Interim Report 1.5.-31.8.2018

Board of Directors, 24 October 2018

VAPO OY INTERIM REPORT 1 MAY–31 AUGUST 2018

The first third of the year in brief:

- Group turnover in May–August was EUR 90.8 million (EUR 95.4 million in May–August 2017).
- The operating margin (EBITDA) was EUR 7.3 million (EUR 4.8 million), or 8.1% (5.0%) of turnover.
- The operating loss was EUR -10.6 million (EUR -10.0 million), or -11.6% (-10.5%) of turnover.
- Free cash flow before taxes was EUR -26.5 million (EUR 1.7 million).
- Gross investments were EUR 10.6 million (EUR 1.7 million).
- Earnings per share were EUR -282 (EUR -327).
- Net debt/EBITDA: 3.7 (4.8)
- Equity ratio (%): 50.4 (49.3)
- Return on invested capital % (ROIC, previous 12 months) 4.3 (2.9)

A substantial improvement in operating margin and an investment in working capital

The Group’s turnover in the first third of the financial year (May–August 2018) amounted to EUR 90.8 million (EUR 95.4 million in May–August 2017). The exceptionally short gardening season meant that the Kekkilä Group’s sales to home gardeners were substantially lower than in the comparison period in both Finland and Sweden. The warm summer also reduced the Group’s fuel and heating sales in all markets.

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 (May–August) was EUR -10.6 million (EUR -10.0 million). The result was negatively affected mainly by lower sales compared to the previous year, higher transport costs due to oil prices and substance depreciation arising from the good peat production season, which has a front-loaded effect on the operating result. However, the operating margin improved significantly, amounting to EUR 7.3 million (EUR 4.8 million). The result for the period was EUR -8.5 million (EUR -9.8 million). Lower net financial expenses had a positive effect on the result.

The Group’s cash flow during the reporting period amounted to EUR -26.5 million (EUR 1.7 million). After several years of low peat production, Vapo decided to take maximum advantage of the warm peat production season of summer 2018 and invested in working capital. Peat production in Finland, Estonia and Sweden even exceeded expectations, with the summer’s previously set production targets exceeded by a substantial margin in Finland and Estonia. While this is partly reflected in higher inventory levels, which has a negative effect on the Group’s key figures, the high-quality peat reserves ensure reliable fuel deliveries to customers beyond the upcoming heating season. The Group also has horticultural peat and bedding peat inventories to meet growing demand.

CEO Vesa Tempakka:
“The new strategy is producing results”

“Vapo announced its new strategy and the structure that supports it in spring 2018. The early experiences of operating under a cross-border single company model have been positive both within the organisation and among customers. The strategy—which is aimed at growth in the international growing media business, increasing the share of services in the energy business and developing new products from peat and other natural materials—is perceived as inspiring and sustainable.

The Grow&Care division’s strategy matches several megatrends. Urbanisation and climate change are creating more demand for clean and plant-based local food. Peat’s qualities as growing media support sustainable food production and reduce water consumption in agriculture. Growing interest in well-being supports not only the professional growing business, but also more natural lifestyles. These trends will have a favourable impact on consumer demand as well as businesses related to recycling and landscaping.

The best feedback on the success of the strategy is the significant Kekkilä-BVB merger announced earlier this month and the very positive reception it has been met with in the markets.

The emphasis of the Vapo Energy division’s operations is on shifting the focus from fuels to customised energy solutions. After establishing Vapo Lämpövoima last spring, the Group now has the ability to participate in competitive bidding in the energy sector. This new operating model has also been well received by the market. The current offer book is substantially larger than in the previous years.

During the first third of the financial year, Vapo moved forward with projects aimed at producing activated carbon and new fibre products from peat. Both projects are progressing according to plan. The company is currently awaiting decisions from the authorities on environmental permits for a production plant for activated carbon.

The most significant changes in the operating environment during the review period were the substantially higher prices of emission rights and the unexpected decision to increase peat taxes. The market-based increase in the prices of emission rights leads to higher consumer prices for energy, and the recent increase in energy taxes on peat has the same effect. Both factors increase the risk related to the sufficient availability of wood suitable for processing.

One of the most important goals for this financial year is to complete the Kekkilä-BVB merger, which was announced earlier in October, during spring 2019.”

Developments by business segment

The reporting segments are comprised of the Group's divisions in accordance with Vapo's new management model. Effective from 1 May 2018, Vapo Group's reporting segments are Energy, Grow&Care, New Businesses and other activities.

Energy

The Energy division is responsible for the energy and fuel solutions provided by Vapo Group in Finland, Sweden and Estonia. We provide energy producers with peat, wood and pellet fuels as well as the most advanced remote operation services in the industry. For our industrial and municipal customers, we produce heat and steam as a service at six power plants and approximately 150 heating plants. We supply our consumer customers with district heating in more than 35 district heating networks. We serve our pellet customers through our own sales service as well as our online store. The division's turnover for the financial year that ended in April 2018 amounted to EUR 299 million, with renewable biofuels and energy solutions representing approximately half of this total.

Turnover in the first third of the financial year (May–August) amounted to EUR 44.1 million (EUR 51.1 million). The operating loss for the reporting period was EUR -11.0 million (EUR -10.3 million). Investments amounted to EUR 9.0 million (EUR 9.0 million).

The warm summer reduced the demand for heating and fuels during the first third of the financial year. Heating deliveries were 21 per cent lower than in the comparison period. Fuel deliveries decreased 12 per cent (300 GWh) year-on-year.

The conditions for peat extraction were favourable during the summer 2018 production season, which helped improve the result for the first third of the year compared to the previous year's poor peat production season. The strong production season created a buffer against potentially weaker production seasons in the coming years, helping ensure peat deliveries to customers in the upcoming heating season and the one after it.

Energy	5–8/2018	5–8/2017	Change	5/2017–4/2018
Turnover (EUR million)	44.1	51.1	-13.7%	298.7
Operating profit (EUR million)	-11.0	-10.3	-6.8%	32.5
Investments (EUR million)	9.0	9.0	0.1%	23.6
Number of employees	403	398	1.1%	374
Energy sales, peat (GWh)	1,509	1,734	-13.0%	11,382
Energy sales, other fuels (GWh)	602	669	-10.0%	3,631
Heat and steam sales (GWh)	229	291	-21.3%	1,740

Grow&Care

The Grow&Care division comprises all of the Group's businesses in the horticultural sector. The division has three main customer segments: consumers, landscaping customers and professional growers. In the bedding peat business, our customers include horse farms, cattle farms, pig houses and poultry producers. In the raw material trade, we supply horticultural peat for further processing by customers around the world.

The division's well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in Finland, Estonia and Sweden. Kekkilä Professional focuses on the professional grower business in Vapo Group's home markets as well as the global markets. Its products are exported to more than 80 countries.

Turnover in the first third of the financial year (May–August) amounted to EUR 46.7 million (EUR 44.5 million). The operating profit was EUR 4.8 million (EUR 4.3 million). Gross investments were EUR 1.0 million (EUR 0.7 million).

The Grow&Care division's operating profit improved year-on-year in every business area except Kekkilä Garden and Hasselfors Garden. The Garden business areas suffered from the exceptionally short spring. Spring turned quickly into summer, shortening the peak season and reducing consumers' enthusiasm for gardening. This was reflected in the demand for our products. Strong sales growth in the Professional and Materials business areas had a positive impact on the division's profit performance.

Grow&Care	5–8/2018	5–8/2017	Change	5/2017–4/2018
Turnover (EUR million)	46.7	44.5	5.1%	121.2
Operating profit (EUR million)	4.8	4.3	12.3%	7.3
Investments (EUR million)	1.0	0.7	46.5%	3.1
Number of employees	293	282	3.9%	268

New Businesses

The New Businesses division comprises the Carbons and Ventures units. It creates new products and innovations based on the Group's raw material resources. Product development requires resources and the goal of the New Businesses division is to produce sustainable new business based on our resources and expertise, which will increase our shareholder value in the long run. Vapo Ventures is also responsible for developing and managing the Group's shared innovation activities and managing the company's IP assets.

The operating loss for the period was EUR -0.7 million (EUR -0.3 million). Gross investments were EUR 0.3 million (EUR 0.6 million).

New Businesses	5–8/2018	5–8/2017	Change	5/2017–4/2018
Turnover (EUR million)	0.0	0.0		0.0
Operating result (EUR million)	-0.7	-0.3	129.9%	-1.1
Investments (EUR million)	0.3	0.6	-53.2%	2.1
Number of employees	18	18	0.0%	18

Other activities

The other activities segment, which produces IT, finance, HR and other administrative services as well as supply chain management for the Group companies, consists of costs that are not allocated to the business units from the countries in which we operate.

The impact of the Other segment on the operating result in May–August was EUR -3.7 million (EUR -3.8 million).

Other	5–8/2018	5–8/2017	Change	5/2017–4/2018
Turnover (EUR million)	0.1	0.1	-54.0%	0.6
Operating result (EUR million)	-3.7	-3.8	-2.9%	-13.4
Number of employees	90	103	-12.6%	98

Cash flow, investments and financing

The Group's free cash flow before taxes was EUR -26.5 million (EUR 1.7 million). The good peat production season of summer 2018 tied up working capital as planned. The change in working capital had an effect on cash flow of
EUR -25.2 million (EUR 6.8 million) The operating margin (EBITDA) was EUR 7.3 million (EUR 4.8 million).

Gross investments in the reporting period amounted to EUR 10.6 million (EUR 10.5 million), or 64 per cent (79%) of depreciation. Investments by the Energy division accounted for about 85 per cent of the total.

At the end of the reporting period, interest-bearing net debt stood at EUR 233.9 million (EUR 270.6 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 2018 was 3.7 (4.8). Short-term interest-bearing debt amounted to EUR 15.8 million (EUR 34.4 million). Of the Group's long-term interest-bearing debt, 49.7 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 50.4 per cent (49.3%) and the gearing ratio was 70.8 per cent (82.1%). The consolidated balance sheet total was EUR 680.8 million (EUR 695.9 million). The Group's net financing items were EUR 0.4 million (EUR -1.9 million). Net financing items were 0.4 per cent (2.0%) of turnover. The reporting period's net financing items were favourably affected by lower net debt as well as the increased value of emission rights.

Natural seasonal fluctuation in activities

The Group's energy business is cyclical due to seasonal variation in the demand for heating and peat production operations primarily taking place in T1. 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 were excellent in the Group's production countries during the past summer. Production was the most successful in Finland, where the actual production volume slightly exceeded 100 per cent of the target. This was reflected in the first third of the financial year as higher substance depreciation on peat production areas according to their use. For the financial year as a whole, however, the successful peat production season will be reflected in lower per-unit production costs. The temperatures in the upcoming winter months will also have a significant impact on the company's result for the full financial year.

The Grow&Care division's gardening business is sensitive to seasonal fluctuations, with demand peaking from late spring to early summer. 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 804 (801) persons in the first third of the financial year.

Employees by segment, average

	5–8/2018	5–8/2017	5/2017–4/2018
Energy	403	398	374
Grow&Care	293	282	268
New Businesses	18	18	18
Other	90	103	98
Total	**804**	**801**	**758**

In accordance with the new structure, the joint codetermination committee of Vapo Group's Finnish operations met once during the reporting period. The agenda for the meeting included the Group's financial performance, the progress of the implementation of the new strategy and business reviews by the heads of the divisions. The meeting also reviewed the Group's updated equality and non-discrimination plan.

Jarmo Santala took up his post as Vapo Group's Chief Financial Officer on 23 July 2018.

Near-term risks to businesses

The profitability of using energy peat is declining. In less than a year, the price of emission rights has increased from about EUR 5 to EUR 20 per tonne of CO2. This change in the price of emission rights has increased customers' fuel costs by the same amount that would have resulted from increasing taxes on energy peat by approximately EUR 6 per MWh. The increase in the price of emission rights affects the costs of heating as well as electricity production. Energy peat taxes will increase from the current level of EUR 1.9/MWh to EUR 3/MWh on 1 January 2019. The tax applies to the use of energy peat in heating production, but not electricity production. The rising cost of using peat creates increased pressure to use wood fuels, which will affect the price and availability of fuel wood in the future.

Finnish Forest Industries has called for the discontinuation of the electricity production subsidy for wood chips. In practice, the increase in the price of emission rights is leading to a situation where the electricity production subsidy is no longer paid for wood chips. This also means that the restriction on large-diameter wood, which is set to be introduced at the beginning of 2019, will lose any significance. Under the new model, the electricity production subsidy for wood chips produced from raw material that meets the standards for commercial timber is capped at 60 per cent of the maximum.

The IPCC published its climate report on 8 October 2018. Compared to previous publications, the report places more emphasis on short-term actions necessary for slowing climate change.
The report received widespread media coverage upon its publication. Several political statements on the issue have highlighted the need for stronger political steering towards the elimination of fossil fuels in the energy sector. The Finnish government has previously decided that the use of coal will be banned from 2029 onwards. In 2014, the Parliamentary Committee on Energy and Climate Issues stated that the use of energy peat will be discontinued in Finland only after first discontinuing the use of imported fossil fuels (coal, natural gas, oil).

The drafting of the EU Fertilising Products Regulation, which will harmonise the fertiliser and growing media sector in the European Union, is linked to the drafting of the Circular Economy Package. The drafting of the Regulation is now in its final stages as the third trilogues are about to begin. As Finnish legislation governing fertilising products is among the strictest in the EU, the harmonisation measures are unlikely to place any additional burden on Finnish growing media production — on the contrary. However, it is possible that the harmonisation of EU legislation will reach a dead end in the final stages, with different countries trying to protect their fertiliser production with respect to cadmium restrictions, among other things.

The uncertainty associated with securing environmental permits for peat production 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.

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.

Events after the review period

Vapo continued to sell land assets released from peat production as part of its business operations by signing an agreement for the sale of 5,300 hectares of land to Tornator Oyj. The deal was announced on 6 September 2018. The sale will have a slight positive impact on Vapo's result for the second third of the year.

In October 2018, Vapo Oy and the Dutch company Nielson Belegging en Beheer B.V. signed an agreement to merge Vapo Oy's Grow&Care division and the Netherlands-based BVB Substrates B.V. to create Kekkilä-BVB Oy. The newly established entity is Europe's leading and most versatile company in the market for professional growers and home gardeners. The goal of the company is to provide horticultural solutions that support sustainable development and conserve fresh water, catering to the growing global trend of clean local food and the construction of attractive and pleasant living environments.

Vapo Oy will own 70 per cent of the company and the Van Buuren family's investment company, which was previously the sole owner of BVB Substrates B.V., will own 30 per cent. The new company's pro forma turnover is approximately EUR 240 million and it will employ around 500 people.

Some 37 per cent of the company's business is from the Nordic countries, 27 per cent from the Netherlands and 18 per cent from Central and Eastern Europe. Outside Europe, the company will have significant export markets in Asia, Africa, North America and South America. The company's products will be exported to more than 80 countries.

The merger is not subject to any particular approval procedures by the authorities. The goal is for the merger to take effect from the beginning of 2019. Juha Mäkinen, CEO of Kekkilä Oy, is in charge of the merger project on Vapo's side.

Vapo Oy's Extraordinary General Meeting held on 17 October 2018 strengthened Vapo's Board of Directors by appointing Kirsi Puntila, Senior Vice President, Marketing, Altia Group, as the eighth member of the Board.

General Meeting

Vapo Oy's Annual General Meeting was held in Helsinki on 6 September 2018. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 May 2017–30 April 2018 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 2018 amounting to EUR 300.00 per share, or EUR 9.0 million in total. The dividend payment date was 7 September 2018.

The AGM confirmed the number of members of the Supervisory Board as 10. Johanna Ojala-Niemelä was elected Chairman, with Heikki Miilumäki as Vice Chairman. Markku Eestilä, Hanna Halmeenpää, Lea Mäkipää, Hannu Hoskonen, Eero Kubin, Esko Kurvinen, Tommi Lunttila and Tiina Snicker were re-elected as members.

The AGM confirmed the maximum number of members of the Board of Directors as eight. Jan Lång continues as Chairman, with Markus Tykkyläinen as Vice Chairman. Tuomas Hyyryläinen, Juhani Järvelä, Risto Kantola, Minna Pajumaa and Minna Smedsten continue as members of the Board of Directors.

The audit firm KPMG Oy Ab was elected as the auditor.

Outlook for the remainder of the financial year, to 30 April 2019

Vapo Group’s turnover and profit is expected to improve year-on-year, provided that the Kekkilä-BVB merger is completed as planned at the beginning of 2019. Vapo Group’s comparable turnover is expected to be at the same level as, or slightly lower than, in the previous financial year, provided that the coming winter is normal in terms of temperature. The Group’s operating profit will be improved by successful peat production, and the comparable operating profit for the full financial year is expected to be on a par with the previous year or slightly higher. The new businesses will not yet generate significant turnover during the current financial year.

Vantaa, 24 October 2018

Vapo Oy

Board of Directors

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Consolidated key figures

MEUR	5–8/2018	5–8/2017	5/2017–4/2018	5/2016-4/2017
Turnover	90.8	95.4	419.8	392.1
Operating profit (EBIT)	-10.6	-10.0	26.3	20.0
% of turnover	-11.6	-10.5	6.3	5.1
Operating profit (EBIT) before impairments	-10.6	-10.0	27.2	22.4
% of turnover	-11.6	-10.5	6.5	5.7
Profit/loss for the period	-8.5	-9.8	17.6	8.1
Operating margin (EBITDA)	7.3	4.8	61.1	56.9
+/- Change in working capital	-25.2	6.8	37.6	14.7
- Net investments	-8.6	-9.9	-25.0	1.6
Free cash flow before taxes	-26.5	1.7	73.6	73.2
Gross investments	10.6	10.5	31.3	39.6
Return on invested capital % *	4.3	2.9	4.3	3.0
Return on invested capital % before impairments *	4.4	3.3	4.4	3.4
Return on equity % *	5.6	2.9	5.2	2.6
Balance sheet total	680.8	695.9	697.5	812.4
Shareholders' equity	330.3	329.5	347.9	339.7
Interest-bearing net debt	233.9	270.6	206.2	269.6
Equity ratio %	50.4	49.3	51.2	43.0
Interest-bearing net debt/operating margin	3.7	4.8	3.4	4.7
Gearing %	70.8	82.1	59.3	79.4
Personnel on average	804	801	758	776

*) Previous 12 months
**) In calculating the equity ratio, the capital loan on the balance sheet was calculated as shareholders' equity

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 2017–30 April 2018.

The information presented in this Interim Report is unaudited.

Consolidated statement of

MEUR	5–8/2018	5–8/2017	Change %	5/2017–4/2018
TURNOVER	90.8	95.4	-4.8%	419.8
Other operating income	3.2	1.7	88.6%	7.7
Share of associates' results	-1.4	-1.3	0.4%	1.9
Operating expenses	-86.7	-92.3	-6.1%	-366.4
Depreciation	-16.5	-13.4	23.4%	-35.7
Impairment	0	0		-0.9
OPERATING PROFIT	-10.6	-10.0	-5.7%	26.3
Financial income	3.1	2.1	51.7%	2.4
Financial expenses	-2.8	-4.0	-31.1%	-8.4
PROFIT/LOSS BEFORE TAXES	-10.2	-11.9	14.6%	20.3
Income taxes	1.7	2.1	-18.8%	-2.7
PROFIT/LOSS FOR THE PERIOD	-8.5	-9.8	13.7%	17.6
OTHER COMPREHENSIVE INCOME ITEMS:				
Remeasurement of defined benefit plans	0	0		-0.3
Translation differences from foreign units	-0.2	-0.4		-2.1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-8.6	-10.2		15.3
Distribution of profit for the period:				
To parent company shareholders	-8.5	-9.8		17.6
	-8.5	-9.8		17.6
Distribution of comprehensive income for the period:				
To parent company shareholders	-8.6	-10.2		15.3
	-8.6	-10.2		15.3

Earnings per share calculated from profits due to parent company shareholders

	5–8/2018	5–8/2017	Change %	5/2017–4/2018
Earnings/share, EUR	-282	-327		586
Average number of shares	30,000	30,000		30,000

Consolidated balance sheet

MEUR	31 Aug. 2018	31 Aug. 2017	30 Apr. 2018
ASSETS			
LONG-TERM ASSETS			
Intangible assets	12.6	12.6	12.9
Goodwill	5.3	5.3	5.4
Land and water areas	40.2	43.0	40.8
Buildings and structures	35.9	37.6	37.9
Machinery and equipment	120.6	119.8	123.9
Other tangible assets	217.6	226.8	226.0
Investments in progress	30.3	40.0	24.3
Investments	16.7	19.3	20.6
Long-term receivables	3.2	3.3	3.3
Deferred tax asset	2.3	0.5	0
LONG-TERM ASSETS	484.7	508.3	494.9
CURRENT ASSETS			
Inventories	137.7	141.3	91.4
Sales and other receivables	50.2	45.2	78.2
Cash on hand and in the bank	8.3	1.1	33.0
CURRENT ASSETS	196.1	187.5	202.6
ASSETS	680.8	695.9	697.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Parent company shareholders' share of shareholders' equity	329.9	329.1	347.5
Non-controlling shareholders	0.4	0.4	0.4
SHAREHOLDERS' EQUITY	330.3	329.5	347.9
LONG-TERM LIABILITIES			
Deferred tax liability	16.2	14.4	16.2
Long-term interest-bearing liabilities	229.7	240.7	230.4
Long-term non-interest-bearing liabilities	6.5	7.0	6.8
Long-term provisions	8.1	8.0	7.9
Pension liabilities	4.9	4.6	4.9
LONG-TERM LIABILITIES	265.4	274.7	266.1
CURRENT LIABILITIES			
Current interest-bearing liabilities	15.8	34.4	12.2
Current non-interest-bearing liabilities	69.2	57.4	71.3
CURRENT LIABILITIES	85.1	91.8	83.5

SHAREHOLDERS' EQUITY AND LIABILITIES	680.8	695.9	697.5

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 MAY	50.5	30.5	-5.1	221.6	50.0	347.5	0.4	347.9
Changes in shareholders' equity								
Dividend distribution	0	0	0	-9.0	0	-9.0	0	-9.0
Total comprehensive income			-0.4	-8.2	0	-8.6	0	-8.6
SHAREHOLDERS' EQUITY 31 AUG.	**50.5**	**30.5**	**-5.5**	**204.4**	**50.0**	**329.9**	**0.4**	**330.3**

MEUR	**Share capital**	**Other funds**	**Translation differences**	**Retained earnings**	**Hybrid bond**	**Total**	**Non-controlling shareholders**	**Total**
SHAREHOLDERS' EQUITY 1 MAY	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			-0.4	-9.8	0	-10.2	0	-10.2
SHAREHOLDERS' EQUITY 31	**50.5**	**30.2**	**-3.4**	**201.9**	**50.0**	**329.1**	**0.4**	**329.5**

Condensed consolidated cash flow statement

MEUR	5–8/2018	5–8/2017	5/2017–4/2018
<u>**Cash flow from operating activities**</u>			
Profit/loss for the period	-8.5	-9.8	17.6
Adjustments to the result for the period	13.7	13.8	40.8
Change in working capital	-25.2	7.0	36.4
Cash flow from operating activities before financial	**-20.0**	**11.0**	**94.9**
Net financial expenses	-0.7	-3.2	-1.9
Taxes paid on operating activities	-2.5	-0.8	0
Cash flow from operating activities	**-23.2**	**7.0**	**93.0**
<u>**Cash flow from investing activities**</u>			
Investments in tangible and intangible assets	-10.5	-10.6	-31.9
Proceeds from disposal of tangible and intangible assets	3.7	1.4	8.8
Other investments	0.1	0.1	-0.2
Proceeds from disposal of other investments	0	0	0.1
Dividends received	2.4	1.0	1.0
Cash flow from investing activities	**-4.2**	**-8.1**	**-22.3**
Cash flow before financing	**-27.5**	**-1.1**	**70.7**
<u>**Cash flow from financing activities**</u>			
Change in long-term loans and other financing items	2.8	-93.3	-125.9
Dividends paid	0	0	-4.0
Interest paid/hybrid bond	0	0	-3.3
Cash flow from financing activities	**2.8**	**-93.3**	**-133.2**
Change in cash and cash equivalents	**-24.7**	**-94.4**	**-62.5**
Cash and cash equivalents opening balance	33.0	95.5	95.5
Change in cash and cash equivalents	-24.7	-94.4	-62.5
Cash and cash equivalents at end of period	8.3	1.1	33.0

SEGMENT INFORMATION 5–8/2018

EUR 1,000	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	44.0	46.7		0.1	0	90.8
Internal turnover	0	0		0	-0.1	
Turnover	**44.1**	**46.7**		**0.1**	**-0.1**	**90.8**
Segment operating profit/loss	-11.0	4.8	-0.7	-3.7	0	-10.6
Financial income and expenses				0.4		0.4
Appropriations and income taxes				1.7		1.7
Result for the period	**-11.0**	**4.8**	**-0.7**	**-1.6**	**0**	**-8.5**
Segment assets	505.6	132.9	3.3	126.6	-126.6	641.8
Shares in associated companies	15.6	0.4			0	16.0
Unallocated assets				87.2	-64.2	23.0
Assets total	**521.2**	**133.3**	**3.3**	**213.8**	**-190.8**	**680.8**
Segment debt	47.2	11.6	0	1.8	-1.3	59.4
Unallocated debt				354.7	-63.2	291.6
Debt total	**47.2**	**11.6**	**0**	**356.6**	**-64.4**	**350.9**
Investments	9.0	1.0	0.3	0.4		10.6
Depreciation	13.0	3.2	0	0.4	0	16.5

SEGMENT INFORMATION 5–8/2017

EUR 1,000	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	51.1	44.5		0.1	0	95.4
Internal turnover	0.1	0		0	-0.1	
Turnover	**51.1**	**44.5**		**0.1**	**-0.1**	**95.4**
Segment operating profit/loss	-10.3	4.3	-0.3	-3.8		-10.0
Financial income and expenses				-1.9		-1.9
Appropriations and income taxes				2.1		2.1
Result for the period	**-10.3**	**4.3**	**-0.3**	**-3.6**	**0**	**-9.8**
Segment assets	572.8	91.9	1.5	128.2	-126.8	667.5
Shares in associates	17.9	0.7				18.5
Unallocated assets				16.4	-6.6	9.8
Assets total	**590.6**	**92.5**	**1.5**	**144.6**	**-133.4**	**695.9**
Segment debt	47.1	10.1	0.2	-0.8	-0.6	55.9
Unallocated debt				342.4	-31.6	310.8
Debt total	**47.1**	**10.1**	**0.2**	**341.6**	**-32.3**	**366.7**
Investments	9.0	0.7	0.6	0.2		10.5
Depreciation	10.1	3.0	0	0.3		13.4

SEGMENT INFORMATION 5/2017–4/2018

MEUR	Energy	Grow&Care	New Businesses	Other	Eliminations	Group total
External turnover	298.1	121.1		0.6	0	419.8
Internal turnover	0.7	0		0	-0.7	
Turnover	**298.7**	**121.2**		**0.6**	**-0.7**	**419.8**
Segment operating profit/loss	32.5	7.3	-1.1	-13.4	0.8	26.1
Financial income and expenses					-6.0	-6.0
Appropriations and income taxes					-2.7	-2.7
Result for the period	**32.5**	**7.3**	**-1.1**	**-13.4**	**-7.9**	**17.4**
Segment assets	524.6	112.9	3.0	125.4	-127.6	638.3
Shares in associates	19.4	0.4				19.8
Unallocated assets				46.2	-6.7	39.5
Assets total	**544.0**	**113.3**	**3.0**	**171.6**	**-134.3**	**697.7**
Segment debt	41.4	14.5	0.3	2.6	-1.4	57.4
Unallocated debt				328.6	-36.5	292.2
Debt total	**41.4**	**14.5**	**0.3**	**331.3**	**-37.9**	**349.5**
Investments	23.6	3.1	2.1	3.2	-0.5	31.5
Depreciation	27.5	7.0	0	1.3		35.7

COLLATERAL, CONTINGENT COMMITMENTS AND OTHER LIABILITIES	**31 Aug. 2018**	**31 Aug. 2017**	**30 Apr. 2018**
EUR THOUSAND			
Collateral			
As collateral for own debt			
Liabilities for own commitments			
Mortgages			
Guarantees	20,613	20,772	19,741
Pledged collateral	0	4	0
Total	20,613	20,776	19,741
Financial leasing and other rental liabilities			
Financial leasing liabilities			
Due within the next one-year period	2,528	2,520	2,525
Due later	34,619	32,290	35,462
Other rental liabilities			
Due within the next one-year period	2,716	2,960	2,867
Due later	5,607	6,497	5,838
Total	45,470	44,267	46,692

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 leasing 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

Contingent commitments on behalf of associates

DERIVATIVE CONTRACTS	31 Aug. 2018	31 Aug. 2017	30 Apr. 2018
EUR THOUSAND	**Nominal value**	**Nominal value**	**Nominal value**
	Fair value	Fair value	Fair value
Interest rate derivatives	40,000	95,000	40,000
	-331	-1,709	-574
Currency derivatives	76,890	87,296	81,963
	-423	-522	35
Commodity derivatives	8,375	5,171	6,830
	2,735	-242	1,420
Nominal value, total	125,265	187,467	128,793
Fair value, total	1,981	-2,473	880