- Success factors are technology, quality, experience, and reliability

Computational fluid analyses enable us to simulate compositions of mixtures; develop and apply process flow models; and analyze turbulence, energy-efficiency, and optimization. We can improve the mixing process without interrupting production.

Products and services of Japrotek Vessels

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

Japrotek Vessels

- serves actors in the chemical, paper, pulp, metallurgy and energy industries and wastewater treatment plants
- can cite as its key strengths: quality, capacity to supply products for demanding applications, and vessel–agitator combinations
- deliveries are made worldwide

We aim to take full advantage of our design and manufacturing know-how, familiarity with the customers' processes, machining of special materials, and good references to succeed in international competition.

Japrotek Vessels sharpened its strategy

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

Our core strength is the quality of our products and services

Our key strengths include the ability to manage demanding orders and deliver vessel–agitator combinations tailored to customer specifications. Our customers include players in the chemical, paper, pulp, metallurgy and energy industries and wastewater treatment plants.

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

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

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

Operations guided by international standards

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

The ISO 14001 environmental standard has been applied in Japrotek's operations from 2012 onward. Our OHSAS occupational health and safety system was certified in early 2014. Our transparency also gives our customers proof of our systems' flawless operation, along with the ability to audit them.

Successful management of standards and permits requires constant training of our personnel. Employees of Japrotek Vessels have qualifications to act as an international welding specialist (IWS) and as an international welding engineer (IWE) according to SFS-EN ISO 3834 and EN ISO 1090-2 standards. These employees are qualified to appropriately arrange and coordinate welding operations according to CE-mark required from July 2014 onwards.

Market situation continued challenging

Fiscal year 2014 started challenging for Japrotek Vessels business area. However, orderbook grew during the second half of the year when customers started to make investment decision to their projects. Situation worsened again at the end of the year when customers started to postpone their investment decisions to year 2015. Number of offers has stayed on a good level throughout the whole year.

Despite the challenging market situation, Japrotek Vessels received new significant orders of which the most significant are delivery of a leaching autoclave to a customer in Finland and a crystallization plant to Kemira in Brazil. Deliveries are demanding process industry structures in which Japrotek's expertise on titanium processing and insight into customer's processes are at their best. The installations will both be handed over during the summer 2015. Orders are securing the employment situation at the Japrotek's Pietarsaari factory also during year 2015.

Investing in new market areas

The market situation for the customers of Japrotek Vessels remains tight. Japrotek's stock of offers for 2015, however, is good.

We have made a strategic decision to acquire new orders outside our main market area, Nordic countries. We have made organizational changes and invested in sales and planning, which prepare the conditions for full utilization of our manufacturing expertise. We aim to take full advantage of our design and manufacturing know-how, familiarity with the customers' processes, machining of special materials, and good references to succeed in international competition.

Professional personnel
and job satisfaction create competitive advantage

Vaahto Group continued to invest in personnel training and job satisfaction while it carried out significant strategic and organizational changes.

The Vaahto Group employed 226 people at the beginning and 177 persons at the end of the fiscal year, with 69 of them working at subsidiaries outside Finland. The average number of personnel during the fiscal year 2014 was 216. The previous fiscal year's figure was 278. The decrease was due primarily to the sale of the Service business of Vaahto Paper Technology Ltd.

At the end of the year under review, the Group employed 98 production workers and 79 office workers and supervisors (the latter making up 45 % of the staff). In addition to workshop operations, a significant proportion of the Group's activities consist of design work. Women account for about 12 percent of the employees. The average age of all Group employees at the end of the fiscal year was 46 years. The average length of employment was 15.3 years - an indication of continuity and job satisfaction.

Personnel executing strategy

At Vaahto Group, professional and motivated personnel is seen as a key factor in creating competitive advantage. Meeting strategic objectives requires employees to understand how they can affect execution of the strategy. The possibilities of the employees to participate in decision making have positive impacts on motivation and job satisfaction.

Strategy of Vaahto Group was renewed during fiscal year 2014 to concentrate on Process Technology business. Also, the business environment of the Group has changed significantly. Organizational structure of the company has been revised to meet the strategic objectives, which will, in turn, help to maintain job security and improve job satisfaction.

As an answer to the challenges in the business environment, company invests in employee satisfaction, training and improving the information flow in organization. Openness of the communication is seen important when executing the changes at the Group.

Collaboration between Japrotek Vessels and Stelzer Mixing Technology was increased to achieve benefits from operational synergies. The aim has been to both improve the efficiency of the production and to increase volume by using the existing resources of the company.

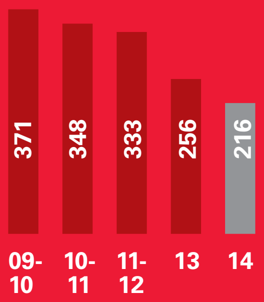
Being a supplier of high-quality implementations of technology and consulting in the field of process machinery requires production processes that meet international standards. During fiscal year 2014, company invested further in developing especially the welding know-how of the personnel.

Health and safety as requirements for operations

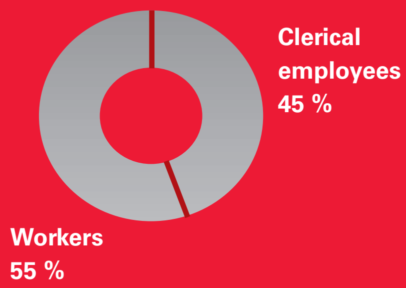
Close cooperation with occupational health services targets to prevent lengthy sick leaves, to establish the causes when it does occur, and to make the return to work easy after an absence. To improve the physical and mental well-being of the employees, the Group supports their exercise programs by distributing sports vouchers. Also, the Group implements an early-intervention workplace policy at its work sites. The model is intended to make it easier to address physical and psychological pressure both within and outside the workplace. Relations between supervisors and their subordinates are meant to be straightforward and caring.

Ensuring the health and safety of the employees continues to be one of the main objectives of the personnel policy. The objective is to prevent injuries through active risk monitoring in the organization. The main health and safety risks in the Group's fields of operation are the use of heavy machinery and equipment. Good planning of the work, thorough briefing of workers, and the use of protective equipment are important precautionary measures. Industrial safety committees conduct regular surveys of workplaces in order to identify potential risks. In machine workshops, monitoring the safety of all operations is part of the daily work. Any deviations observed are recorded, and corrective measures are tracked. Accidents are analyzed, with special emphasis placed on the proper use of protective equipment.

NUMBER OF PERSONNEL AVERAGE 2009-2014



DIVISION OF PERSONNEL 2014



Stelzer team at FoodTech exhibition

Stelzer presented the new corporate identity at FoodTech exhibition in Denmark in October 2014.

The Stelzer team **Arthur Binfet, Knut Nowack, Sabrina Rechau, Henri Malmi** and **Mattias Gripenberg** welcomed the visitors.

Training according to standards

Successful management of standards and permits requires constant training of our personnel. Employees of Japrotek Vessels have qualifications to act as an international welding specialist (IWS) and as an international welding engineer (IWE) according to SFS-EN ISO 3834 and EN ISO 1090-2 standards.

Responsibility
as a basis for business

Vaahto Group follows the principles of responsibility in business operations. Responsibility is seen as a key factor in creating competitive advantage, which includes continuous improvements in operations.

Responsibility areas at the Group are responsibility of quality, environment and safety.

All Vaahto Group's companies are ISO 9001 certified. In addition, Vaahto Group has group-level ISO 14001 environmental management system certification, which has been issued by Inspecta Sertifiointi Oy. An extensive service agreement guarantees a high level of service for certification, auditing, and testing services. Group-level audits are performed according to an annual plan.

Meeting customer expectations

Expectations of customers and other stakeholders are taken into account in advancing responsibility at Vaahto Group. Strength of the company is the high quality of products and services. Quality policy aims for high level of customer satisfaction. Products and services are developed in cooperation with customers and international partners.

Vaahto Group's quality-management team coordinates the quality-related activities of our business units and supports their collaboration on quality and environmental matters. Also, customers conduct audits to confirm that the operations meet their requirements. Results of customer surveys have been good. The satisfaction of the customers of Vaahto Group is best proven by repeat orders received from existing customers.

Quality gives international competitiveness

During fiscal year 2014 Vaahto Group invested in developing the quality of production processes to maintain international competitiveness. Know-how of the employees is seen as a key factor in ensuring the quality of products and services at the Group. Succeeding in an international competitive environment requires internationally accredited qualifications. The Group offers possibilities for its employees to participate in training programs to acquire different qualifications.

Taking environmental impacts into account

Environmental policy of the Vaahto Group aims to take environmental impacts into account in developing customers' processes. Responsibility of the environment is seen as a part of the whole life cycles of the products of the company. Positive environmental impacts are accomplished through improvements in energy efficiency and quality of the customers' processes.

The Group continued to work with improving energy efficiency during fiscal year 2014. In 2008, the Group entered into an energy-efficiency agreement under which the Group strives to improve its operations' energy efficiency by 10 % by the end of the year 2016. The Center for Economic Development (ELY) has conducted follow-up environmental-permit-related audits at the sites of the company and has found them to be in compliance.

Continuous development in safety

During Fiscal year 2014 Vaahto Group continued to invest in continuous development of working safety in operations similarly to previous years. Japrotek Oy Ab follows the OHSAS 18001 occupational health and safety system. Inspecta certified the system in the beginning of fiscal year 2014. The OHSAS compliant system helps in maintaining the well-being and capacity to work of the employees of the company and in preventing occupational accidents and diseases.

Vaahto Group's

Mission

Vaahto Group enhances production processes in the process industry by developing and manufacturing equipment and services that boost production and improve the quality and competitiveness of customers' products.

Vision

Vaahto Group's objective is to be a global and esteemed supplier of high-quality implementations of process technology and consulting services.

Strategy

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

Board of Directors

Chairman **Reijo Järvinen**, b. 1948, M.Sc.(Chem.)
Attorneys Krogerus Oy, Senior Advisor
Chairman and member of the Vaahto Group Plc Oyj Board of Directors since 2010
Previous work experience:
Finnvera Oyj, regional director
Most significant positions of trust:
Festivo Finland Oy, chairman of the board
Suomen Kotikylmiö Oy, member of the board
Delipap Oy, member of the board
Jomet Oy, member of the board
Attendance to the Board meetings 2014: 36/36

Vice-Chairman **Sami-Jussi Alatalo**, b. 1971, Master of Laws
Member of the Vaahto Group Plc Oyj Board of Directors since June 19, 2012
Ultivista Group, CEO
Previous work experience:
Ultivista Group, CFO
Nordea Group, managerial and specialist positions in Corporate Banking
Most significant positions of trust:
Westpro cc Oy, member of the Board
Attendance to the Board meetings 2014: 36/36

Topi (Toivo) Karppanen, b. 1956, M.Sc.(Tech.)
CEO of Vaahto Group since September 1, 2014
Member of the Vaahto Group Plc Oyj Board of Directors since 2010
CONINOR LTD, Managing Partner
IMP Industrial Marketing Ltd, Managing Partner
Previous work experience:
Larox Oyj and Larox Group, President & CEO, 2000 – 2009
Larox Oyj and Larox Group, Executive Vice President, Marketing & Sales, 1991 – 2000
Attendance to the Board meetings 2014: 35/36

Mikko Vaahto, b. 1963,
with vocational qualifications in business and administration
Member of the Vaahto Group Plc Oyj Board of Directors since 1994
Attendance to the Board meetings 2014: 35/36

Management and Auditors

CEO

Topi (Toivo) Karppanen, b. 1956, M.Sc.(Tech.)
CEO of Vaahto Group since September 1, 2014
Member of the Vaahto Group Plc Oyj Board of Directors since 2010
CONINOR LTD, Managing Partner
IMP Industrial Marketing Ltd, Managing Partner
Previous work experience:
Larox Oyj and Larox Group, President & CEO, 2000 – 2009
Larox Oyj and Larox Group, Executive Vice President, Marketing & Sales, 1991 – 2000

Vesa Alatalo, b. 1970, B.Sc. (Eng.), MBA
CEO of Vaahto Group Plc Oyj 16 January 2014 – 31 August 2014
Previous work experience:
Konecranes Finland Oy, Director, Head of Waste to Energy
Konecranes Lifting Systems GmbH, Managing Director
Konecranes Finland Oy, Director, Head of Workstation Lifting Systems
Konecranes Finland Oy, Product Line Director for Light Lifting Products
Oy SKF Ab, Country Manager, Industrial Sales Division, Finland
Sandvik Mining and Construction Oy Global Product, Line Manager
Orbis Oy, various management positions

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

Management Team

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

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

Kalle Rasinmäki, b. 1974, M.Sc. (Tech.)
Japrotek Oy Ab, Managing Director since 15.10.2014
Executive Vice President of Business Area Japrotek Vessels since 17.4.2014
Vaahto Group Plc Oyj, Vice President Sales and Marketing 2011–2014

Finished memberships in 2014:

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

Auditors

Ernst & Young Oy
chief auditor
Erkka Talvinko, CPA

Corporate Governance Statement

OF VAAHTO GROUP FOR THE FISCAL YEAR 2014

Applicable regulations

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

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

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

Administration of Vaahto Group

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

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

The Group's business operations consist of one segment, Vaahto Process Technology, which is divided into two business areas, Japrotek Vessels and Stelzer Mixing Technology. Also, contract machine workshop AP-Tela Oy is part of the Vaahto Group. The activities and results of these are the responsibility of the managing directors of the companies, with the support of management teams, Group's CEO and the Board of Directors.

Annual General Meeting

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

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

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

Board of Directors

Activities of the Board

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

Some of the key responsibilities of the Board are to

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

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

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

The Board meets regularly, once a month, and at other times, if necessary. During the 2014 fiscal period, the Board met 36 times. There was 99 % attendance by the Board members.

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

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

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

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

The Annual General Meeting of 15 April 2014 confirmed that the Board shall have four members. Sami Alatalo, Reijo Järvinen, Topi Karppanen and Mikko Vaahto were elected for the Board. The Board elected Reijo Järvinen as chairman and Sami Alatalo as vice-chairman.

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

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

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

The Annual General Meeting of 15 April 2014, decided to pay Board members the following attendance fees as annual compensation amounts: 36,000 euros to the chairman, 30,000 euros to the vice-chairman and 22,000 euros to each of the members.

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

Fees paid to Board members in the 2014 financial year for Board duties:

Reijo Järvinen, chairman	32.666,68 euros
Sami Alatalo, vice-chairman	26.333,32 euros
Topi Karppanen	13.666,68 euros
Mikko Vaahto	21.000,00 euros

Board committees
The Board has no committees.

Supervisory Board

The company has no Supervisory Board.

CEO

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

Ari Viinikkala served as CEO until 15 January 2014 and Vesa Alatalo served as CEO since 16 January 2014 until 31 August 2014. Topi Karppanen has served as CEO of Vaahto Group Plc Oyj since 1 September 2014.

Information about the CEO
Presented in the item Management and Auditors.

Business organization

The Group's business operations consist of one segment, Vaahto Process Technology, which is divided into two business areas, Japrotek Vessels and Stelzer Mixing Technology. Also, contract machine workshop AP-Tela Oy is part of the Vaahto Group. The activities and results of these are the responsibility of the managing directors of the companies, with the support of management teams, Group's CEO and the Board of Directors.

Information about the managing directors of the subsidiaries
Presented in the item Management and Auditors.

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

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

The Group currently has no stock option plan.

No special conditions for retirement or pension benefits have been specified for the members of the Group's management. According to the employment contract of acting CEO the notice period of the contract is one month for both sides, without any separate compensations.

Salaries and fees paid to the CEO for the 2014 fiscal year:

Topi Karppanen	66,780.00 euros
Vesa Alatalo	136,547.12 euros
Ari Viinikkala	28,485.92 euros

Body responsible for the duties of the audit committee

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

Internal monitoring, risk management and internal audit

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

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

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

Insider administration

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

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

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

Audit

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

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

The Annual General Meeting of 15 April 2014, selected public auditing firm Ernst & Young Oy as the company's auditor, with Erkka Talvinko, CPA, as chief auditor.

Auditors' fees from the Group in the 2014 fiscal period totaled 160,333.93 euros, of which audit fees accounted for 91,651.44 euros, with consulting and other fees accounting for the remaining 68,682.49 euros.

Information

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

Information about financial statements, interim reports, and interim management statements is published in exchange reports. The annual report and interim report are published on the company's Web site **www.vaahto.fi**. The company's other press releases are also available on the Web site.

Shares and shareholders

Share Capital

Vaahto Group Plc Oyj's registered and fully paid share capital of 31 December 2014 was €2,872,302, and the number of shares in the company was 5,977,360.

Vaahto Group Plc Oyj disclosed on 19 March 2014 a share issue in which 2,000,000 new shares were issued. In the share issue Hannu Laakkonen subscribed for 1,000,000 shares and Mikko Laakkonen subscribed for 1,000,000 shares. The issued new shares have been registered with the Trade Register on 31 March 2014. The company will apply for the listing of the shares at the latest within one year from the issuance of the shares. In connection with the application, the company will publish a listing prospectus in accordance with the Finnish Securities Market Act and the EU Prospectus Regulation.

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

Listing of Shares

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

Share trends and trade statistics

In total, 1,929,968 (48,5 %) of Vaahto Group Plc Oyj's shares were traded during the 2014 financial year. The share price was €0.28 at its lowest and €1.06 at its highest, the average share price was €0.51, and the financial year's closing price was €0.32. The total market value of the company's shares on 31 December 2014 stood at €1.3 million. The company has a liquidity agreement with Nordea Pankki Suomi Oyj.

The Board's authorizations

The Annual General Meeting of 15 April 2014 authorized the Board of Directors to decide on the issuing of new shares in one or more instalments. The maximum number of new shares that could be issued was 10,000,000. This authorization entitled the Board to decide on all terms of the share issue, including the right to deviate from the shareholders' subscription privilege.

The authorization is valid until 31 May 2015.

Distribution of dividends

The Board of Directors' proposal to the Annual General Meeting of 14 April 2015 is that no dividend be distributed and that the retained earnings be deposited in the profit account.

Shareholders and the management's ownership

At the end of financial year 2014, on 31 December 2014, Vaahto Group Plc Oyj had 559 registered shareholders. On that date, there were 58,935 shares under administrative registration. Members of the Board of Directors owned, in all, 546,248 shares, (9.1 % of the company's votes) as of 31 December 2014. These holdings also include shares in companies under the parent company's control and shares owned by minors under guardianship. Board members or managers of the Group or its subsidiaries have no holdings or special rights based on the company's share-based incentive systems.

Information for shareholders

The Annual General Meeting

The Vaahto Group Plc Oyj Annual General Meeting will be held on Tuesday, April 14, 2015, starting at 13.00 at Sibelius Hall, Ankkurikatu 7, in the city of Lahti.

Every shareholder who on Tuesday March 31, 2015, is registered as a shareholder in the list of shareholders kept by Euroclear Finland Ltd. has the right to participate in the Annual General Meeting.

All shareholders who wish to participate in the Annual General Meeting must register no later than on Thursday April 9, 2015, before 4:00pm. Registration can be done in person or via an authorized person by letter to Vaahto Group Plc Oy, Laiturikatu 2, P.O. Box 5, FI-15141 Lahti, Finland, or by telephone call to Leena Junninen at +358 400 613896. Registration letter must arrive before the registration deadline. The documents pertaining to the company's financial statement will be on view at the company's headquarters from March 20, 2015.

Dividend

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

Financial information

Vaahto Group Plc Oyj will publish during the next fiscal year that will begin 1.1.2015 one interim report per 30.6.2015 covering six months of operations. The Interim Report will be published on August 28, 2015.

Vaahto Group Plc Oyj will disclose the interim management statements during both the first and the last half-year of the fiscal period. The Interim Management Statement for Q1 will be published on May 13, 2015 and for Q3 on November 6, 2015.

Since fiscal year 2014, annual reports are no longer published as printed versions. Instead, those are available as electronic publications. The annual report, interim reports, exchange releases and other information about Vaahto Group Plc Oyj is available on the company's Web site, **www.vaahto.fi**.

Exchange reports and bulletins

The following list includes all Vaahto Group Plc Oyj's stock exchange releases and stock exchange announcements published in fiscal period 1.1.-31.12.2014. Some of the information included in the bulletins might be out of date. Stock exchange releases and stock exchange announcements published by Vaahto Group Plc Oyj are available on the company's web site at **www.vaahto.fi** under Releases and News.

2014-11-28	Publication of the financial statements and interim reports of Vaahto Group
2014-11-14	Vaahto Group Interim Management Statement 1 January - 14 November 2014
2014-10-29	Vaahto Group Plc Oyj's subsidiary Vapate Oy files for bankruptcy
2014-10-15	Vaahto Group has appointed Kalle Rasinmäki as Managing Director of Japrotek Oy Ab
2014-09-26	The sale of Vaahto Group's Service business has been completed
2014-09-19	Vaahto Group to deliver a crystallization plant to Kemira in Brazil
2014-09-16	Closing of the sale of Vaahto Group's Service business postponed
2014-09-10	Vaahto Group to deliver a leaching autoclave to a customer in Finland
2014-09-03	Vaahto Group has made an agreement to sell Service business
2014-08-22	Vaahto Group Interim Report from 1 January to 30 June 2014
2014-07-31	Vaahto Group lowers its 2014 forecast
2014-07-28	The CEO of Vaahto Group Plc Oyj will change
2014-05-16	Vaahto Group Interim Management Statement 1 January - 16 May 2014
2014-05-09	Japrotek Vessels to deliver Digester, Impbin and Prefabricated tanks to Sweden
2014-04-17	Appointments in Vaahto Group
2014-04-15	Vaahto Group Plc Oyj Annual General Meeting April 15, 2014
2014-04-07	Disclosure of Change in Shareholdings Under Chapter 9, Section 10 of the Securities Markets Act
2014-04-03	Disclosure of Change in Shareholdings Under Chapter 9, Section 10 of the Securities Markets Act
2014-03-31	Vaahto Group's New Shares Registered with the Trade Register
2014-03-20	Invitation to the Annual General Meeting
2014-03-20	Vaahto Group Plc Oyj's Annual Report from Fiscal Period 1.1.-31.12.2013 has been Published
2014-03-19	Disclosure of Change in Shareholdings Undr Chapter 9, Section 10 of the Securities Markets Act
2014-03-19	Vaahto Group Issues 2,000,000 New Shares in a Directed Share Issue
2014-03-05	Vaahto Group Plc Oyj Auditor's Report 1 January - 31 December 2013
2014-02-28	Vaahto Group's Financial Statements for 1 January 31 December 2013
2014-02-03	Vaahto Group to Reinforce its Group Strategy by Focusing on its Process Technology Business and Writedowns in its Paper Technology Business
2014-01-16	Vesa Alatalo appointed as CEO of Vaahto Group Plc Oyj

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VAAHTO

SINCE 1874

Review by the Board

FOR THE 1 JANUARY – 31 DECEMBER 2014 FINANCIAL PERIOD

DEVELOPMENT OF BUSINESS OPERATIONS

Vaahto Group's turnover from continuing operations during the fiscal period ending in December 2014 was 20.3 M euros (comparative: 32.2 M euros) and operating loss 1.5 M (operating profit of 1.4 M euros).

Turnover and operative result decreased compared to previous year. Decrease is due to general market situation continuing challenging. Administrative costs of the group are allocated to smaller amount of business operations than earlier, which weakens the result. Results of the ongoing cost adjustment program are becoming visible already during fiscal year 2015.

Order book for the continuing operations at the end of the fiscal period was 9.3 M euros (5.8 M euros). Despite the challenging market situation, order book increased significantly compared to previous year. New significant orders that will be delivered during year 2015 especially in Japrotek Vessels business are increasing the order book.

After the end of the fiscal period, Vaahto Group announced on 16 February 2015 of the arrangement with its major creditors. The purpose of the arrangement is the strengthening of the company's financial standing and the securing of the continuance of the company's operations. By the agreement, the creditors have undertaken to forgive the company's debts in an amount of 3.9 M euros, to convert the debts to subordinated capital loans in an amount of 1.2 M euros and to grant the company a repayment holiday on such creditors' receivables until 30 June 2016. At the same time, Vaahto Group issued 10,000,000 new shares at a subscription price of 0.25 euros per share in a targeted share issue.

As part of the stabilization of the financial situation, Vaahto Group starts cost and operations adjusting program. Target of the program is to cut annual costs by over 0.8 M euros. Program will be executed during year 2015 and costs of the program will be 0.4 M euros, at the most. Targeted annual savings of 0.8 M will be fully visible during year 2016.

BUSINESS REPORTING

In February 2014, Vaahto Group announced to divest or discontinue operations of the unprofitable Paper Technology business in its entirety and to focus on the Process Technology business, in accordance to the group strategy. The sale of the Service business, which was classified as discontinued operations on financial statements 31.12.2013, was completed on 26 September 2014. Vaahto Paper Technology Ltd's 47 employees in Tampere transferred to the new employer in the sale of the business. By the selling of the Service-business, Vaahto Group implemented the new strategy outlined by the Board of Directors.

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

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

VAAHTO PROCESS TECHNOLOGY

Vaahto Process Technology business includes all of the company's continuing operations. Turnover from the business during the fiscal period ending in December 2014 was 20.3 M euros (comparative: 32.2 M euros) and operating loss 1.5 M (operating profit of 1.4 M euros).

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

Fiscal year 2014 for Japrotek Vessels was challenging due to general market situation. However, order book increased compared to fiscal year 2013 despite the customers postponing their investment decisions to year 2015. Japrotek Vessels acquired new orders of which the most significant are delivery of a leaching autoclave to a customer in Finland and a crystallization plant to Kemira in Brazil. Deliveries are demanding process industry structures in which Japrotek's expertise on titanium processing and insight into customer's processes are at their best. The installations will both be handed over during the summer 2015.

During the fiscal year 2014 Stelzer Mixing Technology business area faced challenges on two important market areas: China and food industry. Customers postponed their investments on new projects. However, the number of new orders received was on a same level than previous fiscal year. At the end of the fiscal year 2014 Stelzer got an order of a biggest single agitator in its history. Agitator will be designed and manufactured at Stelzer's factory at Warburg Germany and handed over to a customer in chemical industry in Asia during year 2015.

Vaahto Group focuses on Process Technology business. The deployment of the strategy has begun and continues also during year 2015. Japrotek Vessels focuses on demanding applications for process industry and vessel-agitator combinations. Stelzer Mixing Technology focuses on agitator solutions especially for chemical and food industries and seeks growth from new market areas.

FINANCING

The cash flow from the Group's business operations was 1.5 M euros (-2.4 M euros), and the cash flow from investments made during the financial year was 0.7 M euros (0.3 M euros). At the end of the fiscal period, the total amount of interest-bearing debt was 8.8 M euros (18.4 M euros). The Group's consolidated balance sheet total was 13.3 M euros (23.6 M euros).

Loans from credit-institutions entail repayment covenants linked to the Group's solvency ratio. The year-end accounts of 31 December 2014 are in breach of a covenant. After the end of the 2014 financial period the Group has made an agreement of the loans and covenants as part of the financial arrangement.

Vaahto Group was provided with a grace period for loans from financial institutions for fiscal year 2014. Conditions of the financing agreement for 2014 were met during the first quarter and the Group received a debt relief totaling 3 million euros; 2.7 million euros for the parent company and 0.3 million euros for Vaahto Paper Technology Ltd.

Vaahto Group Plc Oyj's subsidiary Vapate Oy (former Vaahto Paper Technology Ltd) filed for bankruptcy on 30 October 2014. The loans of Vapate Oy matured in the bankruptcy. The parent company has secured loans for the financiers of the company. These loans, amounting to 3.8 M euros, parent company has reserved in the financial statements for 2014.

After the end of the fiscal year 2014 on 16 February 2015 Vaahto Group Plc Oyj has made an agreement with its major creditors of an arrangement in which the creditors have undertaken to forgive the company's debts in an amount of 3.9 M euros, to convert the debts to subordinated capital loans in an amount of 1.2 M euros and to grant the company a repayment holiday on such creditors' receivables until 30 June 2016. At the same time, Vaahto Group issues 10,000,000 new shares at a subscription price of EUR 0.25 per share in a targeted share issue.

As part of the stabilization of the financial situation, Vaahto Group starts cost and operations adjusting program. Target of the program is to cut annual costs by over 0.8 M euros. Program will be executed during year 2015 and costs of the program will be 0.4 M euros, at the most. Targeted annual savings of 0.8 M euros will be fully visible during year 2016.

Arrangement is improving Group's financial and liquidity situation significantly and the situation has been stabilized until the end of the first half of the year 2016. However, the liquidity of the Group remains tight and sufficiency of the working capital is followed actively with cash flow forecasts.

INVESTMENTS

The Group's capital expenditure during the period under review came to 0.3 M euros (0.9 M euros). Investments went to minor machine and equipment investments.

ENVIRONMENTAL AFFAIRS

Earlier reported environmental affairs have related to the work required by the company's environmental permit for the processing of drainage water on the courtyard of the Hollola plant. Plant was sold during fiscal year 2014 and also the environmental obligations have transferred to the new owner.

RESEARCH AND DEVELOPMENT

The Group's research and development activities focused on the productization of Vaahto Process Technology business area's range of service solutions.

PERSONNEL

The average number of personnel employed by the continuing operations of the Group during the period under review was 216 (256). With the sale of the Service business, 47 people transferred to the new employer.

RISKS AND UNCERTAINTY FACTORS

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

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

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

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

With the financial arrangement agreed after the end of the fiscal year and the cost adjustment program, the group's finance is secured on a medium-term. Along with the arrangement, security limits and liquidity are at the level that doesn't limit the development of the business. However the working capital situation will be tight and its adequacy shall be actively monitored.

DIRECTED SHARE ISSUE

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

In the share issue, the 10 largest shareholders had a subscription right. The basis for the deviation from the pre-emptive subscription right was, according to the resolution to issue shares, the strengthening of the company's financial standing and the securing of the continuance of the company's operations. In the share issue, Hannu Laakkonen subscribed for 1,000,000 shares and Mikko Laakkonen subscribed for 1,000,000 shares. The subscription price per share for all the shares was 0.52 euro. The subscription price was determined on the basis of bids received by the company.

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

The company will apply for the listing of the shares at the latest within one year from the issuance of the shares. In connection with the application, the company will publish a listing prospectus in accordance with the Finnish Securities Market Act and the EU Prospectus Regulation.

After the end of the fiscal period on 15 February 2015, along with the arrangement agreed with creditors, the board of directors of Vaahto Group Plc resolved to issue up to 10,000,000 new shares in a targeted share issue at a subscription price of EUR 0.25 per share. Investors subscribed all the shares issued.

EQUITY

In the financial statements 2013, the equity of the parent company Vaahto Group Plc Oyj was negative by 4.3 million euros. The issue of the new shares in the first quarter of 2014 as well as the waiver of loans had a positive impact on the equity of the parent company. Along with the classification of AP-Tela Oy as discontinued operations on 30 June 2014, the parent company impaired the shares of AP-Tela, which lowered the equity of the parent company. In the financial statements 2014, provisions related to the loans of subsidiary Vapate Oy, which the parent company has secured and have matured in the bankruptcy of Vapate Oy, are lowering the equity of the company. On 31 December 2014, the equity of the company was 7.8 M euros negative.

The arrangement agreed with creditors after the end of the fiscal year 2014 has a positive impact on the equity of the company. Targeted share issue has a positive impact of 2.5 M euros and the debt relief of 3.9 M euros. Also, 1.2 M euros of debt will be converted to subordinated loan to stabilize the capital structure of the company. Above-mentioned arrangements will be fulfilled during the first quarter of the year 2015.

AUTHORIZATION TO DECIDE ON A SHARE ISSUE

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

The authorization was not used during fiscal year 2014. After the end of the fiscal period, along with the arrangement agreed with creditors, the board of directors of Vaahto Group Plc resolved to issue up to 10,000,000 new shares in a targeted share issue at a subscription price of EUR 0.25 per share. The subscription price was determined based on negotiations between the company and the investors.

In determining the subscription price the financial standing of the company and opportunities for alternative means of financing have been taken into account. Due to the company's critical liquidity situation and the demands of the company's creditors, it would not have been possible to continue the company's operations without an equity injection of at least than 2.5 M euros. Based on negotiations with investors, it has become clear that it would not have been possible for the company to attract new equity financing on terms more favourable to the company.

It has not been possible for the company to implement a rights issue while retaining its solvency. Thus the continuance of the company's operations has necessitated implementing the share issue as a targeted share issue. Pursuant to the share issue resolution, the grounds for deviating from the pre-emptive subscription rights of the shareholders were the strengthening of the company's financial standing and the securing of the continuance of the company's operations.

Shares have been paid to the company in cash on 18 February 2015. After having received the subscription payments, the company will file an application to have the shares registered with the Trade Register. The company will apply for the listing of the shares at the latest within one year from the issuance of the shares. In connection with the application, the company will publish a listing prospectus in accordance with the Finnish Securities Market Act and the EU Prospectus Regulation.

ADMINISTRATION

The Annual General Meeting held on 15 April 2014 nominated the following persons as members of the Vaahto Group Plc Oyj Board of Directors:

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

Vaahto Group's CEO until 15 January 2014 was Ari Viinikkala. Vesa Alatalo served as CEO from 16 January 2014 to 31 August 2014. Topi Karppanen has served as acting CEO starting on 1 September 2014. Karppanen has been a member of the Board of Vaahto Group Plc Oyj since 2010.

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

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

DEVELOPMENT PROSPECTS

Demand for Vaahto Group's products and its financial situation both are highly dependent on global economic developments and other trends affecting its customer industries. Market situation for Vaahto Process Technology remains challenging. However, the order book is at a good level. Number of offers has increased significantly and the amount of investment decisions is expected to grow again during the spring 2015. The reached stabilization arrangement improves the possibilities of the company in the competitive biddings.

During fiscal year 2014, the group deployed the strategy outlined by the board, according to which the company focuses on Process Technology business. Actions made for the deployment of the strategy and financing arrangement reached after the end of the fiscal year 2014, together with the cost adjustment program, are expected to improve the operative result of the company during fiscal year 2015.

Along with the financing arrangement reached after the end of the fiscal year 2014, together with the cost adjustment program, continuity of the operations of the company are estimated to be secured in a medium-term.

DEVELOPMENTS SINCE THE END OF THE FINANCIAL YEAR

Vaahto Group has on 16 February 2015 agreed with its major creditors on an arrangement the purpose of which is the strengthening of the company's financial standing and the securing of the continuance of the company's operations. At the same time, Vaahto Group issued 10,000,000 new shares at a subscription price of EUR 0.25 per share in a targeted share issue.

By the agreement, the creditors have undertaken to forgive the company's debts in an amount of 3.9 M euros, to convert the debts to subordinated capital loans in an amount of 1.2 M euros and to grant the company a repayment holiday on such creditors' receivables until 30 June 2016.

Vaahto Group starts cost and operations adjusting program to stabilize the financial situation. Target of the program is to cut annual costs by over 0.8 M euros. Program will be executed during year 2015 and costs of the program will be 0.4 M euros, at the most. Targeted annual savings of 0.8 M will be fully visible during year 2016.

As part of the stabilization of the financial situation, the Board of Directors of Vaahto Group has decided on 18.2.2015 to move operations of headquarters from Lahti to Japrotek Oy Ab's office in Pietarsaari by 30 August 2015. The cost of the move of the headquarters is included in the estimated costs of the program.

DISTRIBUTION OF PROFIT

The parent company made a business loss of 4,589,342.49 euros, and the company has no distributable funds.

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

Key figures

The business indicators 1 000 EUR	2014 12 months IFRS	2013 12 months IFRS	2011/2012 16 months IFRS	2010/2011 12 months IFRS	2009/2010 12 months IFRS
Turnover, continuing operations	20 262	32 165	30 369	30 316	35 160
Change in turnover, % *1)*	-37	6	-24,9	-14	-54
Operating profit/loss, continuing operations	-1 457	1 428	-4 120	-3 219	-2 857
% of turnover	-7,2	4,4	-13,6	-10,6	-8,1
Profit/Loss before taxes, continuing operations	426	1 448	-5 321	-3 944	-3 840
% of turnover	21,0	45,0	-17,5	-13,0	-10,9
Profit or loss for the period fron the discontinuing operations	-3 658	-4 952	-2 347	1 965	0
Earnings per share calculated on profit attributable to equity holders of the parent	-3 314	-4 099	-9 926	-2 225	-2 910
% of turnover	-11,9	-9,3	-32,7	-7,3	-8,3
Return on equity (ROE), % 2)	neg	neg	neg	neg	neg
Return on investment (ROI), % 2)	neg	neg	neg	neg	neg
Equity ratio, %	neg	neg	neg	17,8	21,8
Current ratio	0,3	0,8	0,6	0,9	0,8
Gearing	na	na	na	248	222
Gross investments in fixed assets	268	869	1 289	1 876	776
% of turnover	1,3	2,7	4,2	6,2	2,2
Order backlog, continuing operations	9 305	5 793	20 111	22 401	15 175
Consolidated balance sheet total	13 272	23 624	30 484	36 525	39 045
Total number of personnel (average)	216	256	333	348	371

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

Share related information	2014 12 months IFRS	2013 12 months IFRS	2011/2012 16 months IFRS	2010/2011 12 months IFRS	2009/2010 12 months IFRS
Earning per share (EPS), euros *2)*	-0,6	-1,0	-2,2	-0,8	-1,0
Shareholders' equity per share, euros	-1,4	-1,6	-0,5	1,5	2,4
Dividend per share, euros *3)*	0,0	0,0	0,0	0,0	0,0
Dividend payout, %	0,0	0,0	0,0	0,0	0,0
Effective dividend return, %	0,0	0,0	0,0	0,0	0,0
Price earnings ratio (P/E)	-0,6	-0,7	-0,8	-9,0	-7,1
Number of shares outstanding at the end of the period (1 000)	5 977	3 977	3 977	2 986	2 872
Number of shares outstanding, average (1 000)	5 484	3 977	3 463	2 953	2 872

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

3) Proposal by the Board

Share prices EUR	2014 12 months	2013 12 months	2011/2012 16 months	2010/2011 12 months	2009/2010 12 months
A share					
- high	1,06	2,20	5,92	10,00	7,03
- low	0,28	0,65	1,60	5,87	5,46
- average	0,51	1,41	3,65	7,26	6,30
- share price at the end of the fiscal year	0,32	0,77	1,78	6,79	6,70
K share *4)*					
- high				7,97	7,69
- low				7,08	6,56
- average				7,57	7,30
- share price at the end of the fiscal year					7,68
Total market value, million euros					
A share	1,3	3,1	7,1	20,3	9,7
K share					10,9
Total	1,3	3,1	7,1	20,3	20,6
Number of shares traded during the fiscal year					
A share	1 929 968	477 435	137 241	266 706	19 270
K share				4 758	8 324
Number of shares traded, %					
A share	48,5	12,0	3,5	9,7	1,3
K share				1,1	0,6
Number of shareholders	559	456	337	299	295

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

Consolidated Statement of Comprehensive Income, IFRS

1 000 EUR	1.1.-31.12.2014 12 months	1.1.-31.12.2013 12 months	Note
CONTINUING OPERATIONS			
NET TURNOVER	**20 262**	**32 165**	**4,5**
Change in finished goods and work in progress	523	1 524	
Other operating income	111	22	6
Material and services	9 621	16 617	
Employee benefit expenses	7 499	7 911	9
Depreciations	259	393	8
Other operating expenses	3 929	4 313	7
OPERATING PROFIT OR LOSS	**-1 457**	**1 428**	
Financing income	3 036	1 107	11
Financing expenses	1 152	1 087	12
PROFIT OR LOSS BEFORE TAXES	**426**	**1 448**	
Tax on income from operations	77	586	13
PROFIT OR LOSS FOR THE FISCAL YEAR FROM THE CONTINUING OPERATIONS	**349**	**862**	
DISCONTINUED OPERATIONS			
Profit of loss for the fiscal year from the discontinued operations	-3 658	-4 952	
PROFIT OR LOSS FOR THE FISCAL YEAR	**-3 309**	**-4 090**	
OTHER COMPREHENSIVE INCOME:			
Translation differences	-5	-10	
Other comprehensive income, net of tax	**-5**	**-10**	
TOTAL COMPREHENSIVE INCOME	**-3 314**	**-4 099**	
Earnings per share calculated on profit attributable to equity holders of the parent:			
EPS undiluted, euros/share, continuing operations	0,06	0,22	14
EPS diluted, euros/share, continuing operations	0,06	0,22	
EPS undiluted, euros/share, discontinued operations	-0,67	-1,24	
EPS diluted, euros/share, discontinued operations	-0,67	-1,24	
EPS undiluted, euros/share	-0,60	-1,03	
EPS diluted, euros/share	-0,60	-1,03	
Average number of shares			
-undiluted	5 484 209	3 977 360	
-diluted	5 484 209	3 977 360	

Consolidated Balance Sheet, IFRS

1 000 EUR	31.12.2014	31.12.2013	Note
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	22	51	16
Goodwill	1 583	1 692	17
Tangible assets	2 751	3 778	15
Shares in affiliated companies	0	74	18
Available for sale investments	25	35	20
NON-CURRENT ASSETS	**4 382**	**5 629**	
CURRENT ASSETS			
Inventories	1 762	2 464	22
Trade receivables and other receivables	4 599	6 954	23
Current receivables for revenue recognized in part prior to project completion	0	1 727	23
Cash and bank	544	129	24
CURRENT ASSETS	**6 904**	**11 274**	
NON-CURRENT ASSETS HELD FOR SALE	**1 986**	**6 721**	**3**
ASSETS	**13 272**	**23 624**	
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Share premium account	6	6	
Fair value reserve and other reserves	6 060	5 063	
Translation differences	51	48	
Retained earnings	-17 568	-14 251	
SHAREHOLDERS' EQUITY	**-8 579**	**-6 262**	**25**
NON-CURRENT LIABILITIES			
Deferred tax liability	582	649	21
Long-term liabilities, interest-bearing	42	11 696	27
Non-current provisions	432	362	26
NON-CURRENT LIABILITIES	**1 056**	**12 708**	
CURRENT LIABILITIES			
Short-term liabilities, interest-bearing	12 558	6 712	27
Trade payables and other liabilities	6 820	7 459	29
Tax liability, income tax	232	200	29
Current provisions	800	0	
CURRENT LIABILITIES	**20 410**	**14 370**	
LIABILITIES OF DISPOSAL GROUP HELD FOR SALE			
Interest-bearing liabilities held for sale	67	113	
Interest-free liabilities held for sale	319	2 695	
LIABILITIES OF DISPOSAL GROUP HELD FOR SALE	**386**	**2 808**	**3**
EQUITY AND LIABILITIES	**13 272**	**23 624**	

Consolidated Flow of Funds Statement, IFRS

1 000 EUR	1.1.-31.12.2014	1.1.-31.12.2013	Note
FLOW OF FUNDS FROM OPERATIONS:			
Profit or loss before taxes	-3 309	-4 090	
Adjustments:			
Depreciations	540	1 273	8
Impairment losses	3 650	0	8
Unrealized foreign exchange gains and losses	-76	-114	
Other income and expenses, no payment related	-265	-271	
Debt relief	-3 000	-1 000	
Financing income and expenses	1 117	980	11, 12
Taxes	4	515	
Flow of funds from operations before the change in working capital	**-1 339**	**-2 707**	
Change in working capital:			
Change in short-term receivables	4 813	-754	
Change in inventories	1 141	3 796	
Change in short-term non-interest-bearing creditors	-2 050	-1 624	
Flow of funds from operations before financial items and taxes	**2 565**	**-1 289**	
Interests and other financial expenses from operations paid	-1 046	-988	12
Dividends received	2	2	11
Interests and other financial income received	3	10	11
Income taxes paid	-48	-94	13
FLOW OF FUNDS FROM OPERATIONS	**1 475**	**-2 359**	
FLOW OF FUNDS FROM INVESTMENTS:			
Investments in tangible and intangible assets	-268	-869	15, 16
Income from sales of tangible and intangible assets	922	1 188	
FLOW OF FUNDS FROM INVESTMENTS	**654**	**320**	
FLOW OF FUNDS FROM FINANCIAL ITEMS:			
Share issue	1 040	0	
Withdrawals of short-term loans	906	244	27
Repayments of short-term loans	-3 661	-597	27
Withdrawals of long-term loans	0	3 430	27
Repayments of long-term loans	0	-1 308	27
FLOW OF FUNDS FROM FINANCIAL ITEMS	**-1 715**	**1 769**	
Change of liquid funds	**414**	**-271**	
Liquid assets at the beginning of the fiscal year	129	400	
Liquid assets at the end of the fiscal year	544	129	
Change in liquid assets according to the balance sheet	**414**	**-271**	

Consolidated Statement of Changes in Shareholders' Equity, IFRS

1 000 EUR

Change in shareholders' equity 1.1.-31.12.2014	**Share capital**	**Share premium account**	**Unrestricted equity reserve**	**Reserve fund**	**Translation differences**	**Retained earnings**	**Total**
Shareholders' equity at the beginning of the fiscal period	**2 872**	**6**	**3 068**	**1 995**	**48**	**-14 251**	**-6 262**
Comprehensive income:							
Profit or loss for the period						-3 309	**-3 309**
Translation differences					3	-8	**-5**
Total comprehensive income					**3**	**-3 317**	**-3 314**
Transactions with owners:							
Share issue			1 040				**1 040**
Transaction costs for equity			-32				**-32**
Deferred taxes due to period changes			6				**6**
Effect of change in tax rate			-17				**-17**
Transactions with owners total			**997**				**997**
Shareholders' equity at the end of the fiscal period	**2 872**	**6**	**4 065**	**1 995**	**51**	**-17 568**	**-8 579**

Change in shareholders' equity 1.1.-31.12.2013	**Share capital**	**Share premium account**	**Unrestricted equity reserve**	**Reserve fund**	**Translation differences**	**Retained earnings**	**Total**
Shareholders' equity at the beginning of the fiscal period	**2 872**	**6**	**3 068**	**1 995**	**56**	**-10 160**	**-2 163**
Comprehensive income:							
Profit or loss for the period						-4 090	**-4 090**
Translation differences					-8	-1	**-10**
Total comprehensive income					**-8**	**-4 091**	**-4 099**
Shareholders' equity at the end of the fiscal period	**2 872**	**6**	**3 068**	**1 995**	**48**	**-14 251**	**-6 262**

Notes to the Consolidated Financial Statements

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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 1989.

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

At its meeting of February 27, 2015, the Vaahto Group Plc Oyj Board approved this financial statement for publication. According to the Finnish Companies Act, shareholders have the choice of accepting or rejecting the financial statement at the Annual General Meeting held after its publication. The Annual General Meeting also has the opportunity to decide to amend the financial statement.

2. ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

Vaahto Group's consolidated financial statements have been drafted in compliance with the International Financial Reporting Standards (IFRS) system, the IAS and IFRS standards, and the SIC and IFRIC 'Interpretation' materials that were in effect on 31 December 2014. International financial reporting standards refer to standards and interpretations of the Finnish Accounting Act and its provisions approved for use within the European Union in accordance with EU regulation (EC) 1606/2002. The notes to consolidated accounts also comply with the requirements of Finnish accounting and community legislation that complement the IFRS regulations.

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

GOING CONCERN

The year-end accounts have been drafted under the going-concern assumption. Agreement made with the major creditors after the end of the fiscal year 2014 and the planned cost savings program secures the continuity of the operations of the company in a medium-term.

APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The following new and revised standards and interpretations have been applied in the Group during the 2014 financial year:

IFRIC 21, Levies
The guidance is effective for annual periods beginning on or after 1 June 2014. It provides guidance on when to recognize a liability for a levy imposed by a government. This guidance had no significant bearing on the consolidated statements.

IAS 28, Investments in Associates (amended standard)
The amendment is effective for annual periods beginning on or after 1 January 2014. The revised standard includes requirements pertaining to accounting of associates and joint ventures using the equity method as a result of the publication of IFRS 11. The amendment had no significant bearing on the consolidated statements.

IAS 32, Financial Instruments: Presentation (amended standard)
The amendment is effective for annual periods beginning on or after 1 January 2014. The revised standard provides more detailed rules for presentation of financial assets and liabilities on a net basis and includes new application guidelines. The amendment had no significant bearing on the consolidated statements.

IAS 36, Impairment of Assets, amendment related to Recoverable Amount Disclosures for Non-Financial Assets
The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment provides more detailed requirements for notes pertaining to cash-generating units for which an impairment loss has been recognized. The amendment had no significant bearing on the consolidated statements.

IAS 39, Financial Instruments: Recognition and Measurement, amendment entitled Novation of Derivatives and Continuation of Hedge Accounting
The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment pertains to the application of hedging in situations where a derivative is novated from one counterparty to a central counterparty. The amendment allows hedge accounting to continue in such situations, when certain conditions are met. The amendment had no significant bearing on the consolidated statements.

IFRS 10, Consolidated Financial Statements
The new standard will be in effect from 1 January 2014 or from the beginning of the next financial period starting after the effective date. In accordance with existing principles, the standard identifies control as the basis for consolidation for all types of entities. The standard also provides guidance for the definition of a controlling undertaking where this is difficult to assess. This standard had no significant bearing on the consolidated statements.

IFRS 11, Joint Arrangements
The new standard will be effective from 1 January 2014 or from the beginning of the next financial period starting after the effective date. For the financial reporting of joint arrangements, the standard emphasizes the rights and obligations arising from such arrangements rather than their legal form. Two types of joint arrangements are identified: joint operations and joint ventures. The standard also requires that a single method, the equity method, be used in the financial reporting of joint ventures. This standard had no significant bearing on the consolidated statements.

IFRS 12, Disclosure of Interests in Other Entities
The new standard will be effective from 1 January 2014 or from the beginning of the next financial period starting after the effective date. The standard contains requirements for the notes to the financial statements pertaining to interests in other entities, including joint ventures. This standard had no significant bearing on the consolidated statements.

CONSOLIDATION PRINCIPLES

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

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

The Group has been a shareholder in an associated company in Russia, named ZAO Slalom. The share was sold during fiscal period 2014. Therefore, Vaahto Group doesn't have shares in associated companies anymore.

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

During fiscal year 2014 Vaahto Group discontinued Paper Technology business in its entirety. The group concentrates on Process Technology business according to the new strategy. Service business, belonging to Paper Technology Ltd, was sold on September 2014. Vaahto Paper Technology Ltd's all 47 employees transferred to the new employer. During the fiscal year, also AP-Tela Oy was classified as discontinued operations. Therefore, the whole Paper Technology segment is now sold or classified as discontinued operations.

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

ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

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

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

RECOGNITION PRINCIPLES

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

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

When the outcome of a long-term project cannot be estimated reliably, project costs are recognized as expenses in the fiscal year in which they arise, and project income is 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 26 of the notes, Provisions.

OPERATING PROFIT

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

BORROWING COSTS

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

INCOME TAX

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

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

TANGIBLE ASSETS

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

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

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

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

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

INTANGIBLE ASSETS:

Goodwill

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

Expenditure on research and development

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

Other intangible assets

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

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

IMPAIRMENTS

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

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

Notes to the Consolidated Financial Statements

INVENTORIES

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

TRADE AND OTHER RECEIVABLES

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

FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

PROVISIONS

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

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

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

RENTAL AGREEMENTS

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

DISCONTINUED OPERATIONS

In February 2014, Vaahto Group announced to divest or discontinue operations of the unprofitable Paper Technology business in its entirety and to focus on the Process Technology business, in accordance to the group strategy. On 3 September 2014, Vaahto Group announced to sell the Service-business belonging to Vaahto Paper Technology Ltd's discontinued operations. The sale of the business was completed on 26 September 2014. Vaahto Paper Technology Ltd's 47 employees in Tampere transferred to the new employer in the sale of the business. By the selling of the Service-business, Vaahto Group implemented the new strategy outlined by the Board of Directors.

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

The effect of discontinued operations on profit/loss is shown on its own line, separately from continuing operations. Administrative costs of the group are allocated to smaller amount of business operations than earlier, as those are allocated only to continuing operations.

1 000 EUR	1.1.-31.12.2014	1.1.-31.12.2013
Profit or loss of the discontinued operations		
Turnover	7 628	12 115
Other income	363	463
Expenses	-7 860	-15 222
Amortizations, Sales gains and losses	-3 581	-1 500
Depreciations	-281	-880
Profit or loss before taxes	**-3 731**	**-5 023**
Taxes	74	71
Profit or loss from the discontinued operations	**-3 658**	**-4 952**
Flow of funds from the discontinued operations		
Flow of funds from operations	-209	-2 089
Flow of funds from investments	766	1 074
Flow of funds from financial items	-47	-137
Flow of funds total	**511**	**-1 153**

Non-current assets held for sale of discontinued operations	**31.12.2014**	**31.12.2013**
Intangible assets	8	536
Tangible assets	1 527	3 191
Inventories	428	759
Receivables	24	2 235
Assets total	**1 986**	**6 721**

Liabilities of disposal group held for sale of discontinued operations	**31.12.2014**	**31.12.2013**
Current liabilities held for sale, interest-bearing	67	113
Current liabilities held for sale, interest-free	319	2 695
Liabilities total	**386**	**2 808**

Notes to the Consolidated Financial Statements

1000 EUR

4. SEGMENT REPORTING

INFORMATION ABOUT GEOGRAPHICAL AREAS

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

Fiscal year 2014	**Finland**	**Other Europe**	**North-America**	**Asia**	**Africa**	**Other**	**Group total**
Net turnover	3 385	12 692	296	1 236	1 858	795	20 262
Assets	2 724	1 632	0	0	0	0	4 356
Investments	230	37	0	0	0	0	268

Fiscal year 2013	**Finland**	**Other Europe**	**North-America**	**Asia**	**Africa**	**Other**	**Group total**
Net turnover	4 930	12 882	152	3 818	9 760	623	32 165
Assets	3 801	1 794	0	0	0	0	5 595
Investments	804	65	0	0	0	0	869

INFORMATION ABOUT KEY CUSTOMERS

The Group's turnover includes proceeds from an individual customer a sum that exceeds 10 % of the Group's turnover. These proceeds come to 2,9 M€. Proceeds are included in the turnover of Process Technology -segment.

5. LONG TERM PROJECTS

	1.1.-31.12.2014	**1.1.-31.12.2013**
Net turnover		
Net turnover of construction contracts recognized under the percentage of completion method	8 443	18 581
Other turnover	11 819	13 584
Total	**20 262**	**32 165**
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	4 917	18 932

	31.12.2014	**31.12.2013**
Order backlog		
Construction contracts recognized under the percentage of completion method	7 456	2 816
Projects entered on completion of the project	1 849	2 977
Order backlog total	**9 305**	**5 793**

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	4 902	18 065
Advances received from the customers	-5 233	-16 338
Difference	**-331**	**1 727**
Accrued income from the construction contracts in the Balance Sheet (Balance Sheet item Current receivables for revenue recognized in part prior to project completion, note 23. Current assets)		1 727
Advance payments received from the construction contracts in the Balance Sheet (Balance Sheet item Advance payments, received, note 29. Trade payables and other liabilities)	331	
Receivables from the construction contracts in the Balance Sheet (net)	**-331**	**1 727**

Notes to the Consolidated Financial Statements

1000 EUR	1.1.-31.12.2014	1.1.-31.12.2013

6. OTHER OPERATING INCOME

Other operating income		
Other rent income	1	1
Other income	110	21
Total	**111**	**22**

7. OTHER OPERATING EXPENSES

Other operating expenses		
Rents	516	595
Overhead costs of production	236	497
Travelling expenses	201	370
IT-costs	473	622
Expenses from real estates and apartments	214	261
Sales Costs	125	283
Non-statuory employee benefits	45	62
Costs of bank guarantees	95	52
Marketing expenses	51	31
Other expenses	1 973	1 541
Total	**3 929**	**4 313**

Other operating expenses include fees paid to the auditors		
Auditing fees	92	75
Consulting and other fees	69	34
Total	**160**	**110**

8. DEPRECIATION AND IMPAIRMENTS

Depriciations by groups of assets

Intangible assets		
Intangible rights	22	27
Other long-term assets	18	154
Total	**40**	**182**

Tangible assets		
Buildings	39	39
Machinery and equipment	124	115
Machinery and equipment, financial lease	23	23
Other tangible assets	34	36
Total	**219**	**212**

Depreciations and impairments total	**259**	**393**

Notes to the Consolidated Financial Statements

1000 EUR	1.1.-31.12.2014	1.1.-31.12.2013

9. COSTS OF EMPLOYEE BENEFITS

COSTS OF EMPLOYEE BENEFITS

Continuing operations		
Salaries and fees	6 253	6 580
Pension expenses, defined contribution plan	583	638
Other employee benefits	663	693
Total	**7 499**	**7 911**
Discontinuing operations		
Salaries and fees	2 826	4 327
Pension expenses, defined contribution plan	447	704
Other employee benefits	-18	213
Total	**3 255**	**5 245**
Management and Board salaries, fees and benefits		
Managing Directors	293	615
Board members and substitute members	94	88
Total	**387**	**703**

AVERAGE NUMBER OF PERSONNEL OF THE GROUP

Continuing operations		
Office staff	72	82
Workers	68	99
Total	**140**	**181**
Discontinuing operations		
Office staff	18	25
Workers	58	49
Total	**76**	**74**
Total		
Office staff	90	107
Workers	126	149
Total	**216**	**256**

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

10. EXPEDINTURE ON RESEARCH AND DEVELOPMENT

Research and development expenditure		
Research and development expenditure on income statement	131	555
Total	**131**	**555**

Research and development expedintures include also expedintures from discontined operations.

11. FINANCING INCOME

Financing income		
Dividends	1	1
Exchange rate gains	-4	-2
Unrealized gains on fair value measurement	38	70
Other financing income	3 000	1 038
Total	**3 036**	**1 107**

Other financing income during the fiscal year 2014 is the waiver of the loan from credit institutions. Fiscal year 2013 other financing income includes 1 M euros of the waiver of the loan from credit institutions.

Notes to the Consolidated Financial Statements

1000 EUR	1.1.-31.12.2014	1.1.-31.12.2013

12. FINANCING EXPENSES

Financing expenses		
Interest expenses	1 153	1 089
Foreign exchange losses	0	-2
Unrealizer losses on fair value measurement	-1	0
Total	**1 152**	**1 087**

13. INCOME TAX

Income taxes in income statement		
Tax on income from operations from the fiscal period	-82	-294
Change in deferred tax liabilities and tax assets	4	-292
Total	**-77**	**-586**

Reconciliation between tax provision on income statement and mathematical tax based on parent company's tax rate		
Profit or loss before taxes	426	1 448
Parent company's tax rate at the end of the fiscal period	20 %	24,5 %
Mathematical tax based on parent company's tax rate	85	355

Differences between tax provision on income statement and mathematical tax based on parent company's tax rate due to:		
Change of the tax rate	15	0
Effect of different tax rates in foreign subsidiaries	6	59
Non-deductible income	-600	-245
Non-deductible expenses	253	-5
Impairment concerning deferred tax assets on confirmed losses recognized in previous periods	0	227
Unrecognized taxes on losses from the fiscal period	229	377
Other timing differences	90	-181
Tax provision on income statement	**77**	**586**
Effective tax rate	18 %	40 %

14. EARNING PER SHARE

Net profit or loss attributable to the shareholders' of the parent, continuing operations, 1000 eur	349	862
Net profit or loss attributable to the shareholders' of the parent, discontinuing operations, 1000 eur	-3 658	-4 952
Average number of shares during the fiscal period	5 484 209	3 463 206

Earnings per share calculated on profit attributable to equity holders of the parent:		
Earnings per share undiluted, euros/share, continuing operations	0,06	0,22
Earnings per share undiluted, euros/share, discontinuing operations	-0,67	-1,24
Earnings per share undiluted, euros/share, net profit/loss	-0,60	-1,03

Notes to the Consolidated Financial Statements

1000 EUR

15. TANGIBLE ASSETS

1.1.-31.12.2014	**Land**	**Buildings**	**Machinery and equipment**	**Machinery and equipment, financial lease**	**Other tangible assets**	**Advance payments and unfinished investments**	**Total**
Acquisition cost at the beginning of the period	446	2 967	3 791	340	1 791	62	**9 398**
Increase	46	0	181	0	29	0	**256**
Decrease	-151	0	-4 570	0	-566	0	**-5 287**
Reclassification to non-current held for sale assets	0	0	-4 394	-771	-42	0	**-5 207**
Acquisition cost at the end of the period	341	2 967	-4 992	-431	1 212	62	**-840**
Accumulated depreciations and impairment losses at the beginning of the period	0	-1 319	-3 233	-10	-995	-62	**-5 620**
Depreciations of transfers' and decrease items	0	0	7 618	407	38	0	**8 063**
Depreciations	0	-110	-124	-23	-114	0	**-371**
Reclassification to non-current held for sale assets, cumulative amortisation	0	0	1 245	270	4	0	**1 519**
Accumulated depreciations and impairment losses at the end of the period	0	-1 429	5 505	644	-1 066	-62	**3 591**
Book value at the beginning of the period	**446**	**1 648**	**557**	**330**	**796**	**0**	**3 778**
Book value at the end of the period	**341**	**1 538**	**513**	**213**	**146**	**0**	**2 751**

1.1.-31.12.2013	**Land**	**Buildings**	**Machinery and equipment**	**Machinery and equipment, financial lease**	**Other tangible assets**	**Advance payments and unfinished investments**	**Total**
Acquisition cost at the beginning of the period	439	2 957	13 756	2 609	1 202	375	**21 338**
Increase	7	10	112	0	704	18	**852**
Decrease	0	0	-2	0	-73	0	**-75**
Transfers between items	0	0	331	0	0	-331	**0**
Reclassification to non-current held for sale assets	0	0	-10 406	-2 269	-42	0	**-12 717**
Acquisition cost at the end of the period	446	2 967	3 791	340	1 791	62	**9 398**
Accumulated depreciations and impairment losses at the beginning of the period	0	-1 210	-10 059	-1 443	-1 030	0	**-13 742**
Depreciations of transfers' and decrease items	0	3	3 042	477	94	0	**3 617**
Depreciations	0	-113	-503	-133	-59	0	**-807**
Reclassification to non-current held for sale assets, cumulative amortisation	0	0	4 287	1 089	-1	-62	**5 313**
Accumulated depreciations and impairment losses at the end of the period	0	-1 319	-3 233	-10	-995	-62	**-5 620**
Book value at the beginning of the period	**439**	**1 747**	**3 697**	**1 166**	**172**	**375**	**7 596**
Book value at the end of the period	**446**	**1 648**	**557**	**330**	**796**	**0**	**3 778**

1000 EUR

16. INTANGIBLE ASSETS

1.1.-31.12.2014	**Development costs**	**Intangible rights**	**Other long-term assets**	**Other long-term assets, financing lease**	**Intangible assets total**
Acquisition cost at the beginning of the period	715	819	326	3 020	**4 880**
Increase	0	11	0	0	**11**
Decrease	0	-25	-1	0	**-26**
Acquisition cost at the end of the period	715	806	324	3 020	**4 865**
Accumulated depreciations and impairment losses at the beginning of the period	-715	-794	-300	-3 020	**-4 829**
Depreciations of transfers' and decrease items	0	25	1	0	**26**
Depreciations	0	-22	-18	0	**-40**
Accumulated depreciations and impairment losses at the end of the period	-715	-792	-317	-3 020	**-4 843**
Book value at the beginning of the period	**0**	**25**	**26**	**0**	**51**
Book value at the end of the period	**0**	**14**	**8**	**0**	**22**

1.1.-31.12.2013	**Development costs**	**Intangible rights**	**Other long-term assets**	**Other long-term assets, financing lease**	**Intangible assets total**
Acquisition cost at the beginning of the period	715	813	335	3 020	**4 882**
Increase	0	15	2	0	**17**
Reclassification to non-current held for sale assets	0	-8	-11	0	**-19**
Acquisition cost at the end of the period	715	819	326	3 020	**4 880**
Accumulated depreciations and impairment losses at the beginning of the period	-715	-763	-286	-2 885	**-4 649**
Depreciations of transfers' and decrease items	0	20	9	0	**29**
Depreciations	0	-47	-24	-135	**-206**
Reclassification to non-current held for sale assets, cumulative amortisation	0	-4	0	0	**-4**
Accumulated depreciations and impairment losses at the end of the period	-715	-794	-300	-3 020	**-4 829**
Book value at the beginning of the period	**0**	**49**	**49**	**135**	**233**
Book value at the end of the period	**0**	**25**	**26**	**0**	**51**

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

Notes to the Consolidated Financial Statements

1000 EUR

17. GOODWILL VALUES

	1.1.-31.12.2014	1.1.-31.12.2013
Goodwill		
Acquisition cost at the beginning of the period	1 692	1 692
Acquisition cost at the end of the period	1 692	1 692
Impairment losses	109	0
Book value at the end of the period	**1 583**	**1 692**

Testing of goodwill:

Goodwill values are tested for depreciation annually. The testing is performed for those cash generating units, to which the goodwill values area allocated. The value of the recoverable amount is based on utility value calculations.

Main assumptions in testing of goodwill:

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

AP-Tela Oy was classified as discontinued operations during fiscal year 2014. Therefore, the goodwill allocated to AP-Tela Oy, approximately 0.1 M€, was booked to impairment losses.

All of the goodwill, 1.6 million euros, is allocated to Stelzer Rührtechnik International GmbH. The company's cash flow forecast is based on an estimate according to which the company's turnover in the fiscal period 2015 and after that is expected to grow moderately. No significant changes are expected in the company's cost levels in the period covered by the forecast.

Discount rate:

The pretax WACC spesified for Vaahto Group has been used as the discount rate. The discount rate for fiscal period 2014 was 12.11 % (11.21 % in 2013).

Sensitivity of the main assumptions used in testing of depreciation:

Where the forecast used for the Stelzer Rührtechnik International GmbH's depreciation testing is concerned, the cash flow may decrease by about 51 % or the discount rate may increase by about 2.39 %-units without the need to write anything off. The company's management is of the opinion that reasonable changes in the central assumptions will not result in the book value of assets exceeding the amount of money recoverable thereof.

18. OWNERSHIP IN AFFILIATED COMPANIES

1000 EUR	31.12.2014	31.12.2013
Shares in affiliated companies		
Shares in affiliated companies	0	0
Shares of profit of affiliated companies from the previous fiscal periods	74	83
Change in translation difference	-5	-8
Total	**0**	**74**

Shares in affiliated companies has consisted of the Group's share in Russian Joint Stock Company ZAO Slalom. Share was sold during fiscal year 2014.

19. LONG-TERM RECEIVABLES

	31.12.2014	31.12.2013
Non-current receivables		
Long-term loan receivables	0	0
Total	**0**	**0**

1000 EUR	31.12.2014	31.12.2013

20. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments	31.12.2014	31.12.2013
Other shares and holdings, available for sale, not listed	25	35
Total	**25**	**35**

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

Deferred tax assets	31.12.2014	Recognized in income statement	31.12.2013	Recognized in income statement
Internal margin of fixed assets	0	0	0	-19
Losses from the previous fiscal periods	0	0	0	-124
Other timing differences	0	0	0	-127
Total	**0**	**0**	**0**	**-271**

Deferred tax liabilities	31.12.2014	Recognized in income statement	31.12.2013	Recognized in income statement
Cancelling of depreciations of the goodwill	475	0	475	31
Fair values of derivative instruments	-4	19	-23	28
Other timing differences	111	-86	197	-106
Total	**582**	**-67**	**649**	**-48**

All the deferred tax assets have been written down during fiscal year 2013.

22. INVENTORIES

Inventories	31.12.2014	31.12.2013
Materials and supplies	695	832
Work in progress	732	1 234
Finished products	335	398
Total	**1 762**	**2 464**

23. SHORT-TERM RECEIVABLES

Trade and other receivables	31.12.2014	31.12.2013
Trade receivables *	3 293	2 441
Advance payment receivables	961	2 303
Advance payments for inventories	0	22
Other receivables	183	1 739
Prepayments and accrued income	161	448
Total	**4 599**	**6 954**

* Trade receivables do not include any significant risk concentrations.

Ageing analysis of trade receivables	Trade receivables	Advance payment receivables	Total
Not due	2 183	961	**3 144**
Past due less than 180 days	1 019	0	**1 019**
Past due more than 180 days	91	0	**91**
Total	**3 293**	**961**	**4 254**

The Group has booked total 200 euros bad debts during the fiscal period 2014 (789,4 thousand euros during the fiscal period 2013).

Prepayments and accrued income	31.12.2014	31.12.2013
Prepayments and accrued income consists of:		
Interest accruals	0	5
Other prepayments and accrued income on expenses	161	443
Total	**161**	**448**

Notes to the Consolidated Financial Statements

1000 EUR	31.12.2014	31.12.2013

24. CASH AND CASH EQUIVALENTS

Cash and bank		
Cash and bank	160	129
Cash transfer on the way	384	0
Total	**544**	**129**

Change of liquid funds in the flow of funds statement		
Liquid funds at the beginning of the period	129	400
Liquid funds at the end of the period	544	129
Change of liquid funds in the balance sheet	**414**	**-271**

25. SHAREHOLDERS' EQUITY

Share Capital

Vaahto Group Plc Oyj's paid-up share capital entered in the Trade Register on 31 December 2014, was 2,872,302 euros. Fiscal year 2014 Vaahto Group Plc Oyj disclosed a share issue in which 2,000,000 new shares were issued. The issued new shares was registered with the Trade Register on 31 March 2014. On 31 December 2014 the total number of shares in the company and the number of votes carried by the shares is 5,977,360. Each share carries one (1) vote and has equal rights in all respects.

Share premium account

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

Reserve fund

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

Translation differences

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

Dividends

During the fiscal year 2014 no dividends have been paid. After the balance sheet date, the Board proposed that no dividends be paid.

Capital Management

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

Group has executed strabilization arrangements by which the company has aimed to negotiate the conditions of equity and debt-based financing in a such way that the financing of the operations is secured in a medium-term. The arrangements are made to secure that the restructuring arrangements needed to ensure the continuity of the operations and the increase in profitability can be achieved.

In the financial statements 2013, the equity of the parent company Vaahto Group Plc Oyj was negative by 4.3 million euros. The issue of the new shares in the first quarter of 2014 as well as the waiver of loans had a positive impact on the equity of the parent company. Along with the classification of AP-Tela Oy as discontinued operations on 30 June 2014, the parent company impaired the shares of AP-Tela, which lowered the equity of the parent company. In the financial statements 2014, provisions related to the loans of subsidiary Vapate Oy, which the parent company has secured and have matured in the bankruptcy of Vapate Oy, are lowering the equity of the company. On 31 December 2014, the equity of the company was 7.8 M euros negative.

The arrangement agreed with creditors after the end of the fiscal year 2014 has a positive impact on the equity of the company. Targeted share issue has a positive impact of 2.5 M euros and the debt relief of 3.9 M euros. Also, 1.2 M euros of debt will be converted to subordinated loan to stabilize the capital structure of the company. Above-mentioned arrangements will be fulfilled during the first quarter of the year 2015.

The Group monitors the development of the capital structure using the equity ratio quarterly. This key figure is calculated by dividing the shareholders' equity of the Group with the total liabilities, excluded the amount of advance payments received. The equity ratio on 31 December 2014 was negative (31 December 2013 negative).

Notes to the Consolidated Financial Statements

1000 EUR	31.12.2014	31.12.2013
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Share capital		
Share capital at the beginning of the period	2 872	2 872
Share capital at the end of the period	**2 872**	**2 872**
RESERVES		
Share premium account		
Share premium account at the beginning of the period	6	6
Share premium account at the end of the period	**6**	**6**
Unristrected equity reserve		
Unristrected equity reserve at the beginning of the period	3 068	3 068
Share issue	1 040	0
Share issue expenses	-32	0
Deferred taxes due to period changes	-11	0
Unristrected equity reserve at the end of the period	**4 065**	**3 068**
Reserve fund		
Reserve fund at the beginning of the period	1 995	1 995
Reserve fund at the end of the period	**1 995**	**1 995**
Reserves total	**6 066**	**5 069**
Translation differences		
Translation difference, restricted equity at date of acquisition	51	48
Translation differences	**51**	**48**
RETAINED EARNINGS		
Retained earnings		
Retained earnings at the beginning of the period	-14 259	-10 161
Retained earnings	**-14 259**	**-10 161**
Profit or loss for the fiscal period		
Profit or loss for the fiscal period	-3 309	-4 090
Profit or loss for the fiscal period	**-3 309**	**-4 090**
Retained earnings	**-17 568**	**-14 251**
Shareholders of the parent company	**-8 579**	**-6 262**
MINORITY INTEREST		
Minority interest	**0**	**0**
Total shareholders' equity	**-8 579**	**-6 262**

Notes to the Consolidated Financial Statements

1000 EUR

26. PROVISIONS

Non-current provisions	Warranty provision	Pension provision	Total
Provisions at the beginning of the period	201	161	**362**
Increase of the provisions	200	0	**200**
Used provisions	-130	0	**-130**
Provisions at the end of the period	**271**	**161**	**432**

The warranty provision covers warranty-related costs for products that have a product warranty. Warranty periods are usually 24 months long, in which time the provisions will be used. Warranty provisions include also provisions from discontinued operations. The pension provision consists of pension liabilities of one retired person in German subsidiary.

Transferred projects

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

27. INTEREST-BEARING LIABILITIES

	31.12.2014	31.12.2013
Non-current liabilities, interest-bearing		
Loans from financial institutions	0	6 767
Pension loans	0	2 930
Other loans	0	2 000
Trade payables, non-current	42	0
Total	**42**	**11 696**
Current liabilities, interest-bearing		
Loans from financial institutions	10 370	5 172
Pension loans	129	95
Other loans	2 000	1 350
Finance leases	59	95
Total	**12 558**	**6 712**
Finance lease liabilities, minimum rentals		
Within a year	59	97
More than one year but no more than 5 years	0	0
Minimum rentals	59	97
Future financing cost related to leasing agreements	0	2
Future finance lease liabilities at present value	**59**	**95**
Future minimum lease payments at present value		
Within a year	59	95
More than one year but no more than 5 years	0	0
Future finance lease payments at present value	**59**	**95**

In the reporting period the loans from financial institutions are presented in interest-bearing non-current liabilities because of the crace period for the year 2014. In the reference period the loans from financial institutions are presented in interest-bearing current liabilities because of the breach of the covenants.Loans and covenants have been arranged as a part of the financial arrangement made after the end of the fiscal year. The creditors have undertaken to forgive the company's debts in an amount of 3.9 M euros, to convert the debts to subordinated capital loans in an amount of 1.2 M euros and to grant the company a repayment holiday on such creditors' receivables until 30 June 2016.

28. FINANCIAL RISK MANAGEMENT

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

CURRENCY RISK

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

Exposure to foreign exchange risk from transactions

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

Group total at the end of the fiscal period

31.12.2014	**SEK**	**ZAR**	**SGD**	**NOK**	**GBP**	**USD**
Foreign currency trade receivables	0,0	0,0	0,0	0,0	0,0	1,3
Foreign currency account payables	-19,7	-33,3	0,0	-143,6	0,0	-227,0
Foreign currency cash and bank	0,7	4,5	0,0	11,4	0,0	0,2
Net exposure in balance sheet	**-19,0**	**-28,8**	**0,0**	**-132,2**	**0,0**	**-225,4**

Group total at the end of the fiscal period

31.12.2013	**SEK**	**ZAR**	**SGD**	**NOK**	**GBP**	**USD**
Foreign currency trade receivables	0,0	0,0	0,0	0,0	0,0	13,7
Foreign currency account payables	-693,4	-1 128,6	-34,7	-13,1	-2,3	-0,9
Foreign currency cash and bank	8,8	1,4	0,0	103,4	0,0	2,8
Net exposure in balance sheet	**-684,6**	**-1 127,2**	**-34,7**	**90,4**	**-2,3**	**15,5**

Sensitivity analysis

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

Group total at the end of the fiscal period

31.12.2014	**SEK**	**ZAR**	**SGD**	**NOK**	**GBP**	**USD**
Profit or loss for the period before taxes	0,2	0,3	0,0	1,8	0,0	19,0
Profit or loss for the period, net of taxes	0,2	0,2	0,0	1,3	0,0	14,4

Group total at the end of the fiscal period

31.12.2013	**SEK**	**ZAR**	**SGD**	**NOK**	**GBP**	**USD**
Profit or loss for the period before taxes	7,0	7,0	1,8	-1,0	0,2	-1,1
Profit or loss for the period, net of taxes	5,3	5,3	1,4	-0,7	0,2	-0,8

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

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

During fiscal year 2014, loan that was hedged, has been relieved.

Notes to the Consolidated Financial Statements

INTEREST RATE RISK

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

Sensitivity analysis of interest rate

1 000 EUR	Interest expenses according to the payment plan	Increase of the interest expenses resulted from the change of the interest rate	
	31.12.2014	+1%	+2%
Loans from financial institutions	128,2	157,5	186,7
Pension loans	2,0	2,7	3,3
Other loans	60,8	70,8	80,8
Finance leases	1,1	1,4	1,7
Total	**192,1**	**232,3**	**272,5**

CREDIT RISK

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

REFINANCING AND LIQUIDITY RISK

Liquidity risk:

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

The Group's liquidity situation is tight and the adequacy of funding requires to realization of management's plans and improved profitability.

To assess the liquidity, the Group has prepared the monthly cash flow forecast, which extends until February 2016. The cash flow statement is based on the earnings forecast for fiscal period 2015 prepared in connection with the consolidated financial statements. At the balance sheet date, the working capital of the Group is sufficient for the needs of next 12 months, if the Group will achieve the forecasted profit targets. As the result levels used in the calculations do not reflect the actual performance of previous years, they include the uncertainty.

After the close of the financial year, the Board of Directors of Vaahto Group Plc Oyj announced that the it has agreed with its major creditors on an arrangement the purpose of which is the strengthening of the company's financial standing and the securing of the continuance of the company's operations.

Financial arrangements:

Loans from credit institutions involve repayment covenant conditions related to the equity ratio of the Group. The covenant conditions were violated on the balance sheet date, 31 December 2014, but the Group has after the end of the fiscal period 2014 received from the financier a commitment that the violations will not lead to any consequences.

The financing negotiations of Vaahto Group were concluded after the end of the fiscal year 2014. The final agreement provides the Group companies with a grace period for receivables of credit institutions for until 30 June 2016. At the same time, Vaahto Group issues 10,000,000 new shares in a targeted share issue at a subscription price of 0.25 euros per share. By the agreement, the creditors have undertaken to forgive the company's debts in an amount of 3.9 M euros, and to convert the debts to subordinated capital loans in an amount of 1.2 M euros.

However, the Group's liquidity remains low and the financing will suffice only if the management's plans succeed and profitability improves. Stabilization of the financial situation secures the operations of the group in a medium-term.As part of the stabilization of the financial situation, Vaahto Group starts cost and operations adjusting program. Target of the program is to cut annual costs by over 0.8 M euros. Targeted annual savings will be fully visible during year 2016.

Notes to the Consolidated Financial Statements

1 000 EUR

Cash flows of financial liabilities according to the payment plan

Interest-bearing liabilities

Maturing during the fiscal period	2015	2016	2017	2018	2019	Later	Total
Loans from financial institutions, capital	5 850	0	0	0	0	0	**5 850**
Loans from financial institutions, interests	128	0	0	0	0	0	**128**
Pension loans, capital	129	0	0	0	0	0	**129**
Pension loans, interests	2	0	0	0	0	0	**2**
Other loans, capital	2 000	0	0	0	0	0	**2 000**
Other loans, interests	61	0	0	0	0	0	**61**
Finance leases, capital	59	0	0	0	0	0	**59**
Finance leases, interests	1	0	0	0	0	0	**1**
Total	**8 230**	**0**	**0**	**0**	**0**	**0**	**8 230**

Figures are based on the situation on 31 December 2014. Loans have been arranged as a part of the financial arrangement made after the end of the fiscal year. The creditors have undertaken to forgive the company's debts in an amount of 3.9 M euros, to convert the debts to subordinated capital loans in an amount of 1.2 M euros and to grant the company a repayment holiday on such creditors' receivables until 30 June 2016.

Interest-free liabilities	Overdue	2015	2015	2016	2017	Later	Total
Maturing during the fiscal period		**During 1-6 months**	**During 7-12 months**				
Trade payables	1 395	1 394	7	14	27	0	**2 837**
Interest rate derivatives	0	0	18	0	0	0	**18**
Total	**1 395**	**1 394**	**25**	**14**	**27**	**0**	**2 855**

Liabilities of disposal group held for sale include total 0.2 million euros account payables of which 0.1 million euros was overdue at the balance sheet date.

Cash flows of financial receivables according to the payment plan

Long-term receivables

Maturing during the fiscal period	Earlier matured	2015	2016	2017	2018	2019	Later	Total
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Short-term receivables

Maturing during the fiscal period	Earlier matured	2015	2016	2017	2018	2019	Later	Total
Trade receivables	1 110	2 183	0	0	0	0	0	**3 293**
Advance payments receivables	0	961	0	0	0	0	0	**961**
Total	**1 110**	**3 144**	**0**	**0**	**0**	**0**	**0**	**4 254**

Maturing times and effective interest rates (weighted averages) of interest-bearing liabilities 31.12.2014

	Maturing times, years	Interest rate %
Loans from financial institutions	1	4,4
Loans from financial institutions including interest rate swap agreements	1	4,4
Pension loans	1	3,2
Other loans	1	6,1
Finance leases	1	2,5
Finance leases including interest rate swap agreements	1	2,5

Credit limits in use

In the end of the fiscal year 31.12.2014 the Group had credit limits in use total 4.5 million euros.The average interest rate of the credit limits was 4.2 %.

Unused credit limits

In the end of the fiscal year 31.12.2014 the Group had unused book limits total 0.3 million euros.

1000 EUR

29. SHORT-TERM LIABILITIES

	31.12.2014	31.12.2013
Trade payables and other liabilities		
Advance payments received	290	324
Advance payments, unpaid	961	2 422
Trade payables	2 796	2 393
Other short-term liabilities	884	566
Accruals and deferred income	1 890	1 755
Total	**6 820**	**7 459**

Accruals and deferred income consist of:		
Accrued employee expenses	822	649
Expenses from contracts	0	43
Interest liabilities	334	152
Other accruals and deferred income	735	911
Total	**1 890**	**1 755**

Tax liability		
Tax liability, income tax	232	200
Total	**232**	**200**

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

Fair values of derivative instruments, non-hedging derivatives 31.12.2014

Interest rate derivatives	Nominal value	Positive fair value	Negative fair value	Net fair value
Interest rate swap agreements	695	0	-18	-18
Total	**695**	**0**	**-18**	**-18**

Fair values of derivative instruments, non-hedging derivatives 31.12.2013

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

Fair values of other than derivative contracts

Financial assets	Book value 31.12.2014	Fair value 31.12.2014	Book value 31.12.2013	Fair value 31.12.2013
Trade receivables and other receivables	0	0	8 719	8 719
Cash and cash equivalents	0	0	129	129

Financial liabilities	Book value 31.12.2014	Fair value 31.12.2014	Book value 31.12.2013	Fair value 31.12.2013
Long-term loans from financial institutions	0	0	6 767	6 767
Long-term pension loans	0	0	2 930	2 930
Long-term loans from others	0	0	2 000	2 000
Short-term loans from financial institutions	6 606	2 756*	5 172	5 172
Short-term pension loans	129	129	95	95
Other short-term loans	2 000	2 000	1 350	1 350
Short-term finance lease	59	59	95	95
Trade payables and other liabilities	6 820	6 820	7 459	7 459

Loans from financial institutions have been recorded to 31.12.2014 situation.

*Loans have been arranged as a part of the financial arrangement made after the end of the fiscal year. The creditors have undertaken to forgive the company's debts in an amount of 3.9 M euros, to convert the debts to subordinated capital loans in an amount of 1.2 M euros and to grant the company a repayment holiday on such creditors' receivables until 30 June 2016.

Notes to the Consolidated Financial Statements

1000 EUR

31. SECURITIES AND RESPONSIBILITIES	31.12.2014	31.12.2013

GRANTED SECURITIES

Debt secured by real estate and corporate mortgages		
Loans from financial institutions and pension loans	2 215	11 092
Other loans	2 000	3 350
Credit limits in use	4 520	3 872
Total	**8 735**	**18 313**

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

Mortgages granted to secure loans and bank guarantees		
Real estate mortgages	2 543	2 543
Corporate mortgages	3 582	4 928
Total	**6 125**	**7 471**

Mortgages granted to secure the bank guarantee limit		
Corporate mortgages granted to secure the bank guarantee limit	0	8 235
Total	**0**	**8 235**

Other granted securities for own behalf		
Deposits	0	1 483
Total	**0**	**1 483**

Other granted securities

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

CONTINGENT LIABILITIES AND OTHER LIABILITIES

Bank guarantees		
Bank guarantee limits total	5 444	6 163
Bank guarantee limits, used	**3 791**	**4 598**

Operating lease agreements		
Within a year	214	266
More than one year but no more than 5 years	59	276
Total	**272**	**542**

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.

Rent liabilities		
Within a year	388	792
More than one year but no more than 5 years	1 471	3 166
Later	260	1 885
Total	**2 119**	**5 843**

1000 EUR	31.12.2014	31.12.2013
Other contingent liabilities		
Granted guarantees to customers and creditors		
Guarantees granted to secure bank guarantee limit	6 204	4 110
Guarantees granted to secure bank loans	1 542	3 580
Guarantees granted to secure guarantee insurances	0	2 175
Guarantees granted to secure rent guarantees	400	400
Others guarantees	0	427
Total	**8 146**	**10 692**

Environmental impact

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

Litigation

Parent company has a litigation concerning ended agreement of the CEO of the company. Resolution for the litigation has been given after ending of the fiscal year 2014. Compensation of the agreement is included in the figures of the fiscal year 2014. The Board of Directors of Vaahto Group Plc Oyj will make a complainment on the issue.

32. RELATED PARTY TRANSACTIONS

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

1000 EUR	1.1.-31.12.2014	1.1.-31.12.2013
TRANSACTIONS WITH RELATED PARTIES		
Rent income		
The renting income of the plot belonging to the corporation in the control of the members of the Board	14	13
Rent expenses		
The renting expenses of the factory property for the corporation in the control of the members of the Board	203	392
The renting expenses of the office rooms for the corporation in the control of the members of the Board	69	69
Other operating expenses		
Consulting and other professional fees to company, to which the Chairman of Board of the parent company is in the service of	119	48
Short-term loans		
Short-term loans from the shareholders of the parent company	0	1 350
Long-term loans		
Long-term loans from the shareholders of the parent company	2 000	2 000

Targeted share issue

Vaahto Group Plc Oyj issued 2 000 000 new shares in targeted share issue on March 2014. Hannu Laakkonen and Mikko Laakkonen, belonging to related party, both subscribed for 1 000 000 shares. The issued new shares were registered with the Trade Register on 31 March 2014.

Notes to the Consolidated Financial Statements

1000 EUR	1.1.-31.12.2014	1.1.-31.12.2013

EMPLOYEE BENEFITS FOR THE MANAGEMENT

Salaries and fees of the parent company management

CEO:		
Karppanen Topi, CEO since 1.9.2014	67	0
Alatalo Vesa, CEO during 16.1.-31.8.2014	137	0
Viinikkala Ari, CEO until 16.1.2014	28	178

Salaries and fees don't include the yet unpaid conpensation of the ended CEO contract of Ari Viinikkala. Compensation of the agreement is included in the figures of the fiscal year 2014. Compensation equals approximately to the salary of 12 months.

Board members:		
Alatalo Sami	26	19
Järvinen Reijo	33	26
Karppanen Topi	14	19
Vaahto Mikko	21	19
Häggblom Rainer		5

No special conditions for retirement, pension benefits, or discharge-related conditions have been spesified for the members of the Group's management. According to the employment contract of acting CEO, both the company and the CEO are entitled to terminate the contract without any particular reason. In such a case, the period of notice on either side is one month without any separate compensations.

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

PARENT COMPANY AND SUBSIDIARIES

Group companies

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

Subsidiaries of subconcern

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

Notes to the Consolidated Financial Statements

33. INDICATOR CALCULATION FORMULAS

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

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

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

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

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

FORMULAS FOR PER SHARE ITEMS

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

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

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

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

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

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

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

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

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

34. SHARES AND SHAREHOLDERS

According to the book-entry security system, Vaahto Group Plc Oyj had 559 registered shareholders on 31 December 2014. There were in total 59,458 nominee-registered shares.

MAJOR SHAREHOLDERS	**Shares**			**Votes**
According to the book-entry security system, on 31 December 2014	**no.**	**%**	**no.**	**%**
Laakkonen Mikko	1 662 310	27,8	1 662 310	27,8
Laakkonen Hannu	1 000 000	16,7	1 000 000	16,7
Vaahto Mikko	546 248	9,1	546 248	9,1
Vaahto Antti	530 649	8,9	530 649	8,9
Vaahto Ilkka	453 985	7,6	453 985	7,6
Hymy Lahtinen Oy	279 600	4,7	279 600	4,7
Mutual Employee Pension Company Varma	120 640	2,0	120 640	2,0
Nordea Pankki Suomi Oyj	103 043	1,7	103 043	1,7
HML Finance Oy	95 000	1,6	95 000	1,6
Mäkihonko Juha	59 398	1,0	59 398	1,0
Total for 10 largest	**4 850 873**	**81,5**	**4 850 873**	**81,5**

BREAKDOWN OF SHARE OWNERSHIP BY AMOUNT OF HOLDINGS		**Shareholders**		**Shares**		**Votes**
According to the book-entry security system, on 31 December 2014	**no.**	**%**	**no.**	**%**	**no.**	**%**
1 - 100	136	24,3	6 913	0,1	6 913	0,1
101 - 1 000	248	44,4	110 389	1,8	110 389	1,8
1 001 - 10 000	139	24,9	422 799	7,1	422 799	7,1
10 001 - 100 000	29	5,2	840 347	14,1	840 347	14,1
100 001 - 1 000 000	7	1,3	4 593 432	76,8	4 593 432	76,8
	559	100,0	5 973 880	99,9	5 973 880	99,9
Outside the book-entry securities system			3 480	0,1	3 480	0,1
			5 977 360	**100,0**	**5 977 360**	**100,0**

BREAKDOWN OF SHARE OWNERSHIP BY GATEGORY OF OWNER		**Shareholders**		**Shares**		**Votes**
According to the book-entry security system, on 31 December 2014	**no.**	**%**	**no.**	**%**	**no.**	**%**
Companies	34	6,1	506 180	8,5	506 180	8,5
Financial and insurance institutions	4	0,7	103 615	1,7	103 615	1,7
Public corporations	2	0,4	139 400	2,3	139 400	2,3
Households	512	91,6	5 211 377	87,2	5 211 377	87,2
Non-profit organizations	2	0,4	201	0,0	201	0,0
Foreign countries	5	0,89	13 107	0,0	13 107	0,0
	559	100	5 973 880	99,9	5 973 880	99,9
Outside the book-entry securities system			3 480	0,1	3 480	0,1
			5 977 360	**100,0**	**5 977 360**	**100,0**

SHARE HOLDINGS OF THE MANAGEMENT		**Shares**		**Votes**
According to the book-entry security system, on 31 December 2014	**no.**	**%**	**no.**	**%**
Board of directors and CEO				
Vaahto Mikko	546 248	9,1	546 248	9,1

Group management team

The members of the Group management team did not own shares on 31 December 2014.

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

Members of the Board owned a total of 546,248 shares (excluding the shares of companies under the relevant body or individual's control and of minor persons under guardianship), representing 9.1 % of the votes.

The members of the Board and the members of the management of the Group or its subsidiaries have no holdings or rights in the company's share-based incentive schemes.

35. EVENTS AFTER THE END OF THE FISCAL YEAR

Vaahto Group has on 16 February 2015 agreed with its major creditors on an arrangement the purpose of which is the strengthening of the company's financial standing and the securing of the continuance of the company's operations. At the same time, Vaahto Group issued 10,000,000 new shares at a subscription price of EUR 0.25 per share in a targeted share issue. Shares have been paid to the company by cash on 18 February 2015.

By the agreement, the creditors have undertaken to forgive the company's debts in an amount of 3.9 M euros, to convert the debts to subordinated capital loans in an amount of 1.2 M euros and to grant the company a repayment holiday on such creditors' receivables until 30 June 2016. Above mentioned arrangements will be fullfilled in the company during the first quarter of the year 2015.

Vaahto Group starts cost and operations adjusting program to stabilize the financial situation. Target of the program is to cut annual costs by over 0.8 M euros. Program will be executed during year 2015 and costs of the program will be 0.4 M euros, at the most. Targeted annual savings of 0.8 M will be fully visible during year 2016.

As part of the stabilization of the financial situation, the Board of Directors of Vaahto Group has on 18.2.2015 decided to move operations of headquarters from Lahti to Japrotek Oy Ab's office in Pietarsaari by 30 August 2015. The cost of the move of the headquarters is included in the estimated costs of the program.

Income Statement of the Parent Company, FAS

1000 €	1.1.-31.12.2014	1.1.-31.12.2013	Note
NET TURNOVER	**2 157**	**2 655**	**2**
Personnel expenses	-1 180	-1 109	4
Depreciations and impairment losses	-1 700	-193	5
Other operating expenses	-895	-1 281	6
OPERATING PROFIT OR LOSS	**-1 618**	**72**	**3**
Financing income and expenses	-477	2 087	7
Impairment losses	0	-11 110	8
PROFIT OR LOSS BEFORE EXTRAORDINARY ITEMS	**-2 095**	**-8 950**	
Extraordinary items	-2 495	830	9
PROFIT OR LOSS BEFORE INCOME TAXES AND APPROPRIATIONS	**-4 589**	**-8 120**	
PROFIT OR LOSS FOR THE FISCAL YEAR	**-4 589**	**-8 120**	

Balance Sheet of the Parent Company, FAS

1000 EUR	31.12.2014	31.12.2013	Note
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3	21	
Tangible assets	81	23	
Investments	3 690	5 357	
NON-CURRENT ASSETS	**3 774**	**5 401**	**11**
CURRENT ASSETS			
Long-term receivables	1 950	1 950	
Short-term receivables	1 072	914	
Cash and bank	386	4	
CURRENT ASSETS	**3 407**	**2 868**	**12**
ASSETS	**7 182**	**8 270**	
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	2 872	2 872	
Reserve fund	6 630	5 590	
Retained earnings	-12 730	-4 610	
Profit or loss for the fiscal year	-4 589	-8 120	
SHAREHOLDERS' EQUITY	**-7 817**	**-4 268**	**13**
PROVISIONS			
Warranty provision	3 763	0	
Other provisions	1 000	0	
PROVISIONS	**4 763**	**0**	**14**
LIABILITIES			
Long-term interest-bearing liabilities	42	5 952	15
Short-term interest-bearing liabilities	9 516	6 172	16
Short-term non-interest-bearing liabilities	678	414	16
LIABILITIES	**10 235**	**12 538**	
EQUITY AND LIABILITIES	**7 182**	**8 270**	

Flow of Funds Statement of the Parent Company, FAS

1000 EUR	1.1.-31.12.2014	1.1.-31.12.2013
FLOW OF FUNDS FROM OPERATIONS		
Profit or loss of the fiscal year	-4 589	-8 120
Adjustment items:		
Depreciations according to plan	33	23
Other income and expenses, no payment related	2 495	10 280
Impairment losses from the shares in Group companies	1 667	170
Financial income and expenses	477	-2 087
Other Adjustments	-72	0
Flow of funds before the change in working capital	**10**	**265**
Change in working capital:		
Change in short-term receivables	23	-15
Change in short-term non-interest bearing creditors	264	-34
Flow of funds before financial items and taxes	**298**	**216**
Interest and other financial expenses from operations paid	-497	-531
Interests received	19	2 618
FLOW OF FUNDS FROM OPERATIONS	**-179**	**2 304**
FLOW OF FUNDS FROM INVESTMENTS:		
Investments in tangible and intangible assets	-73	-2
Granted loans	0	-4 760
FLOW OF FUNDS FROM INVESTMENTS	**-73**	**-4 762**
FLOW OF FUNDS FROM FINANCIAL ITEMS		
Share issue	1 040	0
Withdrawals of short-term loans	864	500
Repayments of short-term loans	0	-703
Withdrawals of long-term loans	42	2 000
Change in Group account receivable or debt	-1 312	636
FLOW OF FUNDS FROM FINANCIAL ITEMS	**634**	**2 433**
Change of liquid funds	**382**	**-26**
Liquid assets at the beginning of the fiscal year	4	30
Liquid assets at the end of the fiscal year	386	4
Change in liquid assets according to the balance sheet	382	-26

Notes to the Parent Company's Financial Statements

1. ACCOUNTING PRINCIPLES FOR FINANCIAL STATEMENTS

The financial statements of Vaahto Group Plc Oyj for the fiscal period 2014 were drawn up in accordance with Finnish accounting legislation.

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

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

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

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

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

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

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

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

NOTES TO INCOME STATEMENT

1000 EUR	1.1.-31.12.2014	1.1.-31.12.2013
2. TURNOVER BY BUSINESSES AND MARKET AREAS		
By businesses		
Administration	2 157	2 655
Total	**2 157**	**2 655**
By market areas		
Finland	2 157	2 655
Total	**2 157**	**2 655**
3. OPERATING PROFIT OR LOSS BY BUSINESSES		
Administration	-1 618	72
Total	**-1 618**	**72**
4. PERSONNEL		
Average number of personnel		
Office staff	12	13
Total	**12**	**13**
Personnel expenses		
Wages and salaries	980	923
Pension costs	163	156
Other personnel expenses	37	30
Total	**1 180**	**1 109**
Management's salaries and benefits		
Managing directors	232	178
Board members	94	88
Total	**325**	**266**

Notes to the Parent Company's Financial Statements

1000 EUR	1.1.-31.12.2014	1.1.-31.12.2013

5. DEPRECIATIONS AND DECREASED VALUES

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

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

Depreciations and decreased values		
Depreciations from tangible and intangible assets	33	23
Impairment losses from the shares in Group companies	1 667	170
Total	**1 700**	**193**

6. OTHER OPERATING EXPENSES

Rent expenses	137	352
Non-statutory employee benefits	10	27
Other expenses	747	903
Total	**895**	**1 281**

7. FINANCIAL INCOME AND EXPENSES

Other interest and other financial income		
Group companies	19	2 621
Other	0	-3
Total	**19**	**2 618**
Financial income total	**20**	**2 619**
Interest and other financial expenses		
Group companies	38	95
Other	458	437
Total	**497**	**531**
Financial expenses total	**497**	**531**
Financial income and expenses total	**-477**	**2 087**

8. IMPAIRMENT LOSSES

Impairment loss on securities carried as current assets		
Impairment loss on capital loan receivables	0	11 110
Total	**0**	**11 110**

9. EXTRAORDINARY ITEMS

Extraordinary income		
Waiver of the loans	2 670	830
Total	**2 670**	**830**
Extraordinary expenses		
Loans transferred from Vapate Oy	3 763	0
Warranty provision	200	0
Other provisions	1 201	0
Total	**5 165**	**0**
Extraordinary items total	**-2 495**	**830**

Notes to the Parent Company's Financial Statements

NOTES TO BALANCE SHEET

10. SHAREHOLDINGS

Group companies

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

1000 EUR	31.12.2014	31.12.2013

11. NON-CURRENT ASSETS

INTANGIBLE ASSETS

Other long-term assets		
Acquisition cost at the beginning of the fiscal year	157	240
Increase	0	2
Decrease	-98	-86
Acquisition cost at the end of the fiscal year	**59**	**157**
Accumulated depreciations at the beginning of the fiscal year	136	202
Depreciation of the fiscal year	18	19
Accumulated depreciations of the decrease	-98	-86
Accumulated depreciations at the end of the fiscal year	**56**	**136**
Book value at the end of the fiscal year	**3**	**21**
Intangible assets total	**3**	**21**

TANGIBLE ASSETS

Machinery and equipments		
Acquisition cost at the beginning of the fiscal year	116	149
Increase	73	0
Decrease	-122	-59
Acquisition cost at the end of the fiscal year	**66**	**91**
Accumulated depreciations at the beginning of the fiscal year	104	135
Accumulated depreciations of the decrease	-122	-59
Depreciation of the fiscal year	15	3
Accumulated depreciations at the end of the fiscal year	**-3**	**79**
Book value at the end of the fiscal year	**69**	**11**
Other tangible assets		
Acquisition cost at the beginning of the fiscal year	12	12
Acquisition cost at the end of the fiscal year	**12**	**12**
Book value at the end of the fiscal year	**12**	**12**
Tangible assets total	**81**	**23**

Notes to the Parent Company's Financial Statements

1000 EUR	31.12.2014	31.12.2013

INVESTMENTS

Shares in Group companies		
Acquisition cost at the beginning of the fiscal year	10 619	10 619
Acquisition cost at the end of the fiscal year	**10 619**	**10 619**
Accumulated depreciations and impairment losses at the beginning of the fiscal year	5 281	5 111
Impairment losses of the fiscal year	1 667	170
Accumulated depreciations and impairment losses at the end of the fiscal year	**6 948**	**5 281**
Book value at the end of the fiscal year	**3 671**	**5 338**
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	**3 690**	**5 357**

Impairment-testing of shares insubsidiaries

The value of shares in subsidiaries in the parent company's accounts is the original cost plus investments made subsequently to consolidate the subsidiaries' eguity capital. Share value has substantial bearing on the parent company's solvency ratio and, thereby, on equity capital and other factors. Impairment test of shares in subsidiaries have been performed on the basis of the situation presented in the year-end accounts of 31 December 2014. A value-adjustment entry of 1,667,257.70 has been made for the aaquisition cost of shares of AP-Tela Oy in the parent company's year-end account of 31 December 2014. The calculations show no sign of share-value impairment in other subsidiaries.

12. CURRENT ASSETS

Long-term receivables from Group		
Other long-term receivables	1 950	1 950
Total	**1 950**	**1 950**
Long-term receivables total	**1 950**	**1 950**
Short-term receivables from Group companies		
Other receivables	1 031	868
Total	**1 031**	**868**
Prepaid expenses and accrued income		
Prepaid expenses and accrued income	40	46
Total	**40**	**46**
Short-term receivables total	**1 072**	**914**

Capital loan receivables from Group companies

Long-term receivables from Group companies are capital loans to Japrotek Oy Ab meant by the Chapter 12 of the Companies Act § 1-2. At the closing of the financial period, on 31 December 2014, the parent company had, in total, 1.95 M EUR of subordinated loan receivables from Japrotek Oy Ab.

Impairment tests of subordinated loan receivables from subsidiaries have been performed on the basis of the situation presented in the year-end accounts of 31 December 2014. In the impairment calculations, recoverable funds are determined on the basis of utility value. The cash-flow forecasts used in the calculations are based on the management's annual profit and loss forecast and on maintenance investment forecasts made in connection with the Group's budgeting process. The management bases its forecasts on actual business developments and the management's view of the industry's growth outlook. Approved investment decisions are taken into account in the growth forecasts. Financial plans and forecasts made for the units subject to testing are prepared for five-year periods, and the test calculations include cash flows predicted for that full period. The growth rate applied in extrapolation of cash flows to post-forecast periods is 0%. The discount rate used in the calculations is Vaahto Group's weighted average cost of capital (WACC) before tax. During the 2014 financial period, the discount rate was 12.11 %.

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

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

1000 EUR	**31.12.2014**	**31.12.2013**
13. SHAREHOLDERS' EQUITY		
Share capital at the beginning of the fiscal year	2 872	2 872
Share capital at the end of the fiscal year	**2 872**	**2 872**
Unrestricted equity reserve at the beginning of the fiscal period	3 362	0
Share issue	1 040	2 250
Increase in interest in subsidiary (non-cash issue of the share exchange)	0	1 112
Unrestricted equity reserve at the end of the fiscal period	**4 402**	**3 362**
Reserve fund at the beginning of the fiscal year	2 228	2 228
Reserve fund at the end of the fiscal year	**2 228**	**2 228**
Retained earnings at the beginning of the fiscal year	-12 730	-4 610
Retained earnings in the end of the fiscal year	**-12 730**	**-4 610**
Profit or loss for the fiscal year	**-4 589**	**-8 120**
Shareholders' equity total	**-7 817**	**-4 268**
Calculation on distributable assets		
Retained earnings	-12 730	-4 610
Profit for the fiscal year	**-4 589**	**-8 120**
Distributable assets total	**-17 319**	**-12 730**
Number of shares by series at the end of the fiscal period	**no.**	**no.**
A-share (1 vote/share)	5 977 360	3 977 360
Total	**5 977 360**	**3 977 360**
The distribution of shareholders' equity by series	**euros**	**euros**
A-share (1 vote/share)	2 872 302	2 872 302
Total	**2 872 302**	**2 872 302**

Because of the write-down of the loan receivables from Vaahto Paper Technology Ltd. in the amount of 11.1 M euros, the parent company's equity was negative in the financial statements for 2013. The issue of the new shares in the first quarter of 2014 as well as the waiver of loans had a positive impact on the equity of the parent company. During fiscal year 2014, provisions related to the loans of subsidiary Vapate Oy which the parent company has secured, are lowering the equity of the company. These loans, amounting 3.8 M euros, matured in the bankruptcy of Vapate Oy. Along with the classification of AP-Tela Oy as discontinued operations, the parent company impaired the shares of AP-Tela, which lowered the equity of the parent company by 1.7 M euros.

Notes to the Parent Company's Financial Statements

1000 EUR	31.12.2014	31.12.2013
14. PROVISIONS		
Other provisions		
Warranty provision	200	0
Loan provisions	3 763	0
Other provisions	800	0
Total	**4 763**	**0**
15. LONG-TERM LIABILITIES		
External long-term liabilities		
Loans from financial institutions	0	3 952
Loans from others	0	2 000
Total	**0**	**5 952**
Accounts payables, long-term		
Accounts payables, long-term	42	0
Total	**42**	**0**
Long-term liabilities total	**42**	**5 952**
16. SHORT-TERM LIABILITIES		
External short-term liabilities, interest-bearing		
Loans from financial institutions	1 282	0
Loans from others	2 000	0
Credit limits used	3 996	3 132
Total	**7 277**	**3 132**
Short-term liabilities to Group companies, interest-bearing		
Other liabilities	2 239	3 040
Total	**2 239**	**3 040**
External short-term liabilities, non-interest-bearing		
Accounts payable	159	152
Other liabilities	124	111
Accrued liabilities and deferred income	395	151
Total	**678**	**414**
Accrued liabilities and deferred income consist of:		
Accrued employee expenses	292	127
Interest liabilities	88	23
Other accruals and deferred income	16	1
Total	**395**	**151**
Short-term liabilities total	**10 194**	**6 586**

The short- term interest-bearing loans include group-internal accouts payable to Japrotek Oy Ab in the amount of 2.2 M euros. The parent company's long-term receivables include subordinated loan receivables from Japrotek Oy Ab in the amount of 1.95 M euros.

OTHER NOTES

1000 EUR	31.12.2014	31.12.2013

17. SECURITIES AND RESPONSIBILITIES

GRANTED SECURITIES

Other granted securities

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

Book values of the shares in subsidiaries granted as securities total	**3 573**	**5 240**

LIABILITIES

Leasing commitments to be paid		
To be paid during fiscal year 2014	36	143
Later	8	45
Total	**45**	**189**

Granted guarantees by Group companies		
Granted guarantees to customers and creditors	200	0
Granted guarantees to secure bank guarantee limits	6 204	4 110
Guarantees granted to secure guarantee insurances	0	2 175
Granted guarantees to secure loans	1 542	3 580
Granted guarantees to secure rent bank guarantees	400	400
Total	**8 346**	**10 265**

The Board of Directors' proposal

The parent company made a business loss of 4,589,342.49 euros, and the company has no distributable funds.

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

Lahti, March 10, 2015

Reijo Järvinen
Sami Alatalo

Mikko Vaahto
Topi Karppanen

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF VAAHTO GROUP PLC OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Vaahto Group Plc Oyj for the year ended on 31 December, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, statement of cash flows and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Lahti, 10.3.2015

Ernst & Young Oy
Authorized Public Accountant Firm

Erkka Talvinko
Authorized Public Accountant

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