



**Interim Report
1.5.–31.8.2016**

Board of Directors, 13 October 2016

VAPO OY INTERIM REPORT 1 MAY–31 AUGUST 2016

The first third of the year in brief:

- Group turnover in the May–August period was EUR 87.9 million (EUR 124.1 million in the same period in 2015).
- The operating margin (EBITDA) was EUR 5.8 million (EUR 1.7 million), or 6.5% (1.3%) of turnover.
- The operating profit was EUR -9.0 million (EUR -12.8 million), or -10.2% (-10.3%) of turnover. The operating profit includes one-off income in the amount of EUR 1.0 million (EUR 0.0 million).
- Free cash flow before taxes was EUR 17.6 million (EUR 18.4 million).
- Gross investments were EUR 12.4 million (EUR 13.4 million).
- The Group produced a total of 9.1 million cubic metres of peat (10.6 million m³).

Tomi Yli-Kyyny, CEO: Vapo is growing new business based on its peat expertise

The Group's turnover in the first third of the financial year (May–August) amounted to EUR 87.9 million (EUR 124.1 million). Kekkilä Group's products for gardeners and professional growers accounted for approximately 40 per cent of turnover, with the peak sales season falling in early summer. The year-on-year decrease in turnover is largely attributable to Vapo Oy's divestment of its sawmills in North Karelia in January 2016. The sawmills represented EUR 27.5 million in turnover in the comparison period.

The result for the energy business in the first third of the financial year showed a loss, as expected, as operations focused on fuel production in a period when customers' heating demand was at its lowest. For Kekkilä Group, the first third of the financial year is always strongest with regard to the operating result. The company's operating result for the reporting period showed year-on-year growth of 47% and amounted to EUR 2.5 million. The entire Vapo Group's operating result was EUR -9.0 million (EUR -12.8 million). The result was weighed down by Vapo Oy's peat production volume in Finland totalling only about eight million cubic metres, or approximately 65 per cent of the production target for the season. In Estonia, the production target was half of the previous years' volume due to strong inventory levels, and 80 per cent of the target was achieved. In Sweden, peat production volumes were in line with the plans.

The Group's cash flow in the reporting period was significantly positive at EUR 17.6 million (EUR 18.4 million). Peat production volume being below the target strengthened cash flow, with less capital tied up in reserves than anticipated. Vapo Oy's current fuel stockpiles correspond to approximately 21 months' heating demand, ensuring that customers' fuel requirements in the upcoming heating season can be met under all circumstances.

During the review period, the company implemented its strategy by expanding its business operations based on local solid fuels. Vapo Oy's Estonian subsidiary AS Tootsi Turvas and

the municipality of Ridala signed an agreement in June by which the company expanded its district heating business. The annual heating sales amount to approximately 8 GWh. In August, Vapo Oy and the municipality of Ristijärvi signed an agreement on supplying heating to the municipality's district heating network. Vapo will invest in a new heating plant, assume responsibility for its operation and sell the heat to Ristijärvi municipality. Vapo Oy also signed an agreement with Luoto municipality on building a heating plant and district heating network. Local solid fuels will be the primary fuel used at each of the three new sites.

Peat is a domestic and highly diverse natural material. Vapo Oy's Vapo Ventures development unit expands the Group's business operations based on peat resources beyond the energy sector. The aim is to refine peat into new ecologically sustainable products that create new jobs and enable the company's continued success in the future.

An urban wetland implemented by Vapo Clean Waters Oy, the first of the development unit's ventures to be incorporated, to treat drainage waters and improve the condition of natural waterways in the Jyväskylä area received a good amount of attention and visibility at the inauguration ceremony for the Eerolanpuro wetland in August. Last spring, the company also announced the Vapo Fibers business, which provides many different industrial segments with natural fibre solutions that take advantage of peat's excellent physiological attributes.

At the beginning of October, Vapo Oy announced Vapo Carbons, the latest new business developed by the Ventures unit. Technical carbons have a wide variety of applications in several different sectors, such as the rubber, pigment and plastic industries. The size of the global market is approximately EUR 40 billion and it has grown at an annual rate of about 10 per cent in recent years. Vapo Carbons now aims to rapidly enter the growing international market for technical carbon and refined carbon products. Carbons aims to start its first production facility for manufacturing technical carbon from peat in 2019.

The Finnish government decided to revise its state ownership policy in the spring, making it possible for the state's ownership in Vapo to be reduced to 33.4 per cent. Vapo will, nevertheless, remain a company that represents a strategic interest for the state.

Consolidated key figures

MEUR	5–8/2016	5–8/2015	5/2015– 4/2016	5/2014– 4/2015
Turnover	87.9	124.1	459.8	486.9
Operating profit (EBIT)	-9.0	-12.8	8.6	36.9
% of turnover	-10.2	-10.3	1.9	7.6
Operating profit (EBIT) before impairments	-8.8	-12.8	9.4	37.6
% of turnover	-10.0	-10.3	2.1	7.7
Profit/loss for the period	-11.0	-11.8	-4.4	19.8
Operating margin (EBITDA)	5.8	1.7	43.1	74.7
+/- Change in working capital	3.3	16.3	39.6	-32.7
- Net investments	8.5	0.4	-21.9	-67.1
Free cash flow before taxes	17.6	18.4	60.7	-25.1
Gross investments	12.4	13.4	38.5	88.4
Return on invested capital % *	1.8	3.9	1.2	5.4
Return on invested capital % before impairments *	2.0	4.0	1.4	5.5
Return on equity % *	-1.3	5.0	-1.5	6.6
Balance sheet total	760.6	825.3	795.0	838.2
Shareholders' equity	276.5	292.5	288.2	304.4
Interest-bearing net debt	368.3	395.3	366.6	393.1
Equity ratio %**	38.0	37.0	37.6	37.8
Interest-bearing net debt/operating margin	7.8	6.3	8.5	5.3
Gearing %	133.2	135.2	127.2	128.7
Average number of employees	829	1007	914	961

*) Previous 12 months

**) In calculating the equity ratio, the capital loan on the balance sheet was calculated as shareholders' equity

Developments by business segment

In accordance with Vapo Oy's management model, the Group's subsidiaries are primarily managed by their respective boards of directors. As a result, Vapo changed its segment reporting starting from 1 May 2015, with the separate companies now constituting the reporting segments instead of the previous business areas. However, the Vapo Oy segment also reports the results of smaller subsidiaries that serve the energy business, as their operations are managed by Vapo Oy. These subsidiaries include Salon Energiantuotanto Oy, Piipsan Turve Oy, Suo Oy and Hanhisuon Turve Oy.

Turnover by segment

MEUR	5-8/2016	5-8/2015	Change %	5/2015-4/2016	5/2014-4/2015
Vapo Oy	42.3	53.0	-20.3	257.0	251.9
Vapo Timber Oy	0.0	27.5	-100.0	63.5	89.0
Kekkilä Group	35.4	34.2	3.5	87.9	87.1
Neova AB	8.3	9.1	-8.5	47.8	48.9
AS Tootsi Turvas	3.0	3.2	-5.5	13.0	12.9
Others	0.1	0.0	1,008.4	0.0	7.8
Inter-segment turnover	-1.1	-2.8	60.6	-9.4	-10.8
Total	87.9	124.1	-29.2	459.8	486.9

Operating profit/loss by segment

MEUR	5-8/2016	5-8/2015	Change %	5/2015-4/2016	5/2014-4/2015
Vapo Oy	-7.8	-11.5	32.1	7.4	49.1
Vapo Timber Oy	0.0	-0.8	100.0	-2.2	0.8
Kekkilä Group	2.5	1.7	46.5	-1.3	1.1
Neova AB	-2.1	-1.5	-42.6	1.7	1.0
AS Tootsi Turvas	0.1	0.3	-80.4	1.1	1.6
Others	-0.3	0.0	-579.8	0.2	0.9
Associates	-1.5	-1.0	-48.8	1.4	2.2
Eliminations	0.2	0.2	15.3	0.3	-19.8
Total	-9.0	-12.8	29.7	8.6	36.9

Vapo Oy

Vapo Oy supplies local fuels, heating solutions and environmental peat products to businesses, municipalities and consumers. Fuels account for approximately 70 per cent of the company's external turnover, heating solutions approximately 25 per cent, and environmental peat approximately five per cent. The company's new commercial business, Vapo Fibers, was announced last spring and will focus on the utilisation of peat fibre in various industrial applications.

Turnover in the first third of the financial year (May–August) amounted to EUR 42.3 million (EUR 53.0 million). The operating loss for the reporting period was EUR -7.8 million (EUR -11.5 million). The operating result includes one-off income of EUR 0.9 million (EUR 0.0 million). Investments were EUR 8.9 million (EUR 11.2 million).

The deliveries of fuel and heating in the first third of the financial year (May–August) were lower than in the comparison period due to the summer being warmer than average. Energy peat deliveries during the period amounted to 1.5 TWh (1.9 TWh). The remote operation of power plants and heating plants, combined with cost-efficient plant maintenance and successful fuel optimisation, improved the profitability of the Heat and Power business area in spite of sales being lower than in the comparison period. Vapo Oy is investing in improving the customer experience in the energy business by introducing new digital services that will be launched this autumn.

After a warm and sunny start to the summer, the weather became exceptionally volatile after Midsummer. Precipitation reached record highs in certain areas, which complicated peat extraction. The peat production volume of eight million cubic metres was significantly below the production target and the order backlog for the upcoming heating season. However, the reserve stocks produced in previous summers ensure fuel deliveries to customers.

In a challenging market climate, the profitability of wood fuels developed favourably compared to the previous year. The efficiency improvement measures implemented in forest fuels and the pellet business improved profitability, although sales were lower than in the comparison period.

Neova AB

Neova AB is a Swedish subsidiary of Vapo Oy. It provides district heating to its customers and heating solutions for industrial customers. The company also produces and markets peat products for its energy customers and users of agricultural peat products. Its annual turnover is evenly divided between heating solutions and peat productions.

Turnover in the first third of the financial year (May–August) amounted to EUR 8.3 million (EUR 9.1 million). The operating result for the period was EUR -2.1 million (EUR -1.5 million). The demand for fuels and heating was reduced by warmer weather compared to the corresponding period last year. Gross investments were EUR 1.0 million (EUR 0.9 million).

The pellet joint venture Agroenergi Neova Pellets AB changed its name to Scandbio AB at the beginning of September. Going forward, pellets will be sold in the Swedish market under the Scandbio brand. Scandbio AB distributed dividends totalling SEK 25 million to Neova AB in August. The joint venture's result declined year-on-year due to the challenging pellet market.

Brostorpsmossen, a subsidiary of Neova AB, was merged with the parent company at the beginning of September 2016.

AS Tootsi Turvas

AS Tootsi Turvas is Vapo Oy's Estonian subsidiary. Its primary business is the sale of agricultural peat products, energy peat products and wood fuels, as well as the production and sale of heating. Agricultural peat accounts for 47 per cent of the subsidiary's annual turnover, while wood fuels account for 30 per cent, energy peat 13 per cent and heating 10 per cent.

Turnover in the first third of the financial year (May–August) amounted to EUR 3.0 million (EUR 3.2 million). The operating result for the period was EUR 0.1 million (EUR 0.3 million). The year-on-year difference is primarily attributable to the declining exports of agricultural peat and higher peat production costs. Gross investments were EUR 1.6 million (EUR 0.2 million).

AS Tootsi Turvas expanded its district heating business by signing an agreement with Ridala municipality to acquire the municipality's heating plant and district heating network. The heating plant uses locally sourced peat and wood as its fuel. The annual heating sales amount to approximately 8 GWh.

Kekkilä Group

Kekkilä Group develops, produces and markets high-end garden substrates, plant fertilisers and mulches as well as home garden and yard construction products for amateur and professional growers and landscapers.

Turnover in the first third of the financial year (May–August) amounted to EUR 35.4 million (EUR 34.2 million). The operating profit was EUR 2.5 million (EUR 1.7 million). The company's gross investments were EUR 0.8 million (EUR 1.0 million).

Turnover showed year-on-year growth in each of the main business segments. Growth was the strongest in the landscaping business. Sales in the consumer business were exceptionally strong in May, but tapered off faster than usual in June. Demand in the professional growing business remained good. The result developed favourably, particularly in the consumer and professional growing segments, thanks to sales growth and lower fixed costs compared to the previous year.

Juha Mäkinen joined Kekkilä Group as Chief Operating Officer on 16 May 2016. The company will focus on improving sales and profitability by clarifying its management and organisational structure. The planning of the reforms began in September 2016.

Other activities

The Others segment includes Vapo Clean Waters Oy and the Danish subsidiary Vapo A/S. It also includes Forest BtL, the operations of which were discontinued in 2014. Clean Waters Oy began its operations on 1 May 2016. The company specialises in design, construction and

maintenance services and products related to water protection and biodiversity. The impact of the Others segment on the operating result in May–August was EUR -0.3 million (EUR 0.0 million).

Cash flow, investments and financing

The Group's free cash flow before taxes was EUR 17.6 million (EUR 18.4 million). The operating margin (EBITDA) was EUR 5.8 million (EUR 1.7 million). Decreased working capital improved cash flow by EUR 3.3 million (EUR 16.3 million).

Gross investments in the reporting period were EUR 12.4 million (EUR 13.4 million), or 93 per cent (99%) of the amount of depreciation. Peat production investments accounted for approximately 40 per cent of total investments, while maintenance and energy efficiency investments in the Heat and Power business area accounted for some 30 per cent. Net investments amounted to EUR -8.5 million (EUR -0.4 million). The most significant factor behind this was a financial leasing arrangement concluded in Vapo Oy's Heat and Power business area, which had a positive cash flow impact of approximately EUR 19.6 million.

Interest-bearing net debt at the end of the reporting period was EUR 368.3 million (EUR 395.3 million). Interest-bearing net debt includes a EUR 5 million capital loan in one of Vapo Oy's subsidiaries. The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 August 2016 was 7.8 (6.3). Short-term interest-bearing debt was EUR 113.4 million (EUR 72.9 million). Of the Group's long-term interest-bearing debt, 36.4 per cent is covered by a covenant related to the company's equity ratio. The terms of the covenant were met at the end of the review period. The equity ratio at the end of August was 38.0 per cent (37.0 per cent) and the gearing ratio was 133.2 per cent (135.2%). The consolidated balance sheet total was EUR 760.6 million (EUR 825.3 million). The Group's net financing items were EUR -4.1 million (EUR -1.5 million). Net financing items were 4.6 per cent (1.2%) of turnover.

Events after the review period

Vapo Oy's Annual General Meeting was held in Helsinki on 21 September 2016. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 May 2015–30 April 2016 and discharged the members of the Supervisory Board and the Board of Directors, as well as the CEO, from liability. The AGM resolved to distribute a dividend for the financial period ended 30 April 2016 amounting to EUR 133.33 per share, or EUR 4.0 million in total. The dividend payment date was 22 September 2016.

The AGM confirmed the number of members of the Supervisory Board as eight. Johanna Ojala-Niemelä was elected Chairman, with Heikki Miilumäki as Vice Chairman. Markku Eestilä, Hanna Halmeenpää, Reijo Hongisto, Hannu Hoskonen, Eero Kubin, Esko Kurvinen, Tommi Lunttila and Tiina Snicker were re-elected as members.

The AGM confirmed the number of members of the Board of Directors as six. Jan Lång will continue as Chairman, with Hannu Linna elected Vice Chairman. Pirita Mikkanen, Minna

Pajumaa and Martti Haapamäki were re-elected to the Board of Directors, and Markus Tykkyläinen was elected as a new member.

The audit firm KPMG Oy Ab was elected as auditor.

In September 2016, Vapo Oy began a survey concerning the restructuring of the company's land and forest assets. The aim of the project is to ensure the availability of raw peat while releasing capital tied up in land ownership to support the development of other business operations. Vapo Oy owns approximately 100,000 hectares of land, of which some 35,000 hectares are in active production use. The land owned by the company includes land suitable for peat production, but also forest land, former peat production areas that are suitable for agricultural use, as well as various reserves and supporting areas for production areas.

Vapo Oy owns 45 per cent of the wood sourcing company Harvestia Oy. Harvestia's role has been to ensure the supply of wood to sawmills, a service that was rendered unnecessary by the divestment of Vapo Timber Oy. The company plans to divest its stake in Harvestia within this financial year.

Vapo Oy is actively pursuing peat-based business opportunities beyond traditional fuel production. As its latest initiative, the company announced the Vapo Carbons business at the beginning of October. The aim for the business is to make a quick entry into the growing international market for technical carbon.

Natural seasonal fluctuation in activities

The Group's energy business is cyclical due to seasonal variation in the demand for heating. In the first third of the financial year, from May to August, the focus is on fuel production and acquisition, while the second third of the financial year brings with it the start of the heating season, at which time the volume of fuel deliveries increases. The final third of the financial year is the most important period for the Group's sales of heating, electricity and fuels, and it is also influenced by temperatures in the winter. Weather also has a significant impact on the success of peat production. Rainy winters with low rates of evaporation have a negative impact on the peat harvest and lead to increased costs in peat production.

Kekkilä's gardening business is sensitive to seasonal fluctuations, with the demand peaking in the spring. In addition, the general economic situation is reflected in consumer purchasing behaviour and construction investments.

Personnel

The Group employed an average of 829 (1,007) persons in the first third of the financial year.

Employees by segment, average

	5–8/2016	5–8/2015	5/2015– 4/2016	5/2014– 4/2015
Vapo Oy	418	492	451	466
Vapo Timber	0	111	81	107
Kekkilä Group	272	264	256	248
Neova AB	96	107	92	87
AS Tootsi Turvas	33	33	33	35
Others	11	0	1	18
Total	829	1,007	914	961

The codetermination committees of Vapo Oy and Kekkilä Oy each met once during the reporting period. The meetings focused on economic development as well as the personnel and training plans for the coming financial year. The meetings also reviewed the results of the personnel survey and discussed matters related to well-being at work.

Near-term risks to businesses

The non-issuance of environmental permits, caused by increasingly strict regulations, is a significant risk from the perspective of all of Vapo's peat-related businesses and, with respect to energy peat, also from the perspective of Finland's self-sufficiency in energy. This risk, which has already materialised to an extent, prevents and slows down the commissioning of new peat production areas to adequately meet future customer needs in all circumstances. Vapo has increased its investments in environmental protection at its production sites and enhanced the treatment of leachates from its peat production areas to ensure that there are no obstacles to the granting of permits attributable to the company itself. In accordance with the mire and peatland strategy approved by the Finnish government, Vapo applies for environmental permits and opens new production areas only in peatlands where the natural state has been altered, meaning forest-ditched peatlands.

Large-scale Finnish combustion plants (over 50 MW) that use wood and peat as fuel face a significant risk in the form of the planned new emissions limits. The process of updating the BAT (Best Available Technology) reference document for large combustion plants pursuant to the Industrial Emissions Directive began in the EU in 2011. The first draft was completed in autumn 2013 and the content of the BAT conclusions was decided in June 2015. Finland submitted a total of eight dissenting opinions regarding the decisions made. From the Finnish perspective, requirements such as those concerning biofuel and peat boilers were set at the expected level only in the case of a few emission components and plant categories. The BREF document and an assessment of dissenting opinions is currently being finalised. The document will be discussed in October 2016 in a forum under the European Commission. The

LCP BREF draft proposes substantially tougher limits on emissions arising from the combustion of biomass and, in particular, peat. If implemented, the new limits will be taken into consideration in issuing permits. This would reduce the competitiveness of Nordic energy production compared to other parts of Europe. The EU is in the process of revising its regulations governing emissions trading, which may have significant impacts on the energy industry as a whole, both locally and more broadly with respect to Europe's competitiveness in the global economy. In addition, the sustainability criteria of solid wood-based fuels are being evaluated in the EU, and subsequently in Finland. Depending on the content of future regulations, they will represent a threat to the use of wood-based fuels and the national economy of Finland.

In summer 2016, peat production was in line with the plans in Sweden but fell short of the targets in Finland and Sweden. Falling short of the target increases the production costs allocated to the financial year as the quantity of stored peat was lower than expected. Due to successful stockpiling, however, the lower peat production will not have a material impact on the supply of products by Vapo and Kekkilä in the coming heating and production season.

If the coming winter is again substantially warmer than average, the sales of Vapo's fuels and heating will be lower than expected, leading to a decline in profitability. The weak market price of electricity has resulted in combined heat and power plants operating in such a way as to not produce electricity at all.

The use of peat in the production of heating has decreased, while production and heating seasons with exceptional weather conditions have introduced variation to the company's result and cash flow. The company has adjusted its operations in the changed market situation and will increasingly focus on new service models, products and demand-driven processes in order to increase the flexibility and cost-efficiency of its operations.

Vapo aims to prevent property risks and occupational safety risks through proactive risk management measures and by reacting quickly to any observed hazards. Risks that cannot be managed by the company's own actions are insured where possible. Improving the safety culture and implementing concrete measures has been a focus area throughout the Group in recent years. Regular safety visits by management at the company's various operating locations are one ongoing measure aimed at further improving the organisational culture with regard to occupational safety and asset protection.

The company is not aware of any significant risks related to legal disputes. There have been no other significant changes to Vapo Group's near-term business risks compared to the information presented in the previous financial statements.

Outlook for the remainder of the financial year, to 30 April 2017

Vapo Group is one of the world's largest producers of energy peat and environmental peat. The company holds an important role in ensuring Finland's self-sufficiency in energy and the security of supply. Political decisions have a substantial impact on the profitability of Vapo's business operations and its capacity to make investments.

Vapo Group's turnover will be lower than in the previous financial year due to the divestment of the sawmill business. However, the Group's profitability is expected to improve due to the increased efficiency brought about by restructuring measures. The price of electricity is expected to remain at a low level. As a result, the fuel market will not see significant growth, as the volume of electricity generation from solid fuels will remain low. The new businesses will not yet generate significant turnover during the current financial year.

Vantaa, 13 October 2016

Vapo Oy

Board of Directors

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Interim Report Tables

The Interim Report of Vapo Oy was drawn up in accordance with IAS 34 Interim Financial Reporting standards.

Complying with IFRS standards in the preparation of an Interim Report requires Group management to make estimates and assumptions. These estimates and assumptions have a bearing on the value of balance sheet items, the disclosure of contingent assets and liabilities, and the amounts of reported revenues and expenses. Although the estimates are accurate to the best of management's knowledge, actual results may differ from the estimates. The estimates used in this Interim Report are the same as those used in the financial statements for the financial year 1 May 2015–30 April 2016.

Consolidated statement of

MEUR	5-8/2016	5-8/2015	Change %	5/2015-4/2016	5/2014-4/2015
TURNOVER	87.9	124.1	-29.2%	459.8	486.9
Other operating income	2.5	1.5	69.4%	8.7	12.5
Share of associates' results	-1.5	-1.0	48.8%	1.4	2.2
Operating expenses	-84.7	-124.0	-31.7%	-425.4	-424.7
Depreciation	-13.1	-13.5	-2.6%	-35.0	-39.3
Impairment	-0.2	0		-0.8	-0.7
OPERATING PROFIT	-9.0	-12.8	29.7%	8.6	36.9
Financial income	3.6	6.0	-39.7%	6.4	5.3
Financial expenses	-7.7	-7.5	3.2%	-16.1	-18.8
PROFIT/LOSS BEFORE TAXES	-13.1	-14.2	8.3%	-1.1	23.4
Income taxes	2.0	2.5	-18.0%	-3.4	-3.6
PROFIT/LOSS FOR THE PERIOD	-11.0	-11.8	6.2%	-4.4	19.8
OTHER COMPREHENSIVE INCOME ITEMS:					
Translation differences from foreign units	-0.7	-1.5		0.1	-1.4
Other comprehensive income items for the period after taxes	-11.7	-13.3		-4.4	18.4
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
Distribution of profit for the period:					
To parent company shareholders	-11.1	-11.7		-4.4	18.5
To non-controlling shareholders	0.1	0		-0.1	1.2
	-11.0	-11.8		-4.4	19.8
Distribution of comprehensive income for the period:					
To parent company shareholders	-11.7	-13.2		-4.3	17.6
To non-controlling shareholders	0.1	-0.1		-0.1	0.8
	-11.7	-13.3		-4.4	18.4
Earnings per share calculated from profits due to parent company shareholders					
Earnings/share, EUR	-370	-392		-146	617
Average number of shares	30,000	30,000		30,000	30,000

Consolidated balance sheet

MEUR	31.8.2016	31.8.2015	30.4.2016
ASSETS			
LONG-TERM ASSETS			
Intangible assets	11.0	11.9	10.7
Goodwill	6.0	5.8	5.8
Land and water areas	44.8	46.3	45.4
Buildings and structures	44.3	50.4	46.2
Machinery and equipment	128.3	129.2	129.5
Other tangible assets	219.4	202.7	217.3
Investments in progress	45.2	62.6	48.6
Investments	29.8	30.7	34.2
Long-term receivables	3.0	0.8	4.7
Deferred tax asset	0.5	2.3	0.1
LONG-TERM ASSETS	532.2	542.5	542.4
CURRENT ASSETS			
Inventories	168.8	194.5	147.9
Sales and other receivables	54.0	69.2	95.2
Cash on hand and in the bank	5.6	19.0	9.4
CURRENT ASSETS	228.4	282.8	252.5
ASSETS	760.6	825.3	795.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Parent company shareholders' share of shareholders' equity	275.4	291.4	287.1
Non-controlling shareholders	1.1	1.1	1.0
SHAREHOLDERS' EQUITY	276.5	292.5	288.2
LONG-TERM LIABILITIES			
Deferred tax liability	15.4	14.5	16.8
Long-term interest-bearing liabilities	268.0	349.9	349.4
Long-term non-interest-bearing liabilities	7.3	7.1	7.4
Long-term provisions	8.0	7.8	8.1
Pension liabilities	3.5	2.4	3.5
LONG-TERM LIABILITIES	302.1	381.7	385.2
CURRENT LIABILITIES			
Current interest-bearing liabilities	113.4	72.9	35.0
Current non-interest-bearing liabilities	68.6	78.2	86.6

Current provisions

CURRENT LIABILITIES	182.0	151.1	121.6
SHAREHOLDERS' EQUITY AND LIABILITIES	760.6	825.3	795.0

Statement of change in Group

MEUR	Share capital	Fair value fund	Other funds	Translation differences	Retained earnings	Total	Non-controlling shareholders	TOTAL
SHAREHOLDERS' EQUITY 1.5.2016	50.5	0	30.1	-2.2	208.8	287.1	1.0	288.2
Changes in shareholders' equity								
Dividend distribution	0	0	0	0	0	0	0	0
Total comprehensive income				-0.6	-11.1	-11.7	0.1	-11.7
Other changes	0	0	0	0	0	0	0	0
SHAREHOLDERS' EQUITY 31.8.2016	50.5	0	30.1	-2.8	197.7	275.4	1.1	276.5

MEUR	Share capital	Fair value fund	Other funds	Translation differences	Retained earnings	Total	Non-controlling shareholders	TOTAL
SHAREHOLDERS' EQUITY 1.5.2015	50.5	0	30.1	-2.4	226.4	304.6	1.2	305.8
Changes in shareholders' equity								
Dividend distribution	0	0	0	0	0	0	0	0
Total comprehensive income				-2.5	-10.7	-13.2	-0.1	-13.3
Other changes	0	0	0	0	0	0	0	0
SHAREHOLDERS' EQUITY 31.8.2015	50.5	0	30.1	-4.8	215.7	291.4	1.1	292.5

Condensed consolidated cash flow statement

MEUR	5–8/2016	5–8/2015	5/2015-4/2016
<u>Cash flow from operating activities</u>			
Profit/loss for the period	-11.0	-11.8	-4.4
Adjustments to the result for the period	15.3	13.1	58.5
Change in working capital	2.9	16.0	24.3
Cash flow from operating activities before financial items and taxes	7.1	17.3	78.5
Net financial expenses	-0.2	-1.9	-13.5
Taxes paid on operating activities	-1.5	-3.1	-2.5
Cash flow from operating activities	5.4	12.3	62.5
<u>Cash flow from investing activities</u>			
Investments in tangible and intangible assets	-11.0	-13.7	-38.7
Proceeds from disposal of tangible and intangible assets	22.3	14.0	18.5
Subsidiary shares bought	-1.3	0	0
Proceeds from disposal of other investments	0	0	-7.7
Changes in loans receivable	1.0	2.5	2.6
Dividends received	2.7	0	0
Cash flow from investing activities	13.6	2.8	-14.4
Cash flow before financing	19.0	15.1	48.1
<u>Cash flow from financing activities</u>			
Change in long-term loans and other financing items	-22.8	-0.1	-30.8
Dividends paid	0	0	-12.1
Cash flow from financing activities	-22.8	-0.1	-42.9
Change in cash and cash equivalents	-3.8	15.1	5.2
Cash and cash equivalents opening balance	9.4	4.1	4.1
Change in cash and cash equivalents	-3.8	15.0	5.2
Effect of changes in exchange rates	0	-0.1	0.1
Cash and cash equivalents at end of period	5.7	19.0	9.4

Notes to the interim report

SEGMENT DATA 5–8/2016

MEUR	Vapo Oy	Vapo Timber Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Other	Eliminations	Group total
External turnover	41.7	0	35.0	8.2	3.0	0	0	87.9
Internal turnover	0.6	0	0.4	0.1	0	0.1	-1.1	0
Turnover	42.3	0	35.4	8.3	3.0	0.1	-1.1	87.9
Segment operating profit/loss	-7.8	0	2.5	-2.1	0.1	-0.3	-1.3	-9.0
Financial income and expenses	-3.0	0	-0.4	2.0	0	-0.1	-2.6	-4.1
Appropriations and income taxes	3.9	0	-0.3	0.3	0	0.1	-2.0	2.0
Result for the period	-6.8	0	1.7	0.2	0.1	-0.3	-5.9	-11.0
Segment assets	792.6	0	94.8	105.7	47.9	9.7	-311.8	738.8
Shares in associates	8.0	0	0	18.4	0	0	-4.6	21.7
Assets total	800.5	0	94.8	124.0	47.9	9.7	-316.4	760.6
Segment debt	528.1	0	63.6	89.2	4.5	6.5	-207.5	484.4
Debt total	528.1	0	63.6	89.2	4.5	6.5	-207.5	484.4
Investments	8.9	0	0.8	1.0	1.6	0	0	12.4
Depreciation	8.7	0	2.3	1.9	0.5	0	-0.2	13.3

SEGMENT DATA 5–8/2015

MEUR	Vapo Oy	Vapo Timber Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Other	Eliminations	Group total
External turnover	51.7	26.7	33.8	8.8	3.1	0	0	124.1
Internal turnover	1.3	0.8	0.4	0.3	0	0	-2.8	0
Turnover	53.0	27.5	34.2	9.1	3.2	0	-2.8	124.1
Segment operating profit/loss	-11.5	-0.8	1.7	-1.5	0.3	0	-0.8	-12.8
Financial income and expenses	0.1	-0.2	-0.5	-0.7	0	-0.1	0	-1.5
Appropriations and income taxes	6.9	0.5	-0.2	0.2	0	0	-4.9	2.5
Result for the period	-4.6	-0.6	1.0	-1.9	0.2	-0.1	-5.7	-11.8
Segment assets	822.1	31.5	100.3	92.8	46.2	8.3	16.4	1,050.4
Shares in associates	8.0	0	0	18.4	0	0	-3.6	22.7
Assets total	830.0	31.5	100.3	111.2	46.2	8.3	12.8	1,140.3
Segment debt	506.2	16.5	65.6	95.6	3.4	6.1	-160.7	532.8
Debt total	506.2	16.5	65.6	95.6	3.4	6.1	-160.7	756.4
Investments	11.2	0.2	1.0	0.9	0.2	0	0	13.4
Depreciation	-8.3	-0.6	-2.3	-1.8	-0.5	-0.1	0.2	-13.5

SEGMENT DATA 5/2015–4/2016

MEUR	Vapo Oy	Vapo Timber Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Other	Eliminations	Group total
External turnover	253.7	61.0	86.2	46.6	12.3	0	0	459.8
Internal turnover	3.3	2.5	1.7	1.2	0.7	0	-9.4	0
Turnover	257.0	63.5	87.9	47.8	13.0	0	-9.4	459.8
Segment operating profit/loss	7.4	-2.2	-1.3	1.7	1.1	0.2	1.7	8.6
Financial income and expenses	-5.7	-0.4	-1.4	-2.0	0.1	-0.2	-0.1	-9.7
Appropriations and income taxes	-2.1	0.5	0.3	0	0	0	-2.0	-3.4
Result for the period	-0.4	-2.1	-2.4	-0.3	1.2	0	-0.4	-4.4
Segment assets	809.8	0	118.7	92.2	47.5	8.7	-308.1	768.8
Shares in associates	8.0	0	0	19.1	0	0	-0.9	26.2
Assets total	817.8	0	118.7	111.3	47.5	8.7	-309.0	795.0
Segment debt	483.0	0	87.2	94.5	4.8	6.3	-169.1	506.8
Debt total	483.0	0	87.2	94.5	4.8	6.3	-169.1	740.8
Investments	31.3	0.2	3.6	3.8	1.1	0	-1.5	38.5
Depreciation	-21.7	-1.2	-6.7	-5.0	-1.3	-0.2	1.0	-35.0

COLLATERAL, CONTINGENT COMMITMENTS AND OTHER LIABILITIES

31 August 2016

31.8.2015

30 April 2016

EUR THOUSAND

Collateral

As collateral for own debt

Mortgages

6,691

6,667

6,498

Liabilities for own commitments

Mortgages

Guarantees

26,852

25,020

29,147

Pledged collateral

4

4

4

Total

33,547

31,691

35,649

Financial leasing and other rental liabilities

Financial leasing liabilities

Due within the next one-year period

2,512

1,248

1,242

Due later

39,666

14,738

20,841

Other rental liabilities

Due within the next one-year period

2,365

2,680

2,723

Due later

3,922

5,199

4,501

Total

48,465

23,865

29,307

The Group has leased machinery and equipment, vehicles and computer hardware. Leased production machinery and equipment, with a capital value of EUR 8.7 million on the closing date, comprise the most significant part of the leases.

There are no agreements in the acquisition period. The duration of the rental agreements is ten years. The agreements include an option, but not an obligation, to continue the agreement after the original ending date.

Guarantees given on behalf of others

Guarantees	0	880	0
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Contingent commitments on behalf of associates

Guarantees	4,300	4,500	4,300
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DERIVATIVE CONTRACTS

EUR THOUSAND

	31.8.2016	31.8.2015	30 April 2016
	Nominal value	Nominal value	Nominal value
	Fair value	Fair value	Fair value
Interest rate derivatives	225,000	263,468	235,000
	-913.2	496	-284
Currency derivatives	97,572	95,967	126,478
	110	0	142
Commodity derivatives	7,257	6,743	6,641
	-1,480	-971	-1,396
Nominal value, total	329,829	366,178	368,119
Fair value, total	-2,283	-475	-1,538