VAAHTO GROUP

Annual Report 1998-1999

Vaahto Group Plc Oyj

Annual Report
Fiscal Year 1.3.1998 - 28.2.1999

COMPANY STRUCTURE

VAAHTO GROUP
1874

MANUF. - WORKS

VAAHTO
PROCESS MACHINERY

SALES
PROJECT MANAGEMENT
ENGINEERING
PROCUREMENT
QUALITY ASSURANCE
PRODUCT DEVELOPMENT

Agitators
Mixing processes
Reactors
Autoclaves
Heat exchangers
Columns

VAAHTO OY

OY JAPROTEK AB

AK-TEHDAS OY

RAMET OY

JIPKA OY

STELZER RÜHRTECHNIK INTERNATIONAL GMBH

VAAHTO
PULP & PAPER MACHINERY

SALES
PROJECT MANAGEMENT
ENGINEERING
PROCUREMENT
QUALITY ASSURANCE
PRODUCT DEVELOPMENT

Chest agitators
Coating colour kitchens
Wet end chemical systems
Paper machines
Board machines
Pulp drying machines
Winders & rewinders
Rebuilds
Roll services

The operating model of the concern is being developed in the direction of corporate sales organization and independent operating factories.

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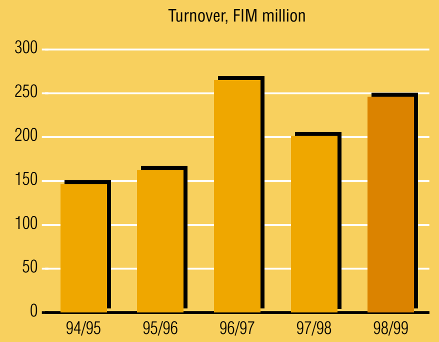
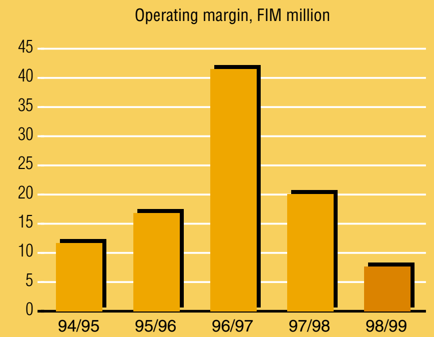
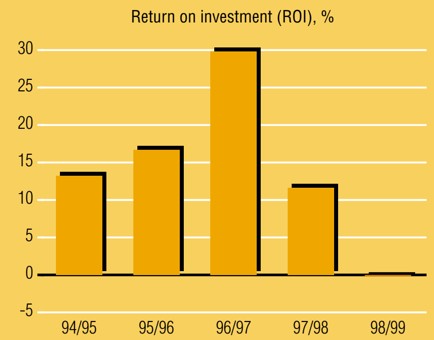
The Printed Annual Report deviates from the Official Statement of Accounts due to Rounding.

This Annual Report is translated from the Finnish official one.

Photos on the cover:
Rebuild of former, StoraEnso, Kaukopää
Flow-regulated headbox
Installation of an agitator at Stelzer Rührtechnik International GmbH







MANAGING DIRECTOR'S REVIEW

During the fiscal year that ended in February the turnover of the Vaahto Group rose by 22 per cent over the previous year, totalling FIM 246 million. Due to a weakening market situation and the timing of project deliveries, the growth of the turnover was slower than expected. The consolidated profit before provisions and taxes was negative by FIM 4.5 million. The outcome was significantly weaker than expected and operationally highly unsatisfactory.

The decline in profit was mainly due to cost overruns in project deliveries, as well as the investment slump, which has persisted longer than expected and which deepened at the end of the fiscal year due to the situation in Asia. The order backlog at the end of the fiscal year was reasonably satisfactory, and there are also signs indicating that demand is picking up. The order backlog included significant orders of new products.

The demand for small investments and modernisation projects within the paper industry has remained relatively keen, and Group companies have strengthened their foothold in the market with new products. The company's product range and position as a supplier of demanding modernizations improved significantly. Our delivery capability was further strengthened by the new technology team, which began operating within our engineering unit in Tampere, an improvement which can already be seen impacting many important new orders. The importance of roll servicing and other service operations also continued to grow.

Following the declining demand for process machinery in the Nordic countries sales margins also declined, while the development of productivity has not yet been sufficient to make up for the difference. In order to increase its market potential, the Group extended its operations by acquiring a well-known German company, the second-largest supplier of agitators in Germany, Stelzer Rührtechnik, to strengthen the Group's process machinery division. Stelzer Rührtechnik International GmbH has been included in Group accounting for only seven months of the fiscal year.

Most of the turnover was again generated from the export markets. The sectors suffering most in Finland were the food processing and pulp industries, where investment activity has been very low. The continued economic difficulties in the Far East have had a delayed impact on the demand for European investment goods and European exports to third countries. The slow economic recovery in Germany also impacted on German domestic demand by postponing investment decisions.

Despite the sluggish international economic growth, Group companies received new orders from export markets. Direct exports accounted for 52.7 per cent of the Group's turnover. With indirect exports included about 55,0 per cent of the Group's turnover found its way to export markets.

In order to increase the Group's competitiveness cost savings are necessary, but at the same time it is also prudent, with reasonable investments, to increase the level of automation and shorten production through-put times. The objective of the cost savings is to increase cost-efficiency by more than 10 per cent. Extensive quality efforts and quality training have been taken up within Group companies in order to improve the quality of operations, decrease quality costs and increase efficiency. At the same time, the management organisation was also streamlined. In order to reduce costs and simplify the group structure, the decision was made to merge Vaahto Deutschland GmbH Process Machinery Distribution, the German sales company, with Stelzer Rührtechnik International GmbH. The merger of the sales company Vaahto Pulp & Paper Machinery Sales Corp. Ltd Oy and Ramet Oy is also underway. In addition, the merger of Ramet Oy and Vaahto Oy is also pending. The sales and invoicing of the hpac-products that used to be marketed and supplied by the parent company have been assigned to Vaahto Oy. This change simplifies operations—the turnover of the parent company will decrease, but its profit from the change will remain virtually unchanged.

During the fiscal year, interest rates in the money market have mostly declined. Due to lower interest rates, the Group's financial income declined. Interest costs grew as a result of business acquisitions. During the fiscal year, a significant amount of capital was tied up in an increasing amount of work in progress, but the financial position of the Group remained stable throughout the whole fiscal year.

Apart from business acquisitions, Group investments remained at a modest level. Most of the investments were allocated to automation and replacement investments. EDP-investments, training costs and implementation costs of new software grew significantly as a result of the overall modernisation of software.

In marketing and sales the importance of new products and the Central European market has continued to grow. Export marketing efforts have been supported by the significant strategic step of establishment of operations in Germany. The agitation technology know-how and Stelzer's position as number two leading supplier in Germany and Europe strengthen the Group's position. There is reason to assume that our export marketing efforts will further strengthen the necessary provisions for our exports during the current fiscal year.

The turnover of the PROCESS MACHINERY division experienced the strongest relative growth in the sector of agitation technology. The division made its most important deliveries in Central and Northern Europe. The demand for food processing equipment in the domestic market remained at a very low level. The share of exports to the Chemical industry customers increased. The profit growth of the division was weaker than expected due to significant project cost overruns. The profit was also impacted by declining sales margins that ensued from the collapse of the Asian markets.

In order to improve efficiency of the operations and the organisation the actions of the group companies have been further focused and both sales and marketing efforts centralised.

The operating provisions of the PULP & PAPER MACHINERY division were significantly improved during the previous year. A technology team started operating on the premises of AK-Tehdas in Tampere, and its significance has already had an emphasis in improved preconditions for deliveries and growth. The operating capability of the division has grown significantly owing to technically successful new product launches. Investments in product development will continue. The development of servicing operations, especially roll servicing, has been of great importance to the division.

During the period in review, Group companies made deliveries, in addition to the domestic market, mainly to the rest of Europe. With the deliveries the Group's market position and reputation improved and the number of the most demanding customers increased.

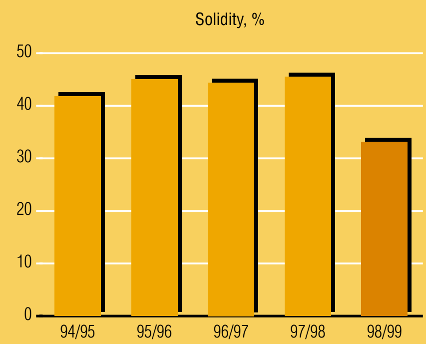
During the fiscal year the prices of the paper and pulp industry fluctuated, and no significant general price improvement was realised. As a result of the uncertainty of the market situation, as well as the situation in the Far East, some industrial investment decisions were postponed. The demand for modernisation projects was stronger than the demand for new machinery. Aside of the service operations the most important domestic projects included the modernisation of paper and board machines at the mills of Ahlström Kauttua, Metsä-Serla, StoraEnso, and UPM-Kymmene. The most important new deliveries will only be completed during the current fiscal year.

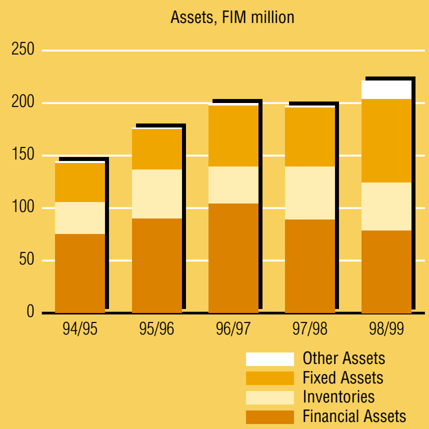
At the end of the fiscal year, the Group's order backlog was at a satisfactory level of FIM 96.4 million. Due to the Stelzer acquisition and the growing volume of service operations, over a third of the Group's turnover is generated by businesses whose order backlog turns over faster than earlier. Therefore, changes in the order backlog do not reflect the level of future turnover to the same extent as previously. The value of new orders received after the end of the fiscal year total about FIM 49.7 million. The internal efficiency within both of the main businesses will be improved by organisational rearrangements and by improving cost-efficiency. The improvement of profitability under the prevailing uncertain demand situation will be facilitated by product development and focused sales efforts. The seasonal fluctuation typical of the Group's deliveries will probably continue to be strong.

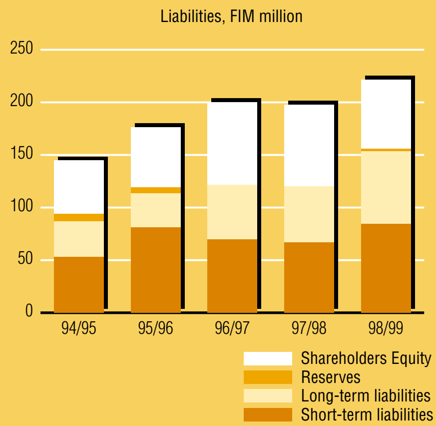
Economic activity and growth can be expected to continue further in Europe and the USA. However, the demand for investment goods will probably not be as strong and, in the USA, may even decline towards the end of the current fiscal year. The development of interest rates and share prices will be of key importance to the continuation of consumer demand. Indications of a need for European and American central banks to take measures against inflation by raising interest rates and consequently triggering a recession are not yet in sight.

Hollola, May 11th, 1999

Antti Vaahto
Managing Director







VAAHTO PULP & PAPER MACHINERY

1. Suction roll of a press, UPM-Kymmene Oy Lappeenranta
2. Former of a board machine producing art cardboard, Oy Stromsdal Ab
3. Flow-regulated headbox

PULP & PAPER MACHINERY

The operating conditions of the PULP & PAPER MACHINERY division were significantly improved during the previous year. A technology team started operating in Tampere, and its operation has already resulted in improved deliveries and better prospects for growth. The operating potential and future prospects of the division have grown significantly thanks to technically successful product launches.

Owing to development efforts focused on formers, the company now supplies a product that represents the latest technology, is internationally fully competitive, and which has been proven to be very successful in industrial use. Due to the development of headboxes, a flow regulated trial headbox was attained for client test runs. The development work on flow-adjusted hydraulic headboxes has resulted in the launch of a partly patented product family that competitively meets the latest requirements set by the industry.

During the fiscal year the development of service operations, especially roll service, has been of great importance to the operations of the division.

During the period under review, Group companies made deliveries, in addition to the domestic market, mostly to the rest of Europe. These deliveries enabled the Group to further strengthen its market position and reputation, and to acquire new, demanding clients.

The prices within the paper and pulp industry fluctuated during the fiscal year, and a real general increase in the price of pulp and paper did not occur. As a result of declining utilization rates industrial investment decisions were postponed. The uncertainty of the situation, as well as the situation in the Far East, affected the level of investment. The demand for modernisation projects was greater than the demand for big new machinery investments. In addition to service operations and maintenance business, the most important domestic projects included the modernisation of paper and board machines at the mills of Ahlström Kauttua, Metsä-Serla, StoraEnso, and UPM-Kymmene. The most important new deliveries will only be completed during the current fiscal year.

VAAHTO PROCESS MACHINERY

1. Columns delivery at Japrotek in Pietarsaari
2. A portioning out system of raw material to a reactor with an agitator
3. Reactors to chemical industry

PROCESS MACHINERY

The turnover of the PROCESS MACHINERY division experienced the strongest relative growth in the area of agitation technology. In order to increase the Group's market potential, it was made stronger by acquiring a well-known and the second largest supplier of agitators in Germany, Stelzer Rührtechnik. The business acquisition also extended the distribution channel of the whole Process Machinery division, and strengthened the Group's research operations and know-how in agitation technologies.

In order to make the operations and the organisation of the division more effective, the division's organisation was clarified, and both sales and marketing efforts were centralised. Cost-efficiency will be further improved by streamlining operations and bringing all German operations together under the management of Stelzer Rührtechnik International GmbH.

The division's most important market areas were Western and Northern Europe. In Finland and in certain sectors of the EU, the demand for food processing equipment remained very low. The demand by plants producing chemicals for the pulp and paper industry declined. The share of chemical industry exports from the Group's turnover grew. The Stelzer acquisition further improved the Group's opportunities with respect to the Western European chemical industry. In the field of environmental technology, demand for equipment remained almost unchanged. The Group's performance was weaker than expected due to significant excess costs. The outcome was also impacted by diminishing margins that followed the collapse of the Asian markets. Demand for investment goods is expected to improve during the current fiscal year.

REVIEW BY THE BOARD

Fiscal Year 1.3.1998 - 28.2.1999

VAAHTO GROUP LTD OY CHANGES ITS NAME TO VAAHTO GROUP PLC OYJ

On 9 June 1998, the annual general meeting of Vaahto Group Ltd Oy decided to change the company's articles of association, and change the company name to Vaahto Group Plc Oyj. The change was entered in the trade register on 26 June 1998.

CORPORATE STRUCTURE

The incorporation of Stelzer Rührtechnik International GmbH in the Group last July meant an expansion of the Group's manufacturing operations to Germany. The acquisition was carried out as an asset deal, in which the newly founded company Stelzer Rührtechnik International GmbH bought the assets of Stelzer Rührtechnik GmbH from the German GEA Group. With a view to the future needs of AK-Tehdas, the Group bought the shares of a real estate company called Kiinteistö Oy Tampereen Mäntyhaka.

After the end of the fiscal year, the decision was made to merge the sales company Vaahto Deutschland GmbH Process Machinery Distribution with Stelzer Rührtechnik International GmbH. The merger of the sales company Vaahto Pulp & Paper Machinery Sales Corp. Ltd Oy and Ramet Oy is also underway. The merger of Ramet Oy and Vaahto Oy has also been initiated.

BUSINESS REVIEW

The turnover of the Vaahto Group for the fiscal year that ended in February totalled FIM 246 million i.e. 22 per cent higher than in the previous year. Stelzer Rührtechnik International GmbH has only been a part of the Group accounting for seven months of the fiscal year. The growth of turnover was clearly lower than expected. The Asian crisis decreased the demand for investment goods, and the business environment became less favourable during the second half of the period under review.

The consolidated profit before provisions and taxes was negative by FIM 4.5 million. The outcome was significantly weaker than expected, and operationally highly unsatisfactory. The weak performance was caused by significant and unexpected cost overruns incurred in a few projects, and generally decreased sales margins.

Pulp & Paper Machinery

The prerequisites for the operations of the Pulp & Paper Machinery division was improved by a new technology team that started operating on the premises of AK-Tehdas in Tampere. The team will also increase the design and project management resources of the division. During the period under review, the division successfully delivered its most demanding new products yet. As a result of product development a completely new former and a headbox representing the latest technology were launched. Roll servicing and maintenance grew as expected. Despite the weakened market situation, the division received new orders according to expectations. Most of the important new orders and deliveries were carried out in connection with modernisation projects aiming to increase the production capacity or the quality of paper and cardboard machines. The most important market areas were Northern and Central Europe.

Process Machinery

The most vigorous growth within the division took place in the area of agitation technology. As a result of the incorporation of Stelzer Rührtechnik International GmbH to the Group, the division's sales grew most strongly in the countries of Central Europe. On the other hand, sales in the Far East diminished. The Group's long-term goal of strengthening and expanding its Western European distribution channel was proceeded by the Stelzer acquisition.

In domestic market no new big investments were started by the basic industries. Especially weak economic cycle continued in the food processing industry. The situation of the food industry was further weakened by the economic difficulties in Russia, which brought about a rapid decline in exports in the whole EU area.

Exports accounted for 52.7 per cent of the Group's turnover. Including indirect exports, exports accounted for about 55.0 per cent of the turnover.

The fiscal year was characterised by a fast slackening of demand for investment goods. The repercussions of the collapse of the Asian and Russian economies became evident to a significant extent only during the second half of the fiscal year. The eagerness to invest decreased within basic industry. The price of pulp turned downwards again, and major new investments were not initiated. The prices of metals dropped. The lowering of interest rates in Europe took place far too late. In the situation of uncertainty, the economic growth of Germany and France could not offset the collapse of investment in Asia. The effects of the growth in the USA did not reflect on the demand for investment goods in Europe. Even though the demand for investment goods was very timid and weakened towards the end of the fiscal year, the Group companies' order backlog remained at a satisfactory level until the end of the period under review. This weakening of traditionally strong market areas resulted in intensified marketing efforts, mostly in Western Europe.

During the period under review, Group companies started the implementation of a new edp-system for production and accounting. The development and implementation of the software will extend during the current fiscal year. The costs of the software, and especially the costs of its implementation and related training costs have significantly exceeded prior estimates.

During the fiscal year the intense seasonal pattern, typical for the Group's turnover continued, and 39.1 per cent of the annual turnover was booked during the first half of the fiscal year (1 March-31 August).

Research and development focused mostly on the products of the Pulp & Paper Machinery division. The results of the development work were successful, and there is reason to believe they will also prove to be commercially significant. The company's ability to carry out client-specific trial runs further improved. The R&D efforts of the Process Machinery division focused mostly on agitation technology applications. The extent of R&D grew from the previous year, and research resources in the area of agitation technology improved significantly with the Stelzer acquisition.

PROFITABILITY

The turnover for the fiscal year was FIM 246.0 million, 22 per cent higher than in the previous year. As the markets slowed down the turnover was lower than expected. Profit before provisions, taxes and extraordinary items was negative by FIM 4.5 million, while the corresponding figure for the previous year was positive by FIM 11.8 million. During the period under review, the operating margin was FIM 7.7 million, 3.1 per cent of turnover. The weak development of the result was mainly due to cost overruns in projects and decreased sales margins. In part it has also been affected by the increase in fixed costs while turnover remained at a lower level than was expected.

In order to improve profitability, a number of measures have been initiated that are aimed to develop significantly production and cost-efficiency.

Interest rates in the money market continued to drop during the period under review. As a result of the general drop in interest rates the Group's interest income decreased. Financing costs grew as a result of business acquisitions. The financing costs of FIM 4.24 million during the fiscal year exceeded the financial income of FIM 1.02 million, thus resulting in a negative net financial income. The financing expenses also include some one-off payments relating to the business acquisition.

FINANCING

The Group's overall financial standing was satisfactory throughout the fiscal year. The net financial expenses for the period totalled FIM 3.2 million. Financial income decreased compared with the previous year as a result of the unfavourable development of interest rates. Due to delivery schedules, the amount of capital tied up in work in progress and accounts receivable remained almost the same as before.

The consolidated balance sheet total was FIM 221.6 million. The balance sheet total of the parent company was FIM 65.4 million. The Group's solidity was 33.1 per cent. If liquid investments and the corresponding amount of debt are eliminated from the balance sheet, the solidity will be 38.3 per cent. In addition to the weak performance, the decrease in the solidity was due to the growth of the balance caused by the Stelzer acquisition.

SHAREHOLDERS' EQUITY

The shareholders' equity and its structure were affected by dividends paid during the fiscal year, and the result of the fiscal year.

The Group's non-restricted shareholders' equity is FIM 35.4 million, and the non-restricted shareholders' equity of the parent company is FIM 32.4 million.

The Board of Directors is not currently authorised to issue new shares, convertible bonds or bonds with warrants.

The stock price of A-shares has fluctuated between FIM 41.62 and FIM 108.00, and the price of K-shares has ranged from FIM 40.13 to FIM 108.00. At the end of the fiscal year the average price of an A-share was FIM 41.62, and the average price of a K-share was FIM 40.13.

INVESTMENTS

The acquisition of Stelzer's business and the purchase of the shares of a real estate company Kiinteistö Oy Tampereen Mäntyhaka formed the bulk of the Group investments. Other investments were kept at a low level and were mostly made in machinery and equipment, and computer hardware and software.

PERSONNEL

On average, the number of personnel during the fiscal year was 405. At the end of the fiscal year the Group employed 445 persons. Direct wages with fringe benefits totalled FIM 69,526,000. The salaries and fees of Board members and Managing Directors totalled FIM 2,044,000.

The parent company had 12 permanent employees at the end of the fiscal year. The parent company has paid a total of FIM 1,903,000 in salaries and wages with fringe benefits, of which FIM 239,000 to Board members and the Managing Director.

MANAGEMENT

The general annual meeting on 9 June 1998 elected the following Board members for Vaahto Group Plc Oyj:
Ilkka Vaahto, Chairman
Antti Vaahto, Board member
Heikki Vaahto, Board member
Mikko Vaahto, Board member

The certified public accounting firm Tilintarkastajien Oy – Ernst & Young with Pauli Hirviniemi, CPA the main responsible accountant, and Risto Järvinen, CPA, have audited the books of the Group companies.

OUTLOOK FOR THE CURRENT YEAR

International economic growth during the period under review continued to be uneven. The currency crisis in the Far East resulted in a rapidly decreasing demand for investment goods. The crisis also impacted the European market by tightening competition and increasing uncertainty. In Finland, the demand for traditional machinery and equipment investments increased at a slower rate than expected. The utilization rate of production capacity in the forest industry decreased, and prices fluctuated. Expectations of strengthening pulp and paper prices have only gained ground very recently. The international economic situation now hinges on the development of American stock prices and interest rates, and the measures taken to put the Japanese economy back on a growth path.

The low estimates for the rate of European economic growth, the uncertainty about the development of interest rates and stock prices, and regional economic problems may still postpone investment decisions until the end of the fiscal year, and possibly even until next year.

Developments in the money market enhance the potential for continued economic growth: inflation as well as inflation expectations remained low, pressure to raise interest rates remain only in the USA. Production volumes are already increasing in the Far East, but investments are slow to start, with the possible exception of China. The maturity of the Finnish economy and our readiness to cope within the European economic context will be put to the test in connection with the next round of labour market talks. A responsible labour policy could now improve our general competitiveness. Enterprises, in turn, should prepare for rapid improvements of cost-efficiency. In the case of the Vaahto Group, this means the rationalisation of the organisational structure, some cost cutting, and resource allocations that aim to raise operational efficiency to a new level.

Economic integration in Europe, the balancing of public sector deficits, and the European Monetary Union provide a good basis for the continuation of modest growth in the near future. Since the end of the last fiscal year, investment demand has appeared to pick up outside of Finland. The growth of demand has probably been strongest in the chemical and process equipment sector in the USA and Europe.

In the near future the best preconditions from the Group's point of view will come from service operations within the paper and pulp industry and from the growth of modernisation projects. Our new products provide a better basis for successful operations than ever before. Recent developments in material prices seem to indicate a growing demand for materials. However, the positive development of volumes is still uncertain. Rationalisations and increasing operational efficiency are of key importance to profitable business. Because of the rationalisations measures that have been taken, the result of the Group is believed to turn to be positive during the current fiscal year.

At the end of the period under review, the Group's order backlog totalled FIM 96.4 million. Since the end of the fiscal year, new orders about FIM 49.7 million have been received. Export development is still naturally of crucial importance in the growth of the Group.

Board of Directors

FINANCIAL OVERVIEW

Key Figures

	1998/99 12 months	1997/98 12 months	1996/97 12 months	1995/96 12 months	1994/95 12 months
Turnover	245.995	201.046	264.866	162.453	145.758
Change, %	+22,4%	-24,1%	+63,0%	+11,5%	+15,1%
Operating margin	7.667	20.075	41.536	16.847	11.706
% of turnover	3,1%	10,0%	15,7%	10,4%	8,0%
Operating profit	-1.323	13.288	34.587	13.044	7.326
% of turnover	-0,5%	6,6%	13,1%	8,0%	5,0%
Profit before extraordinary items	-4.534	11.807	32.917	14.669	8.692
% of turnover	-1,8%	5,9%	12,4%	9,0%	6,0%
Profit before voluntary provisions and income taxes	-4.534	11.691	30.968	14.687	8.434
% of turnover	-1,8%	5,8%	11,7%	9,0%	5,8%
Profit before extraordinary items less taxes	-3.538	8.675	23.853	10.363	7.703
% of turnover	-1,4%	4,3%	9,0%	6,4%	5,3%
Return on equity (ROE), %	-4,9%	11,1%	34,3%	17,8%	14,6%
Return on investment (ROI), %	-0,2%	11,6%	29,8%	16,7%	13,2%
Solidity, %	33,1%	45,5%	44,4%	45,0%	41,8%
Current ratio	1,5	2,1	2,0	1,7	2,0
Gross investment in fixed assets	49.172	4.162	28.215	3.473	1.624
% of turnover	20,0%	2,1%	10,7%	2,1%	1,1%
Order backlog	96.431	100.743	71.508	106.304	68.930
Consolidated balance sheet total, FIM million	221,6	197,5	200,1	176,6	144,7
Total number of personnel (average)	405	341	340	256	246

Per share items

	1998/99	1997/98	1996/97	1995/96	1994/95
Earning/share (EPS), FIM (diluted)	-1,23	3,02	8,32	3,61	2,68
Share holders equity/share, FIM (diluted)	22,89	27,01	27,11	21,27	19,23
Dividend/share, FIM 1)	0,00	3,00	6,00	4,00	3,75
Dividend/share, FIM (diluted)	0,00	3,00	3,00	2,00	1,88
Dividend payout, % (diluted)	0,0%	99,3%	36,1%	55,4%	70,1%
Effective dividend return, % (diluted)	0,0%	3,0%	3,4%	6,7%	9,2%
Price earnings ratio (P/E)	-33,0	33,3	10,6	8,3	7,6
Average no. of shares before bonus issue, (000)	1.436	1.436	1.436	1.436	1.436
Average no. of shares (diluted) outstanding (000)	2.872	2.872	2.872	2.872	2.872
Number of shares outstanding (diluted) end of period (000)	2.872	2.872	2.872	2.872	2.872

When calculating key figures the accumulated accelerated depreciation has been divided into shareholders' equity and deferred tax liability differing from the previous practice. Comparison figures have been changed correspondingly.

1) Proposal by the Board

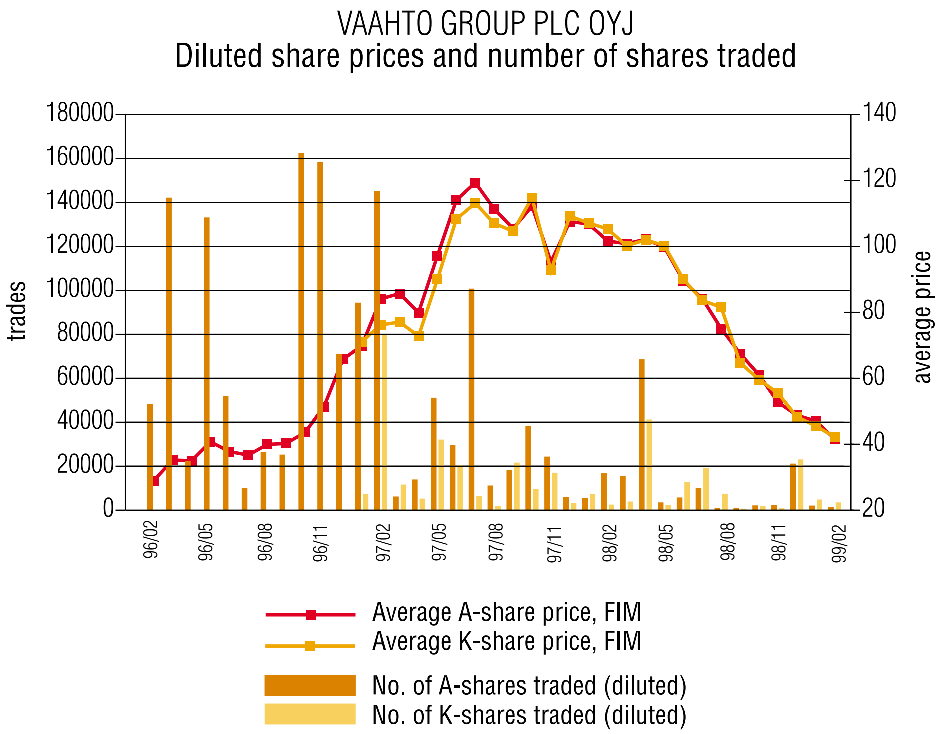
Figures in this Annual Report are in thousands, if not stated otherwise.

FINANCIAL OVERVIEW

Share prices, FIM/share (issue adjusted)

	1998/99	1997/98	1996/97	1995/96	1994/95
A-share					
- high	108,00	125,00	89,00	31,00	36,00
- low	41,62	73,00	30,00	14,00	20,00
- average	88,61	107,95	52,11	23,65	24,88
- share price end of fiscal year (average) 2)	41,62	100,48	89,00	27,50	20,00
K-share					
- high	108,00	125,00	81,00		
- low	40,13	68,00	67,00		
- average	81,41	98,16	75,88		
- share price end of fiscal year (average)	40,13	101,96	80,00		
Total market value, FIM million					
A-share	60,4	146,0	127,8	79,0	57,4
K-share	57,0	144,7	114,9		
Total	117,4	290,7	242,7		
Number of shares traded during the fiscal year					
A-share (diluted)	131.296	318.751	1.039.828	549.240	347.880
K-share	119.074	136.370	85.170		
Number of shares traded, %					
A-share (diluted)	9,0%	22,0%	38,9%	19,1%	12,1%
K-share	8,4%	9,6%	43,3%		
Number of shareholders	373	378	413	284	299

2) Fiscal years 94/95 and 95/96 share price at the end of fiscal year



FORMULAS FOR THE KEY FIGURES AND FINANCIAL RATIOS

$$\text{Return on equity \% (ROE)} = 100 \times \frac{\text{Profit or loss before extraordinary items, voluntary provisions and income taxes - income taxes}}{\text{Shareholders' equity + minority interest + voluntary provisions deducted by deferred tax liability and accumulated accelerated depreciation (average)}}$$

$$\text{Return on investment \% (ROI)} = 100 \times \frac{\text{Profit or loss before extraordinary items, voluntary provisions and income taxes + interest expenses and other financial expenses}}{\text{Total assets - non-interest bearing debts (average)}}$$

$$\text{Solidity} = 100 \times \frac{\text{Shareholders' equity + minority interest + voluntary provisions deducted by deferred tax liability and accumulated accelerated depreciation (average)}}{\text{Total assets - advances received}}$$

$$\text{Current ratio} = \frac{\text{Current assets + financial assets}}{\text{Short-term liabilities}}$$

Formulas for per share items

$$\text{Earnings per share, FIM} = \frac{\text{Profit before extraordinary items, voluntary provisions and income taxes - income taxes -/+ minority interest}}{\text{Number of shares outstanding issue adjusted (average)}}$$

$$\text{Shareholders' equity/share, FIM} = \frac{\text{Shareholders' equity + voluntary provisions deducted by deferred tax liability and minority interest and accumulated accelerated depreciation}}{\text{Number of shares outstanding issue adjusted, at the end of the fiscal year}}$$

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

$$\text{Dividend/profit, \%} = 100 \times \frac{\text{Dividend/share}}{\text{Earnings/share}}$$

$$\text{Effective dividend return, \%} = 100 \times \frac{\text{Dividend/share}}{\text{Adjusted price of the share at the end of the fiscal year (trade weighted average)}}$$

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

Figures and ratios are calculated according to the instructions by The Finnish Accounting Standards Board.

SHARE OWNERSHIP

SHAREHOLDERS AND DIRECTORS' SHARE OWNERSHIP

There were 373 shareholders in the register of Vaahto Group Plc Oyj of February 28, 1999 maintained by the Finnish Central Securities Depository Ltd. There were 33.900 shares as administrative registration, 1,41 % of votes.

The members of the Board own 848.500 A-shares and 965.000 K-shares which is 67,5 % of votes.

LARGEST OWNERS
According to the register of February 28, 1999 maintained by the Finnish Central Securities Depository Ltd.

	A-shares		K-shares		Total		Votes
	no.	%	no.	%	no.	%	%
Vaahto Mikko	250.600	17,3	250.600	17,7	501.200	17,4	17,6
Vaahto Antti	247.000	17,0	247.000	17,4	494.000	17,2	17,4
Vaahto Ilkka	247.000	17,0	247.000	17,4	494.000	17,2	17,4
Vaahto Heikki	103.900	7,2	220.400	15,5	324.300	11,3	15,1
The Local Governments Pensions Institutions	52.600	3,6	67.500	4,8	120.100	4,2	4,7
Mutual Insurance Company Pension-Fennia	54.520	3,8	54.520	3,8	109.040	3,8	3,8
Ilmarinen Mutual Pension Insurance Company	75.100	5,2	33.800	2,4	108.900	3,8	2,5
Enterprise Fennia	35.000	2,4	35.000	2,5	70.000	2,4	2,5
Sampo Life Insurance Ltd	20.000	1,4	42.000	3,0	62.000	2,2	2,9
Pohjola Life Assurance Company Ltd	38.700	2,7	20.000	1,4	58.700	2,0	1,5
Total (10 largest)	**1.124.420**	**77,6**	**1.217.820**	**85,9**	**2.342.240**	**81,5**	**85,4**

SHARE OWNERSHIP DISTRIBUTION
According to the register of February 28, 1999

	Shareholders		Shares		Votes	
	no.	%	no.	%	no.	%
1 - 100	108	29,0	6.906	0,2	66.433	0,2
101 - 1 000	189	50,7	82.561	2,9	667.438	2,2
1 001 - 10 000	54	14,5	192.627	6,7	1.722.716	5,8
10 001 - 100 000	15	4,0	432.900	15.1	3.879.500	13,0
100 001 - 1 000 000	7	1,9	2.151.540	74,9	23.447.120	78,6
	373	**100,0**	**2.866.534**	**99,8**	**29.783.207**	**99,8**
Outside book-entry security system			5.768	0,2	60.564	0,2
			2.872.302	**100,0**	**29.843.771**	**100,0**

SECTOR DISTRIBUTION
According to the register of February 28, 1999

Companies	41	11,0	81.913	2,9	596.851	2,0
Financial and insurance institutions	16	4,3	344.325	12,0	3.052.395	10,2
General governments	5	1,3	375.040	13,1	3.687.120	12,4
Non-profit institutions	6	1,6	10.200	0,4	57.700	0,2
Administrative registrations	2	0,5	33.900	1,2	421.500	1,4
Private persons	303	81,2	2.021.156	70.4	21.967.641	73,6
	373	**100,0**	**2.866.534**	**99,8**	**29.783.207**	**99,8**
Outside book-entry security system			5.768	0,2	60.564	0,2
			2.872.302	**100,0**	**29.843.771**	**100,0**

INCOME STATEMENT

	Group		Parent		
	1.3.98-28.2.99	1.3.97-28.2.98	1.3.98-28.2.99	1.3.97-28.2.98	Note
NET TURNOVER	**245.995**	**201.046**	**10.034**	**9.759**	1,2
Increase (+) or decrease (-) in products and work in progress	-9.913	12.473	0	0	
Production for own use	-928	278	0	0	
Share in affiliate company profits	159	1.000	0	0	
Other operating income	1.580	488	152	3	
Operating expenses:					
Raw materials and consumables:					
Purchases during the financial period	70.396	75.935	3.359	4.574	
Increase (-) or decr. (+) in inventories	135	-3.034	60	0	
External services	34.941	29.275	0	0	
Personnel expenses	90.618	69.159	2.357	1.435	3
Rents	2.713	2.645	208	208	
Other operating expenses	30.422	21.228	3.327	1.985	
Total	**229.226**	**195.209**	**9.310**	**8.202**	
OPERATING MARGIN	**7.667**	**20.075**	**876**	**1.561**	
Depreciation on fixed assets and other long-term expenses	8.906	6.698	472	310	4
Depreciation on Group goodwill	84	89	0	0	
	8.990	**6.787**	**472**	**310**	
OPERATING PROFIT	**-1.323**	**13.288**	**404**	**1.252**	
Financial income and expenses:					5,7
Dividend income	3	2	8.501	3.056	
Interest income from short-term investm.	1.360	1.523	1.575	1.118	
Other financial income	-339	234	56	6	
Interest expenses	-3.615	-2.457	-699	0	
Other financial expenses	-621	-784	-99	-2	
Financial income and expenses total	**-3.211**	**-1.481**	**9.335**	**4.178**	
PROFIT BEFORE EXTRAORDINARY ITEMS, VOLUNT. PROVISIONS AND INCOME TAXES	**-4.534**	**11.807**	**9.739**	**5.430**	
Extraordinary income and expenses:					
Extraordinary income	0	0	0	0	
Extraordinary expenses	0	-116	-1.000	0	6
	0	**-116**	**-1.000**	**0**	
PROFIT BEFORE VOLUNTARY PROVISIONS AND INCOME TAXES	**-4.534**	**11.691**	**8.739**	**5.430**	
Increase (-) or decr. (+) in accel. depreciations	0	0	-40	+14	
Direct taxes:					
Change in deferred tax liability	1.107	92	0	0	
For fiscal year	-111	-3.134	-2.442	-1.533	
From previous periods	0	-89	0	0	
Minority Interest	-	0	-	-	
PROFIT FOR THE PERIOD	**-3.538**	**8.559**	**6.256**	**3.911**	

BALANCE SHEET

ASSETS	Group 28.2.99	Group 28.2.98	Parent 28.2.99	Parent 28.2.98	Note
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS					
Intangible assets					9
Intangible rights	1.206	96	0	0	
Other long-term assets	593	835	0	0	
Group goodwill	626	710	0	0	
Goodwill	15.246	0	0	0	
	17.671	**1.641**	**0**	**0**	
Tangible assets					9,10
Land and water	4.427	794	0	0	
Buildings	35.636	27.183	0	0	
Machinery and equipment	33.487	24.522	1.416	1.084	
Other tangible assets	2.653	865	323	392	
	76.203	**53.365**	**1.739**	**1.476**	
Financial assets and other long-term investments					8,10 11
Shares and other securities	3.278	2.722	294	290	
Shares in subsidiaries	0	0	40.441	29.757	
Loan receivables	76	86	3.090	50	
	3.354	**2.809**	**43.825**	**30.097**	
CURRENT AND FINANCIAL ASSETS					
Inventories					
Raw materials and consumables	19.855	17.499	0	60	
Work in progress	25.670	33.102	0	0	
Advance payments	55	68	0	0	
	45.579	**50.669**	**0**	**60**	
Receivables					
Trade receivables	36.386	30.355	1.369	1.075	
Loans receivables	395	18	0	500	
Prepaid expenses and accrued income	5.235	7.765	563	1.576	
Deferred tax assets	445	0	0	0	
Other receivables	137	104	0	0	
	42.598	**38.243**	**1.933**	**3.151**	
Financial assets					
Other securities	**27.177**	**44.300**	**16.648**	**32.000**	
Cash and Bank Deposits	**8.971**	**6.484**	**1.245**	**581**	
	221.554	**197.510**	**65.391**	**67.365**	

BALANCE SHEET

LIABILITIES	Group 28.2.99	Group 28.2.98	Parent 28.2.99	Parent 28.2.98	Note
SHAREHOLDERS' EQUITY					13
Restricted shareholders' equity					
Share capital	14.362	14.362	14.362	14.362	
Reserve fund	15.966	15.966	15.966	15.966	
	30.327	**30.327**	**30.327**	**30.327**	
Unrestricted shareholders' equity					
Retained earnings	38.958	38.703	26.184	30.890	
Profit for the fiscal year	-3.538	8.559	6.256	3.911	
	35.420	**47.262**	**32.440**	**34.801**	
MINORITY INTEREST	0	36	0	0	
PROVISIONS					14,15
Accumulated accelerated depreciation	0	0	200	160	
Obligatory provisions	2.051	0	0	0	
	2.051	**0**	**200**	**160**	
LIABILITIES					16,17
Long-term liabilities					
Loans from financial institutions	56.089	39.351	0	0	
Pension loans	8.045	7.440	0	0	
Deferred tax liability	5.290	6.035	0	0	
	69.424	**52.827**	**0**	**0**	
Short-term liabilities					
Loans from financial institutions	16.532	7.365	0	0	
Pension loans	983	1.033	0	0	
Advances received	22.759	26.695	0	0	
Accounts payable	19.213	13.633	654	1.360	
Accrued liabilities and deferred income	17.490	12.054	614	597	
Other short-term liabilities	7.355	6.277	1.155	120	
	84.332	**67.057**	**2.423**	**2.076**	
	221.554	**197.510**	**65.391**	**67.365**	

FLOW OF FUNDS STATEMENT

	Group		Parent	
Operations	**1998/99**	**1997/98**	**1998/99**	**1997/98**
Income from operations				
Operating margin	7.667	20.075	876	1.561
Financial income and expenses	-3.211	-1.481	9.335	4.178
Extraordinary items	0	-116	-1.000	0
Direct taxes	-111	-3.224	-2.442	-1.533
Total income from operations	**4.345**	**15.254**	**6.768**	**4.206**
Change in working capital				
Inventories, increase (-), decrease (+)	+5.089	-15.183	+60	0
Short-term receivables, increase (-), decrease (+)	-3.910	+5.818	+1.219	+15.423
Non-interest bearing debts, increase (+), decrease (-)	+8.158	-6.460	-654	-2.388
	+9.338	**-15.825**	**+625**	**+13.035**
Flow of funds from operations	**13.683**	**-571**	**7.393**	**17.241**
Investments				
Fixed asset investments	-49.172	-4.448	-11.769	-1.452
Sales of fixed assets	+759	+192	+346	+100
	-48.413	**-4.255**	**-11.424**	**-1.352**
Flow of funds before financial items	**-34.731**	**-4.826**	**-4.030**	**15.888**
Financial items				
Long-term receivables, increase (-), decrease (+)	-10	+64	-3.040	-50
Increase in long-term liabilities (+)	+8.743	+17.000	+1.000	0
Long-term liabilities, decrease (-) increase (+)	+8.598	-14.775	0	0
Short-term liabilities, increase (+), decrease (-)	+9.116	+2.228	0	0
Dividends	-8.617	-8.617	-8.617	-8.617
Other adjustment items	+213	-452	0	0
Change in obligatory provisions	+2.051	0	0	0
	+20.095	**-4.551**	**-10.657**	**-8.667**
Increase/decrease in liquid funds	**-14.635**	**-9.378**	**-14.687**	**+7.221**
Liquid funds in the balance sheet increase (+), decrease (-)	**-14.635**	**-9.378**	**-14.687**	**+7.221**

APPENDIX TO FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

GROUP CONSOLIDATION

Parent company Vaahto Group Plc Oyj, Vaahto Oy, Ramet Oy, Jipka Oy, Oy Japrotek Ab, Vaahto Pulp and Paper Machinery Sales Corp. Ltd Oy, AK-Tehdas Oy, Kiinteistö Oy Tampereen Mäntyhaka, Vaahto Deutschland GmbH Process Machinery Distribution, Stelzer Rührtechnik International GmbH and Profitus Oy form a concern for which the consolidated statements are made. Profitus Oy had no operating activity during the fiscal year.

ACCOUNTING PRINCIPLES OF CONSOLIDATED FINANCIAL STATEMENTS

INTERNAL SHAREHOLDING

The consolidated balance sheet was drawn up by using the acquisition cost method. The difference between the purchase price and the equity of the subsidiaries at the time of acquisition which has been reported as Group goodwill is straight line depreciated in ten years. The Group goodwill formed by the acquisition of the shares of real estate company Kiinteistö Oy Tampereen Mäntyhaka is totally allocated to land.

INTERNAL TRANSACTIONS AND PROFITS

Inter Group transactions the unrealizated profits of internal deliveries, group receivables and debts as well as internal dividend distribution have been eliminated.

MINORITY INTEREST

Minority interest has been divided up from shareholders' equity and reported separately. During the fiscal year the minority shares have been bought.

AFFILIATES

The affiliate AP-Tela Oy has been consolidated by using the equity part method. According to the shareholding of the concern the part of the affiliate's profit for the fiscal year has been reported separately in Income Statement. The ownership of concern increased during the fiscal year from 25 % to 31,25 % as AP-Tela Oy acquired its own shares.

FIXED ASSETS VALUATION

Fixed assets are valued with direct acquisition cost method. The periods of the depreciation according to plan have been reported later in the note of depreciation. The depreciations according to Stelzer Rührtechnik International GmbH's official books are TFIM 634 bigger than depreciations that are included in the concerns consolidated accounts according to concern's standard accounting principles.

UNTAXED RESERVES

The difference of depreciations according to the plan and total depreciations has been divided into deferred tax liability and unstricted shareholder's equity. Deferred tax liability has been calculated according to 28 % tax rate.

OBLIGATORY PROVISIONS

Obligatory provisions are warranty provisions made by Stelzer.

INVENTORY VALUATION

Inventories have been valued using first-in first-out method or entered at acquisition cost or at the expected sales value which ever is the lowest. The own production included in the inventory is valued according to the direct acquisition cost method.

ACCOUNTING OF ONGOING PROJECT RESULTS

Long term projects have been accounted in the income statement following the method used earlier, profits are accounted only at the completion of the projects.

ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Assets and debts denominated in foreign currencies have been valued at the Bank of Finland's exchange rate of the day of the closing of the books. Deviating from the above principle are those receivables and debts which have futures contracts associated with them, these have been valued at the appropriate contract rates.

RESEARCH AND DEVELOPMENT EXPENDITURES

MFIM 1,0 development costs of headbox have been capitalized during the fiscal year. Other research and development expenditures are considered as costs during the fiscal year.

PENSION LIABILITIES

The pension liabilities have been covered through an insurance company. Pension liabilities in foreign subsidiaries have been arranged according to the local practice.

TAXES

Concern taxes for the fiscal year are those calculated according to the results of the parent and subsidiary companies. Additional taxes and tax refunds from the previous periods are shown separately on the tax account.

DEFERRED TAX LIABILITIES AND ASSETS

Deferred tax liability and assets has been booked in the consolidated accounts. More specific information is given in Appendix to Financial Statements in note 16.

APPENDIX TO FINANCIAL STATEMENTS

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
1. TURNOVER				
Administration	-	-	3.816	3.130
Manufacturing	245.995	201.046	6.218	6.629
Total	**245.995**	**201.046**	**10.034**	**9.759**
2. EXPORTS				
Europe	111.951	73.517	432	681
USA, Canada	2.802	6.234	-	-
Other countries	14.768	6.392	-	-
Total	**129.521**	**86.144**	**432**	**681**
3. PERSONNEL EXPENSES				
Wages and salaries	69.526	52.901	1.621	933
Benefits	597	306	282	229
Pension costs	10.479	8.777	327	190
Other personnel expenses	10.614	7.482	409	311
Total	**91.216**	**69.465**	**2.639**	**1.664**
4. DEPRECIATION				
Fixed assets have been depreciated according to plan. Depreciation according to plan is calculated based on straight line depreciation, the economic life and the original purchase value of assets				
The estimated economic lives:				
Other long-term assets	5-10 years	5-10 years		
Buildings	35-40 years	35-40 years		
Machinery and equipment	5-25 years	5-25 years		
Group goodwill	10 years	10 years		
Goodwill	15 years	-		
Intangible rights	175	100	-	-
Other long-term assets	208	258	-	-
Depreciation on goodwill	596	0	-	-
Buildings	1.324	1.239	-	-
Machinery and equipment	5.932	4.756	366	209
Other tangible assets	671	345	106	100
Depreciation on group goodwill	84	89	-	-
Depreciation on shares	0	0	-	-
Total	**8.990**	**6.787**	**472**	**310**
Change in accelerated depreciations:				
Machinery and equipment			-40	14
Total	**-**	**-**	**-40**	**14**

APPENDIX TO FINANCIAL STATEMENTS

	Group		Parent	
	1998/99	1997/98	1998/99	1997/98
5. FINANCIAL INCOME AND EXPENSES WITHIN THE GROUP				
Interest income	-	-	715	261
Dividend income	-	-	6.120	1.900
Total	**-**	**-**	**6.836**	**2.161**
6. EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income	0	0	-	-
Extraordinary expenses	0	-116	-	-
Group transfers (paid)	-	-	1.000	0
Total	**0**	**-116**	**1.000**	**0**
7. FINANCIAL INCOME AND EXPENSES				
Dividend income	3	2	8.501	3.056
Interest income for short-term investments	1.360	1.523	1.575	1.118
Net gains from foreign exchange of fin. items	-339	234	56	6
Interest expenses	-3.615	-2.457	-699	0
Other financial expenses	-621	-784	-99	-2
Financial income and expenses total	**-3.211**	**-1.481**	**9.335**	**4.178**

APPENDIX TO FINANCIAL STATEMENTS

8. SHAREHOLDINGS IN OTHER COMPANIES

PARENT:

Subsidiaries

	Number of Shares	Parent Ownership Shares & Votes	Group Share in Equity	Group Ownership Shares & Votes	Nominal value	Book value	Latest Profit/loss for the fiscal year
		%	FIM 1.000	%	FIM 1.000	FIM 1.000	FIM 1.000
Vaahto Oy *)	2.580	95,60	7.595	100,00	1.548	19.245	-40
Ramet Oy	50	100,00	2.501	100,00	50	3.646	66
Oy Japrotek Ab	100.000	100,00	4.733	100,00	1.000	1.000	-1.598
Jipka Oy	190	100,00	679	100,00	190	2.649	-88
Profitus Oy	1.600	100,00	15	100,00	16	16	0
AK-Tehdas Oy	2.900	100,00	4.560	100,00	2.900	3.120	73
Stelzer Rührtechnik International GmbH		100,00	9.203	100,00	152	10.764	-954
						40.441	

*) 4,4 % of shares outstanding owned by Ramet Oy

Other shares

	Number of Shares	Parent Ownership Shares & Votes	Group Share in Equity	Group Ownership Shares & Votes	Nominal value	Book value	Latest Profit/loss for the fiscal year
AP-Tela Oy	150	31,25	2.658	31,25	150	150	1.276
Other stocks and shares						144	
						294	

GROUP:

Affiliates

	Number of Shares	Parent Ownership Shares & Votes	Group Share in Equity	Group Ownership Shares & Votes	Nominal value	Book value	Latest Profit/loss for the fiscal year
AP-Tela Oy	150	31,25	2.658	31,25	150	2.658	1.276

Other stocks and shares of the Group

	Number of Shares	Parent Ownership Shares & Votes	Group Share in Equity	Group Ownership Shares & Votes	Nominal value	Book value	Latest Profit/loss for the fiscal year
As.Oy Joutiainen	60				6	142	
As.Oy Punarinta	58				6	150	
As.Oy HollolanTervaskanto	931				2	50	
Other stocks and shares						277	
						619	

Subsidiaries of subconcern

	Number of Shares	Parent Ownership Shares & Votes	Group Share in Equity	Group Ownership Shares & Votes	Nominal value	Book value	Latest Profit/loss for the fiscal year
Vaahto Deutschland GmbH Process Machinery Distribution			152	100,00	152	152	9
Vaahto Pulp and Paper Machinery Sales Corp. Ltd Oy	100		144	100,00	100	102	-9
Kiinteistö Oy Tampereen Mäntyhaka	700.000		779	100,00	700	2.843	44

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
9. INTANGIBLE AND TANGIBLE ASSETS				
Intangible assets				
Book value 01.03.	96	239		
Increase	1.284	26		
Decrease	0	-68		
Book value 28.02.	**1.381**	**196**	**-**	**-**
Depreciation according to plan 28.02.	-175	-100		
Book value 28.02.	**1.206**	**96**	**-**	**-**
Other long-term assets				
Book value 01.03..	835	1.090		
Increase	0	68		
Decrease	-34	-66		
Book value 28.02.	**801**	**1.093**	**-**	**-**
Depreciation according to plan 28.02.	-208	-258		
Book value 28.02.	**593**	**835**	**-**	**-**
Accumulated difference between book and plan depreciations 01.03.	139	173		
Decrease in accelerated depreciation	0	-34		
Increase in accelerated depreciation	10	0		
Accumulated difference between book and plan depreciations 28.02.	**149**	**139**	**-**	**-**
Group goodwill				
Book value 01.03.	710	994		
Increase	0	0		
Decrease	0	-195		
Book value 28.02.	**710**	**799**	**-**	**-**
Depreciation according to plan	-84	-89		
Book value 28.02.	**626**	**710**	**-**	**-**
Goodwill				
Book value 01.03.	0	0		
Increase	15.842	0		
Book value 28.02.	**15.842**	**0**	**-**	**-**
Depreciation according to plan	-596	0		
Book value 28.02.	**15.246**	**0**	**-**	**-**
Land				
Book value 01.03. *)	794	794		
Increase	1.568	0		
Decrease	0	0		
Book value 28.02.	**2.362**	**0**	**-**	**-**
Group goodwill	2.065	0		
Book value 28.02.	**4.427**	**794**	**-**	**-**

*) Includes revaluation of land
FIM 180.000 in 1976

APPENDIX TO FINANCIAL STATEMENTS

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
Buildings				
Book value 01.03.	27.183	28.422		
Increase	9.777	0		
Decrease	0	0		
Book value 28.02	**36.960**	**28.422**	**-**	**-**
Depreciation according to plan 28.02.	-1.324	-1.239		
Book value 28.02	**35.636**	**27.183**	**-**	**-**
Revaluations of buildings included in asset values.				
Revaluations 01.03	1.989	1.989	-	-
Revaluations 28.02.	**1.989**	**1.989**	**-**	**-**
Accumulated difference between book and plan depreciations 01.03.	6.519	6.390		
Increase in accelerated depreciation	0	129		
Decrease in accelerated depreciation	-93	0		
Accumulated difference between book and plan depreciations 28.02.	**6.426**	**6.519**	**-**	**-**
Machinery and equipment				
Book value 01.03.	24.522	26.167	1.084	731
Adjustments from previous periods	0	-192	0	-192
Increase	15.400	3.469	963	854
Accelerated depreciation/Germany	0	25	-	-
Decrease	-504	-191	-266	-100
Book value 28.02.	**39.419**	**29.278**	**1.782**	**1.293**
Depreciation according to plan 28.02..	-5.932	-4.756	-366	-209
Book value 28.02.	**33.487**	**24.522**	**1.416**	**1.084**
Accumulated difference between book and plan depreciations 01.03.	12.923	13.538	160	366
Adjustments from previous periods	0	-192	0	-192
Incr./decr. in accelerated depreciation	-2.512	-423	40	-14
Accumulated difference between book and plan depreciations 28.02.	**10.411**	**12.923**	**200**	**160**
Other tangible assets				
Book value 01.03.	865	480	392	9
Increase	2.476	731	38	483
Decrease	-16	0	0	0
Book value 28.02	**3.325**	**1.210**	**429**	**492**
Depreciation according to plan 28.02.	-671	-345	-106	-100
Book value 28.02	**2.653**	**865**	**323**	**392**
Accumulated difference between book and plan depreciations 01.03.	-16	0	-	-
Increase in accelerated depreciation	16	0	-	-
Decrease in accelerated depreciation	0	-16	-	-
Accumulated difference between book and plan depreciations 28.02.	**0**	**-16**	**-**	**-**

APPENDIX TO FINANCIAL STATEMENTS

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
10. TAX VALUES FOR FIXED ASSETS AND SHARES				
Land	2.165	897	-	-
Buildings	21.270	12.180	-	-
Shares in subsidiaries	-	-	33.952	22.583
Other shares	13.419	1.360	605	415

Book value has been used,
if tax values were not available
(e.g. foreign companies).

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
11. LONG-TERM LOAN RECEIVABLES				
Loan receivables	76	86	50	50
Loan receivables from subsidiaries				
Stelzer Rührtechnik Int. GmbH	-	-	3.040	-
Total	**76**	**86**	**3.090**	**50**

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
12. GROUP RECEIVABLES AND DEBTS				
GROUP RECEIVABLES				
Long-term loan receivables	-	-	3.040	0
Trade receivables	-	-	1.363	327
Short-term loan receivables	-	-	0	500
Prepaid expenses and accrued income	-	-	143	0
GROUP DEBTS				
Accounts payable	-	-	9	356
Accrued liabilities and deferred income	-	-	17	140
Other short-term receivables	-	-	1.000	0

Advances invoiced at the time of closing the books which are still unpaid have not been included in the balance sheet differing from the previous fiscal years.

APPENDIX TO FINANCIAL STATEMENTS

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
13. SHAREHOLDERS' EQUITY				
Share capital 01.03.	14.362	14.362	14.362	14.362
Share capital 28.02.	**14.362**	**14.362**	**14.362**	**14.362**
Reserve 01.03.	15.966	15.966	15.966	15.966
Reserve 28.02.	**15.966**	**15.966**	**15.966**	**15.966**
Unrestricted equity 01.03.	47.262	47.320	34.801	39.507
Change in concern structure	312	0	-	-
Dividends	-8.617	-8.617	-8.617	-8.617
Profit for the period	-3.538	8.559	6.256	3.911
Unrestricted equity 28.02.	**35.420**	**47.262**	**32.440**	**34.801**
Calculation on distributable assets 28.2.				
Retained earnings	38.958	38.703	-	-
Profit for the period	-3.538	8.559	-	-
The share of voluntary provisions booked into equity	-12.172	-14.086	-	-
Distributable retained profit	**23.248**	**33.176**	**32.440**	**34.801**
The distribution of shareholder's equity by series:	**no.**	**FIM**	**no.**	**FIM**
A-share (1 vote/share)	1.452.751	7.263.755	1.452.751	7.263.755
K-share (20 votes/share)	1.419.551	7.097.755	1.419.551	7.097.755
Total	**2.872.302**	**14.361.510**	**2.872.302**	**14.361.510**
Accumulated number of conversion of K-shares to A-shares	-	-	16.600	-
14. PROVISIONS				
Accumulated accelerated depreciation Machinery and equipment	-	-	200	160
15. OBLIGATORY PROVISIONS				
Obligatory provisions	2.051	0	-	-

Obligatory provision is warranty provisions made by Stelzer

APPENDIX TO FINANCIAL STATEMENTS

16. DEFERRED TAX LIABILITIES AND ASSETS	Group		Parent	
	1998/99	1997/98	1998/99	1997/98
Deferred tax assets				
*) Allocation differences	445	0	-	-
Deferred tax liabilities				
Revaluation	557	557		
Depreciation difference	4.734	5.478		

*) The deferred tax asset is because of the loss made by a finnish subsidiary. The deferred tax asset, TFIM 306, due to the loss of foreign subsidiary has not been booked.

17. LIABILITIES

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
Loans with maturity of 5 years or more				
Loans from credit institutions	6.800	24.228	-	-
Pension loans	4.141	5.230	-	-
Total	**10.941**	**29.458**	-	-
Interest bearing and non-interest bearing debt				
Interest bearing	81.648	61.225	1.000	0
Non-interest bearing	72.108	58.659	1.423	2.076
Total	**153.756**	**119.884**	**2.423**	**2.076**

18. CONTINGENT LIABILITIES

	Group 1998/99	Group 1997/98	Parent 1998/99	Parent 1997/98
Finland				
Mortgages on own debts				
Mortgages on land and buildings	29.610	29.610	-	-
Other assets	40.700	40.700	-	-
Pledges granted, book value	0	0	-	-
Contingent liabilities on behalf of group comp.	0	0	-	-
Pledges granted on behalf of others	0	0	-	-
Operating lease commitments	1.465	1.532	-	-
Interest rate derivatives				
Interest rate cap agreements	12.466	27.571	-	-
Exchange rate derivatives				
Futures contracts on receivables and accounts payable	0	13.304	-	-
Germany/Stelzer				
Mortgages on own debts				
Mortgages on land and buildings	10.336	0	-	-
Other assets	13.984	0	-	-
Operating lease commitments	219	0	-	-

For the contracts delivered by February 28, 1999 the Group companies have warranty liabilities.

PROPOSAL FOR DISTRIBUTION OF PROFITS

According to the balance sheet, and after the addition of the current year loss of FIM 3.537.845,48 the nonrestricted owners' equity of the concern is FIM 35.419.782,65. According to the balance sheet the nonrestricted owners' equity of the parent company is FIM 32.439.988,84.

The Board proposes that no dividend will be paid and the loss of the fiscal year is proposed to be transferred on the retained earnings account.

Hollola May 11, 1999

Ilkka Vaahto Chairman of the Board	Heikki Vaahto	Mikko Vaahto	Antti Vaahto Chief Executive Officer

AUDITORS' REPORT

To the shareholders of Vaahto Group Plc Oyj

We have audited the accounting, the financial statements and the corporate governance of Vaahto Group Plc Oyj for the period 1.3.1998 - 28.2.1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

We have reviewed the interim report published during the financial year. The interim report has been prepared in accordance with applicable regulations.

Hollola May 11, 1999

TILINTARKASTAJIEN OY-
ERNST & YOUNG
CPA Corporation

Risto Järvinen CPA	Pauli Hirviniemi CPA

INFORMATION TO THE SHAREHOLDERS

Annual Meeting

The annual shareholders meeting of Vaahto Group Plc Oyj will be held in the office of the parent company, Keskikankaantie 11, 15860 Hollola, on June 9, 1999 at 11.00 AM. Those willing to participate in annual meeting should register, by letter or by phoning to Ritva Koivisto/03-8805257 not later than June 4, 1999.

Interim Report

The company will publish one interim report covering six months of operations during the 1999 - 2000 fiscal year. The publishing day will be 27.10.1999.

ADMINISTRATION VAAHTO GROUP PLC OYJ

Board Members

Ilkka Vaahto, Chairman
Heikki Vaahto, Director
Mikko Vaahto, Director
Antti Vaahto, CEO, M.Sc., BBA, MBA

Managing Director

Antti Vaahto

Auditors

Risto Järvinen, CPA
Tilintarkastajien Oy - Ernst & Young
Responsible Pauli Hirviniemi, CPA

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