Interim Report 1.5.–31.8.2017

Board of Directors, 19 October 2017

VAPO OY INTERIM REPORT 1 MAY–31 AUGUST 2017

The first third of the year in brief:

- Group turnover in May–August was EUR 95.4 million (EUR 87.9 million in May–August 2016).
- The operating margin (EBITDA) was EUR 4.8 million (EUR 5.8 million), or 5.0% (6.5%) of turnover.
- The operating loss was EUR -10.0 million (EUR -9.0 million), or -10.5% (-10.2%) of turnover.
- Free cash flow before taxes was EUR 1.7 million (EUR 17.6 million).
- Gross investments were EUR 10.5 million (EUR 12.4 million).
- Earnings per share EUR -327 (-370)
- The Group produced a total of 9.3 million cubic metres of peat (9.5 million m^3).

Strong cash flow enabled the reduction of the balance sheet and the acceleration of the digital transformation

The Group's turnover in the first third of the financial year (May–August 2017) amounted to EUR 95.4 million (EUR 87.9 million in May–August 2016). The turnover in the comparison period included EUR 2.3 million from Kekkilä's operations in Norway, which were divested in March 2017. "I'm pleased with the progress we've made in reducing our balance sheet and debt thanks to the previous year's strong cash flow and financing arrangements," Tempakka says. The exceptionally cold spring and early summer meant that the Kekkilä Group's sales to amateur growers were substantially lower than in the comparison period in both Finland and Sweden. However, the below-average temperatures increased the Group's fuel and heating sales in all markets. Peat production in Sweden and Estonia went as planned but, in Finland, the rainy weather resulted in the peat production volume being approximately 65 per cent of the target.

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. The Group's operating loss for the first third of the financial year was EUR -10.0 million (EUR -9.0 million). The result was reduced by Vapo Oy's peat production volume being only some 6.7 million m^3, which increased the reporting period's costs recognised through profit and loss by EUR 4.9 million (EUR 2.0 million) due to the amount of stored peat being lower than the normal production volume. Nevertheless, Vapo Oy's energy peat reserves remain at a good level. This ensures the reliability of deliveries in the upcoming heating season even if the winter turns out to be colder than average.

The Group's cash flow during the reporting period amounted to EUR 1.7 million (EUR 17.6 million). The Group has made a conscious effort to enhance the inventory turnover of fuel wood and pellets, and capital was also freed up by the low peat production volume as well as fuel sales being higher than in the comparison period.

According to Vapo Oy CEO Vesa Tempakka, a rainy summer and the normal seasonal fluctuation of the business constitute a difficult combination for achieving a strong result in the first third of the financial year. “Looking at our individual businesses, I am nevertheless satisfied with how the Kekkilä Group has improved its profitability by implementing other measures. This progress has been supported by a new organisational structure as well as the growing international market,” Tempakka says.

“In the energy business, our long-term goal is to shift our focus from fuel sales to multi-year energy solutions. We have invested in new digital services related to these solutions, and these efforts are now starting to bear fruit. For example, we have brought all of our Finnish power plants under the centralised control of our operations centre located in Vantaa’s Tikkurila district, and we have already signed our first agreements with external customers. The operations centre in Vantaa is currently running two boiler plants owned by Vatajankosken Sähkö and, starting from next March, it will also operate two steam boilers owned by UPM Kalso Plywood,” Tempakka explains. “We aim to acquire more new power plant customers for our remote operations centre and introduce new digital services for use by smaller heating plants as well,” Tempakka adds.

“In June, we repaid a EUR 100 million bond without having to refinance it. Our goal is to further reduce our balance sheet and liabilities,” Tempakka says.

Developments by business segment

The reporting segments are comprised of the Group companies in accordance with Vapo’s management model. 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.

Vapo Oy

Vapo Oy provides 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 newest businesses are Vapo Fibers and Vapo Carbons, both of which have product development and commercialisation processes already underway.

The most significant events during the review period were the increased sales of fuels and heating due to the cool and rainy summer, the peat production volume being lower than planned, and the growth investments made in the Heat and Power business area.

Turnover in the first third of the financial year (May–August) amounted to EUR 47.6 million (EUR 42.3 million). The operating loss for the reporting period was EUR -10.5 million (EUR -7.8 million). The operating result includes EUR 4.9 million in costs recognised through profit and loss arising from the low peat production volume. This represents approximately 60 per cent of the estimated impact on profit and loss for the full financial year. In the comparison period, EUR 2.0 million in costs recognised through profit and loss related to peat production were recorded by the end of August, which represented approximately 45 per cent of the final impact on profit and loss as the actual peat production volume was determined more specifically following the final measurements taken in September–November. Investments amounted to EUR 8.6 million (EUR 8.9 million).

Vapo Oy	5–8/2017	5–8/2016	Change %	5/2016–4/2017
Turnover (EUR million)	47.6	42.3	12.6	247.4
Operating profit (EUR million)	-10.5	-7.8	-33.7	13.2
Investments (EUR million)	8.6	8.9	-3.4	30.9
Number of employees	417	418	-0.2	383
Peat production (million m^3)	6.7	6.9	-2.9	7.4

Fuel and heating deliveries in the first third of the financial year (May–August) showed a year-on-year increase of 13 per cent. The cool and rainy summer led to higher demand for heating and fuels. The peat extraction volume for the summer 2017 production season was significantly below the target for the third consecutive summer at 6.7 million m^3 (6.9 million m^3). However, stockpiles accumulated in previous years secure the deliveries of fuel peat, agricultural peat, environmental peat and litter peat to customers.

The turnover and operating result of the Heat and Power business area developed favourably. Turnover was increased by the cool summer temperatures as well as the investments made in the growth of the business. The district heating business was expanded to Luoto municipality. New heat and steam plants were commissioned during the reporting period at Valio’s Jyväskylä dairy and Patria’s Halli unit. The efficiency of heating and power plant operations was increased, for example, by the advanced remote operation models enabled by the operations centre.

The company continues to have a strong focus on developing the digital customer experience. Vapo aims to lead the energy industry in terms of the speed of its digital transformation. The district heating portal and online pellet store have seen active use following their launch. The sales volume of the online pellet store has grown to exceed one million euros in less than a year. A growing proportion of the consumer pellet trade is taking place online. Customer feedback on Vapo’s digital services has been positive.

Neova AB

Neova AB is a Swedish subsidiary of Vapo Oy. It provides district heating to its customers and customised 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.

The most significant events of the review period were successful peat production in terms of both quality and quantity, as well as strong demand for fuels and heating due to the weather being colder than in the comparison period.

Turnover in the first third of the financial year (May–August) amounted to EUR 8.9 million (EUR 8.3 million). The operating loss for the period was EUR -1.6 million (EUR -2.1 million). Gross investments were EUR 1.1 million (EUR 1.0 million).

Neova AB	5–8/2017	5–8/2016	Change %	5/2016–4/2017
Turnover (EUR million)	8.9	8.3	7.7	43.3
Operating profit (EUR million)	-1.6	-2.1	24.7	0.9
Investments (EUR million)	1.1	1.0	10.0	3.2
Number of employees	89	96	-7.3	86
Peat production (million m^3)	0.9	1.1	-13.0	1.2

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 45 per cent of the subsidiary’s annual turnover, while wood fuels account for 30 per cent, energy peat 15 per cent and heating 10 per cent.

The most significant events of the review period were a substantial increase in the sales of agricultural peat, fuels and heating compared to the corresponding period last year. Peat production went according to plan.

Turnover in the first third of the financial year (May–August) amounted to EUR 4.4 million (EUR 3.0 million). The operating profit for the period was EUR 0.5 million (EUR 0.1 million). Turnover showed a year-on-year increase for fuels as well as agricultural peat. Gross investments were EUR 0.4 million (EUR 1.6 million).

AS Tootsi Turvas	5–8/2017	5–8/2016	Change %	5/2016–4/2017
Turnover (EUR million)	4.4	3.0	48.1	16
Operating profit (EUR million)	0.5	0.1	934	1.3
Investments (EUR million)	0.4	1.6	-75.0	3.3
Number of employees	32	33	-3.0	33
Peat production (million m^3)	0.6	0.4	33.3	0.4

Kekkilä Group

Kekkilä Group develops, produces and markets high-end garden soils, plant fertilisers and mulches as well as home garden and yard construction products for amateur and professional growers and landscapers. Kekkilä Group exports its products to more than 60 countries.

The most significant events of the review period were strong sales growth in the Kekkilä Professional and Kekkilä Recycling businesses as well as peat production going almost according to plan.

Turnover in the first third of the financial year (May–August) amounted to EUR 35.7 million (EUR 35.4 million). The operating profit was EUR 3.1 million (EUR 2.5 million). Kekkilä Group’s gross investments were EUR 0.5 million (EUR 0.8 million). Kekkilä Group’s turnover improved year-on-year in all business areas. Compared to the corresponding period last year, turnover was also boosted by the peak sales season falling later in the spring.

Kekkilä Group	5–8/2017	5–8/2016	Change %	5/2016–4/2017
Turnover (EUR million)	35.7	35.4	0.9	89.5
Operating profit (EUR million)	3.1	2.5	23.5	-1.1
Investments (EUR million)	0.5	0.8	-37.5	2.2
Number of employees	254	272	-6.6	263
Peat production (million m^3)	1.0	1.0	-2.7	1.2

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.

Vapo Clean Waters Ltd has been selected as a framework agreement partner for expert services in drainage water planning by the cities of Tampere, Lahti and Hyvinkää. The first assignment began in Tampere during the review period. The company also focused on identifying new customer segments, surveying customer needs and the sales of solution proposals. In product development, the emphasis was on developing water filtration solutions using natural materials for customers such as the Finnish Defence Forces.

The impact of the Others segment on the operating result in May–August was EUR -0.3 million (EUR -0.3 million).

Others	5–8/2017	5–8/2016	Change %	5/2016–4/2017
Turnover (EUR million)	0.1	0.1	13.4	0.3
Operating profit (EUR million)	-0.3	-0.3	-9.9	-0.8
Number of employees	9	11	-18.2	11

Cash flow, investments and financing

The Group's free cash flow before taxes was EUR 1.7 million (EUR 17.6 million). Cash flow in the comparison period was increased by a financial leasing arrangement of approximately EUR 20 million in the Heat and Power business area. The operating margin (EBITDA) was EUR 4.8 million (EUR 5.8 million). Reduced working capital improved cash flow by EUR 6.8 million (EUR 3.3 million).

Gross investments in the reporting period amounted to EUR 10.5 million (EUR 12.4 million), or 79 per cent (93%) of depreciation. Investments in the Heat and Power business area accounted for approximately 49 per cent of total investments, while peat production investments accounted for about 34 per cent.

Interest-bearing net debt at the end of the reporting period stood at EUR 270.6 million (EUR 368.3 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 2017 was 4.8 (7.8). Short-term interest-bearing debt was EUR 34.4 million (EUR 113.4 million). Of the Group's long-term interest-bearing debt, 48.1 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 49.2 per cent (38.0%) and the gearing ratio was 82.1 per cent (133.2%). The consolidated balance sheet total was EUR 695.9 million (EUR 760.6 million). The Group's net financing items were EUR -1.9 million (EUR -4.1 million). Net financing items were 2.0 per cent (4.6%) of turnover.

The strong positive cash flow of the previous financial year allowed the Group to repay a EUR 100 million bond in June without having to refinance it.

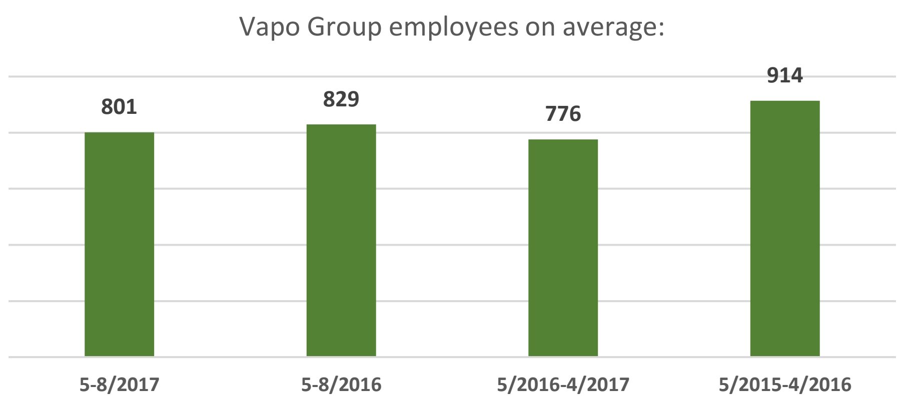
Natural seasonal fluctuation in activities

The Group's energy business is cyclical due to seasonal variation in the demand for heating. During the recently concluded first third of the financial year, the focus was on fuel production and acquisition. Extended periods of no rain are essential for successful peat production in terms of both quality and quantity. The conditions varied between the Group's production countries during the past summer. Production was least successful in Finland, where the actual production volume was approximately 65 per cent of the target. This was reflected in higher production costs due to the amount of stockpiled peat being lower than planned. The temperatures in the upcoming winter months will also have a significant impact on the company's result for the full financial year.

Kekkilä's gardening business is sensitive to seasonal fluctuations, with demand peaking in the spring. The start of the spring season was delayed in the Nordic countries this year and the season fell in May–June in the recently concluded reporting period. However, the season was shorter than usual, which was particularly reflected in consumer sales. Peat production also plays a key role in Kekkilä's operations in the first third of the financial year. The company achieved its production target during this year's production season.

Number of employees

The Group employed an average of 801 (829) persons in the first third of the financial year.



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.

The Group’s investments in improving the organisation’s safety culture are already being reflected in a reduced number of accidents and lower accident frequency as well as an increase in safety observations and related improvement measures throughout Vapo Group.

Vesa Tempakka took up his post as Vapo Oy’s new Chief Executive Officer on 29 May 2017.

Near-term risks to businesses

The uncertainty associated with securing environmental permits, caused by increasingly strict regulations that are open to interpretation, 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. For the continuity of peat production, it is important that the issuing of environmental permits for new peat production areas is consistent throughout the country and based on unambiguous environmental criteria.

Vapo has increased its investments in environmental protection at its production sites and enhanced the treatment of leachates originating from its peat production areas to ensure that there are no obstacles to the granting of permits attributable to Vapo 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.

Regulatory changes pertaining to the energy sector constitute the most significant risk to Vapo’s business. Heat and power production opportunities and profitability will be further reduced by the LCP BREF document, which will significantly tighten the emission limits on large combustion plants (over 50 MW), as well as the definition of the EU sustainability criteria concerning the energy use of wood and potential disadvantageous interpretations of said criteria. This will be reflected in the continued elimination of combined heat and power production capacity, which will reduce fuel demand. The sustainability criteria concerning the energy use of wood will be agreed upon in the European Commission’s energy package, but the process is still unfinished.

The LULUCF land use directive, which affects sectors outside emissions trading, will also affect the operating environment in the energy sector. As a result of a vote taken on 13 September 2017, the European Parliament decided that the carbon binding of forests will not be compared to historical data. Instead, the point of departure will be to manage forests at a level that will not reduce their capacity to bind carbon. The matter was discussed in October 2017 by the Council of the European Union chaired by Estonia. The Council proposes that Finland can increase felling by approximately six million cubic metres without being subject to sanctions, instead of the previously proposed figure of five million. As Finland's goal was to obtain additional felling opportunities in the amount of 10 million cubic metres, the outcome of the negotiations was disappointing for Finland. The matter is not, however, finished yet. The binding decisions will be made in tripartite negotiations between the EU's administrative bodies scheduled to start later this year.

The discussion of the EU's clean energy package will continue in 2017 in the European Parliament and the Council of Europe. The package comprises eight legislative proposals. Amongst others, they include the renewable energy directive, REDII, according to which the EU's binding target for renewables is 27 per cent by 2030. The final content is likely to be confirmed in 2018 at the earliest. The European Commission has also proposed increasing the use of renewable energy in heating and cooling by one percentage point per year. The European Union's policies and Finnish energy policy will significantly change the operating environment in the energy sector by reducing the demand for Vapo's traditional products. This requires the company to adapt to the development of the industry by creating new comprehensive solutions and products as well as investing in the development of new businesses outside the energy sector.

The final impacts of the three regulatory change packages on Vapo Group's financial position are difficult to estimate until all of the details have been decided and the exact dates of their entry into force are known. The LCP BREF decision will, with a delay of a few years, increase the costs of boiler plants that use wood and peat, and it is likely to shift the fuel emphasis from peat to wood to some extent. The changes to the LULUCF directive are not estimated to have a significant impact on Vapo Group's operating environment. In addition, there is insufficient information about the potential changes to the sustainability criteria of wood to estimate their impacts on Vapo Group's operating environment.

Finnish Forest Industries has called for the discontinuation of the electricity production subsidy for wood chips. If this were to happen, it could lead to higher taxes on energy peat and imported fossil fuels to maintain the competitiveness of wood-based energy and allow Finland to achieve its CO_2 emission reduction target. The consequences of this would include a substantial decline in the competitiveness of combined heat and power production, lower demand for fuels and a significant change in energy peat's position in the fuel market.

In summer 2017, peat production was in line with the plans in Sweden and Estonia, but production volume fell short of the target in Finland. Falling short of the target increases the unit costs of peat production allocated to the financial year due to the quantity of stored peat being lower than expected. However, the successful stockpiling of peat produced in previous production seasons means that the lower peat production will not affect the supply of products by Vapo and Kekkilä in the upcoming delivery season. Unfavourable production conditions resulting from potential bad weather next summer constitute a higher risk to the supply of peat products than in the past.

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

Product development activities in Vapo's new businesses, namely Vapo Carbons and Vapo Fibers, have seen promising progress, particularly with respect to market surveys. However, as designing the necessary production technology will take longer than anticipated, the decision on Vapo Carbons' potential investment in a production plant will be made next spring at the earliest.

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.

Events after the review period

Slightly less than a year ago, Vapo Oy commenced a survey of the future demand for the Group's raw materials and how to source them as cost-effectively as possible. As part of the survey, the Group investigated scenarios involving the sale of practically all of its land assets, some 100,000 hectares in total, which would free up capital previously tied in land assets for use in other businesses. The goal was that the arrangement would entail Vapo leasing back the necessary peat production areas under long-term leases. The potential land sale attracted widespread interest in Finland and among international investors. The outcome of the negotiations was that the proposed sale would not fulfil the requirements set by Vapo for the arrangement. As a result, the Group decided against selling all of its land assets in a single commercial transaction. The Group will continue to sell land assets released from peat production as part of its business operations.

General Meeting

Vapo Oy's Annual General Meeting was held in Helsinki on 9 October 2017. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 May 2016–30 April 2017 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 2017 amounting to EUR 133.33 per share, or EUR 4.0 million in total. The dividend payment date was 9 October 2017.

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 eight. Jan Lång continues as Chairman, with Markus Tykkyläinen elected Vice Chairman. Tuomas Hyyryläinen, Pirita Mikkanen, Minna Pajumaa and Minna Smedsten continue as ordinary members of the Board of Directors. Juhani Järvelä and Risto Kantola were elected to the Board of Directors as new members.

The audit firm KPMG Oy Ab was elected as the company's auditor, with Ari Eskelinen, APA, as the chief auditor.

Outlook for the remainder of the financial year, to 30 April 2018

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 is expected to improve year-on-year. However, this is subject to the coming winter not being exceptionally warm like the past two winters have been. The Group's operating profit will be reduced by unsuccessful peat production in Finland, and the operating profit for the full financial year is expected to be slightly lower than in the previous year. Electricity prices are expected to remain at the current level, and new demand for solid fuels is not expected in electricity generation. The new businesses will not yet generate significant turnover during the current financial year.

Vantaa, 19 October 2017

Vapo Oy

Board of Directors

For further information, please contact:

Vesa Tempakka, CEO
tel. +358 20 790 5999

Suvi Kupiainen, CFO
tel. +358 20 790 5516

Ahti Martikainen, Director, Communications and Public Affairs
tel. +358 20 790 5608

Consolidated key figures

MEUR	5–8/2017	5–8/2016	5/2016–4/2017
Turnover	95.4	87.9	392.1
Operating profit (EBIT)	-10.0	-9.0	20.0
% of turnover	-10.5	-10.2	5.1
Operating profit (EBIT) before impairments	-10.0	-8.8	22.4
% of turnover	-10.5	-10.0	5.7
Profit/loss from discontinued operations			
Profit/loss for the period	-9.8	-11.0	8.1
Operating margin (EBITDA)	4.8	5.8	56.9
+/- Change in working capital	6.8	3.3	14.7
- Net investments	-9.9	8.5	1.6
Free cash flow before taxes	1.7	17.6	73.2
Gross investments	10.5	12.4	39.6
Return on invested capital % *	2.9	1.8	3.0
Return on invested capital % before impairments *	3.3	2.0	3.4
Return on equity % *	2.9	-1.3	2.6
Balance sheet total	695.9	760.6	812.4
Shareholders' equity	329.5	276.5	339.7
Interest-bearing net debt	270.6	368.3	269.6
Equity ratio %	49.2	38.0	43.0
Interest-bearing net debt/operating margin	4.8	7.8	4.7
Gearing %	82.1	133.2	79.4
Personnel on average	801	829	776

*) Previous 12 months

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

Turnover and operating profit for the comparison period, 5/2015–4/2016, excluding discontinued operations.

Interim Report Tables

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 2016–30 April 2017.

The information presented in this Interim Report is unaudited.

Consolidated statement of

MEUR	5–8/2017	5–8/2016	Change %	5/2016–4/2017
TURNOVER	95.4	87.9	8.5%	392.1
Other operating income	1.7	2.5	-31.5%	11.0
Share of associates' results	-1.3	-1.5	-7.7%	1.1
Operating expenses	-92.3	-84.7	9.1%	-346.2
Depreciation	-13.4	-13.1	2.1%	-35.6
Impairment	0	-0.2		-2.4
OPERATING PROFIT	-10.0	-9.0	-11.1%	20.0
Financial income	2.1	3.6	-43.3%	6.0
Financial expenses	-4.0	-7.7	-48.0%	-15.8
PROFIT/LOSS BEFORE TAXES	-11.9	-13.1	8.7%	10.2
Income taxes	2.1	2.0	4.9%	-2.0
PROFIT/LOSS FOR THE PERIOD	-9.8	-11.0	11.2%	8.1
OTHER COMPREHENSIVE INCOME ITEMS:				
Translation differences from foreign units	-0.4	-0.7		-0.8
Other comprehensive income items for the period after taxes	-10.2	-11.7		7.3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD				
Distribution of profit for the period:				
To parent company shareholders	-9.8	-11.1		8.1
To non-controlling shareholders	0	0.1		0
	-9.8	-11.0		8.1
Distribution of comprehensive income for the period:				
To parent company shareholders	-10.2	-11.7		7.4
To non-controlling shareholders	0	0.1		0
	-10.2	-11.7		7.3
Earnings per share calculated from profits due to parent company shareholders				
Earnings/share, EUR	-327	-370		271
Average number of shares	30,000	30,000		30,000

Consolidated balance sheet

MEUR	31.8.2017	31.8.2016	30.4.2017
ASSETS			
LONG-TERM ASSETS			
Intangible assets	12.6	11.0	12.9
Goodwill	5.3	6.0	5.4
Land and water areas	43.0	44.8	43.2
Buildings and structures	37.6	44.3	38.7
Machinery and equipment	119.8	128.3	122.0
Other tangible assets	226.8	219.4	221.6
Investments in progress	40.0	45.2	43.8
Investments	19.3	29.8	21.4
Long-term receivables	3.3	3.0	3.3
Deferred tax asset	0.5	0.5	0.2
LONG-TERM ASSETS	508.3	532.2	512.5
CURRENT ASSETS			
Inventories	141.3	168.8	123.5
Sales and other receivables	45.2	54.0	80.9
Cash on hand and in the bank	1.1	5.6	95.5
CURRENT ASSETS	187.5	228.4	299.9
ASSETS	695.9	760.6	812.4
SHAREHOLDERS’ EQUITY AND LIABILITIES			
SHAREHOLDERS’ EQUITY			
Parent company shareholders’ share of shareholders’ equity	329.1	275.4	339.3
Non-controlling shareholders	0.4	1.1	0.4
SHAREHOLDERS’ EQUITY	329.5	276.5	339.7
LONG-TERM LIABILITIES			
Deferred tax liability	14.3	15.4	15.9
Long-term interest-bearing liabilities	240.7	268.0	241.1
Long-term non-interest-bearing liabilities	7.0	7.3	7.1
Long-term provisions	8.0	8.0	7.7
Pension liabilities	4.6	3.5	4.6
LONG-TERM LIABILITIES	274.6	302.1	276.5
CURRENT LIABILITIES			
Current interest-bearing liabilities	34.4	113.4	127.4
Current non-interest-bearing liabilities	57.4	68.6	68.8
CURRENT LIABILITIES	91.8	182.0	196.2
SHAREHOLDERS’ EQUITY AND LIABILITIES	695.9	760.6	812.4

Statement of change in Group shareholders' equity

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
SHAREHOLDERS' EQUITY 1.5.2017	50.5	30.2	-3.0	211.7	50.0	339.3	0.4	339.7
Changes in shareholders' equity								
Total comprehensive income for the period			-0.4	-9.8	0	-10.2	0	-10.2
SHAREHOLDERS' EQUITY 31.8.2017	**50.5**	**30.2**	**-3.4**	**201.9**	**50.0**	**329.1**	**0.4**	**329.5**

MEUR	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
SHAREHOLDERS' EQUITY 1.5.2016	50.5	30.1	-2.2	208.8	0	287.1	1.0	288.2
Changes in shareholders' equity								
Total comprehensive income for the period			-0.6	-11.1	0	-11.7	0.1	-11.7
SHAREHOLDERS' EQUITY 31.8.2016	**50.5**	**30.1**	**-2.8**	**197.7**	**0**	**275.4**	**1.1**	**276.5**

Condensed consolidated cash flow statement

MEUR	5–8/2017	5–8/2016	5/2016–4/2017
Cash flow from operating activities			
Profit/loss for the period	-9.8	-11.0	8.1
Adjustments to the result for the period	13.8	15.3	44.5
Change in working capital	7.0	2.9	11.1
Cash flow from operating activities before financial	**11.0**	**7.1**	**63.8**
Net financial expenses	-3.2	-0.2	-5.7
Taxes paid on operating activities	-0.8	-1.5	-1.5
Cash flow from operating activities	**7.0**	**5.4**	**56.6**
Cash flow from investing activities			
Investments in tangible and intangible assets	-10.6	-11.0	-37.9
Proceeds from disposal of tangible and intangible assets	1.4	22.3	34.8
Acquisition of subsidiaries, net of cash	0	-1.3	-1.2
Divestment of subsidiaries, net of cash	0	0	3.5
Associates' shares sold	0	0	3.6
Proceeds from disposal of other investments	0	0	7.7
Changes in loans receivable	0	1.0	5.1
Dividends received	1.0	2.7	2.6
Cash flow from investing activities	**-8.1**	**13.6**	**18.1**
Cash flow before financing	**-1.1**	**19.0**	**74.7**
Cash flow from financing activities			
Change in long-term loans and other financing items	-93.3	-22.8	15.4
Dividends paid	0	0	-4.0
Cash flow from financing activities	**-93.3**	**-22.8**	**11.4**
Change in cash and cash equivalents	**-94.4**	**-3.8**	**86.1**
Cash and cash equivalents opening balance	95.5	9.4	9.4
Change in cash and cash equivalents	-94.4	-3.8	86.1
Effect of changes in exchange rates	0	0	-0.2
Cash and cash equivalents at end of period	1.1	5.7	95.5

Notes to the interim report

SEGMENT DATA 5–8/2017

MEUR	Vapo Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Others	Eliminations	Group total
External turnover	46.9	35.2	8.8	4.4	0	0	95.4
Internal turnover	0.7	0.5	0.1	0	0.1	-1.4	0
Turnover	**47.6**	**35.7**	**8.9**	**4.4**	**0.1**	**-1.4**	**95.4**
Segment operating profit/loss	-10.5	3.1	-1.6	0.5	-0.3	-1.2	-10.0
Financial income and expenses	-0.8	-0.4	0.3	0	0.4	-1.4	-1.9
Appropriations and income taxes	2.8	-0.4	0.3	0	0	-0.6	2.1
Result for the period	**-8.4**	**2.2**	**-1.0**	**0.5**	**0.1**	**-3.2**	**-9.8**
Segment assets	733.8	87.5	85.1	49.9	9.3	-288.4	677.3
Shares in associated companies	0.9	0	18.4	0	0	-0.8	18.5
Assets total	**734.7**	**87.5**	**103.5**	**49.9**	**9.3**	**-289.1**	**695.9**
Segment debt	469.3	58.7	86.9	5.7	6.6	-260.9	366.3
Debt total	**469.3**	**58.7**	**86.9**	**5.7**	**6.6**	**-260.9**	**366.3**
Investments	8.6	0.5	1.1	0.4	0	-0.1	10.5
Depreciation	9.0	2.1	1.9	0.6	0	-0.2	13.4

SEGMENT DATA 5–8/2016

MEUR	Vapo Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Others	Eliminations	Group total
External turnover	41.7	35.0	8.2	3.0	0	0	87.9
Internal turnover	0.6	0.4	0.1	0	0.1	-1.1	0
Turnover	**42.3**	**35.4**	**8.3**	**3.0**	**0.1**	**-1.1**	**87.9**
Segment operating profit/loss	-7.8	2.5	-2.1	0.1	-0.3	-1.3	-9.0
Financial income and expenses	-3.0	-0.4	2.0	0	-0.1	-2.6	-4.1
Appropriations and income taxes	3.9	-0.3	0.3	0	0.1	-2.0	2.0
Result for the period	**-6.8**	**1.7**	**0.2**	**0.1**	**-0.3**	**-5.9**	**-11.0**
Segment assets	784.6	94.8	87.3	47.9	9.7	-285.4	671.7
Shares in associated companies	8.0	0	18.4	0	0	-4.6	21.7
Assets total	**792.6**	**94.8**	**105.7**	**47.9**	**9.7**	**-290.0**	**760.6**
Segment debt	528.1	63.6	89.2	4.5	6.5	-208.6	483.3
Debt total	**528.1**	**63.6**	**89.2**	**4.5**	**6.5**	**-208.6**	**483.3**
Investments	8.9	0.8	1.0	1.6	0	0	12.4
Depreciation	8.7	2.3	1.9	0.5	0	-0.2	13.3

SEGMENT DATA 5/2016–4/2017

MEUR	Vapo Oy	Kekkilä Group	Neova AB	AS Tootsi Turvas	Others	Eliminations	Group total
External turnover	245.8	88.0	42.7	15.3	0.1	0	392.0
Internal turnover	1.6	1.5	0.5	0.7	0.2	-4.5	0
Turnover	**247.4**	**89.5**	**43.3**	**16.0**	**0.3**	**-4.4**	**392.1**
Segment operating profit/loss	13.2	-1.1	0.9	1.3	-0.8	6.4	20.0
Financial income and expenses	-5.7	-1.3	-0.1	0	-0.2	-2.6	-9.8
Appropriations and income taxes	-0.6	-0.2	0.4	0	0.2	-1.8	-2.0
Result for the period	**7.0**	**-2.6**	**1.2**	**1.4**	**-0.8**	**2.0**	**8.1**
Segment assets	833.9	104.0	85.2	48.8	9.2	-289.0	792.2
Shares in associated companies	0.9	0	18.2	0	0	1.6	20.7
Assets total	**834.8**	**104.0**	**103.4**	**48.8**	**9.2**	**-287.4**	**812.8**
Segment debt	560.4	76.3	85.7	5.9	6.6	-261.3	**473.6**
Debt total	**560.4**	**76.3**	**85.7**	**5.9**	**6.6**	**-261.3**	**473.6**
Investments	30.9	2.2	3.2	3.3	0	-0.1	39.6
Depreciation	22.9	6.7	5.0	1.5	0.1	-0.6	35.6

COLLATERAL, CONTINGENT COMMITMENTS AND OTHER LIABILITIES	**31.8.2017**	**31.8.2016**	**30.4.2017**
EUR THOUSAND			
Collateral			
As collateral for own debt			
Mortgages	0	6,691	0
Liabilities for own commitments			
Mortgages			
Guarantees	20,772	26,852	20,948
Pledged collateral	4	4	4
Total	20,776	33,547	20,952
Financial leasing and other rental liabilities			
Financial leasing liabilities			
Due within the next one-year period	2,520	2,512	2,517
Due later	32,290	39,666	37,987
Other rental liabilities			
Due within the next one-year period	2,960	2,365	3,119
Due later	6,497	3,922	6,691
Total	44,267	48,465	50,314

The Group has leased machinery and equipment, vehicles and computer hardware. Leased production machinery and equipment, with a capital value of EUR 7.6 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 end date.

Guarantees given on behalf of others	31.8.2017	31.8.2016	30.4.2017
Contingent commitments on behalf of associates			
Guarantees	0	4,300	0

DERIVATIVE CONTRACTS	31.8.2017	31.8.2016	30.4.2017
EUR THOUSAND	**Nominal value**	**Nominal value**	**Nominal value**
	Fair value	Fair value	Fair value
Interest rate derivatives	95,000	225,000	195,000
	-1,709	-913	-1,676
Currency derivatives	87,296	97,572	96,795
	-522	110	312
Commodity derivatives	5,171	7,257	5,171
	-242	-1,480	-812
Nominal value, total	187,467	329,829	296,966
Fair value, total	-2,473	-2,283	-2,176