



## Annual Report 2000



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*The Annual Report is a translation  
from the original Finnish text.*

## STOCKHOLDER INFORMATION

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Tuesday, March 20, 2001 at 4.00 p.m. at Group headquarters in Tampere, Finland, Yrittäjänkatu 21.

The right to attend the Annual General Meeting is held by a stockholder entered in the register of stockholders kept by the Finnish Central Securities Depository on March 9, 2001 at the latest. A shareholder wishing to attend the Annual General Meeting should notify the company by 4.00 p.m. on Friday, March 16, 2001.

### DIVIDEND

The Board of Directors will propose to the Annual General Meeting that a dividend of 1.26 euro (FIM 7.49) be paid on a common share and 1.30 euro (FIM 7.73) on a preferred share. The dividend record date is March 23, and the proposed dividend payment date is Friday, March 30, 2001.

### FINANCIAL REPORTING

Tamfelt will issue three interim reports in 2001: on April 19, August 7, and October 25. The publications will be available in Finnish, Swedish and English.

The financial reports are available from:

Tamfelt Corp.  
P.O. Box 427  
33101 TAMPERE, Finland  
Fax: +358 3 356 0120  
E-mail: tamfelt@tamfelt.fi

Please notify the book-entry securities register of any change of address; the company will be notified accordingly.

## COMPANY PROFILE

Tamfelt is one of the world's leading suppliers of technical textiles. The company's main products are paper machine clothing and filter fabrics. Tamfelt Group has six production units. In addition to the domestic mills in Tampere and Juankoski, the Group has plants in the United States, Portugal, Brazil and China. The Group employs more than 1300 persons and its turnover exceeded 124 million euro in the year 2000.

Tamfelt is one of the pioneers of Finnish industry. The company was founded over 200 years ago in 1797. The manufacturing of papermakers' felts started in 1882. Today Tamfelt is part of the state-of-the-art Finnish forest cluster.

## KEY DATA

		2000	1999	Change %
Net sales	milj €	124	110	13
Income before taxes	milj. €	24	22	10
Gross investments	milj €	13	9	37
Earnings/share	€	1.90	1.72	11
Equity/share	€	13	12	8
Dividend/share				
common	€	1.26	0.96	
preferred	€	1.30	1.00	
Return on net assets, %		21	21	
Equity/Assets ratio, %		80	79	
Personnel, Dec. 31		1365	1291	6

## GROUP GOVERNANCE



*Board of Directors:  
Axel Cedercreutz (left), Jouko Oksanen,  
Mikael von Frenckell and Martin Lilius.  
Vesa Kainu is missing from the picture.*

### BOARD OF DIRECTORS

Mikael von Frenckell, Chairman, born 1947. Term expiring 2001. Holds 67,000 shares in Tamfelt Corp. Member since 1979, Chairman since 1995.

Axel Cedercreutz, Vice Chairman, born 1939. Term expiring 2001. Holds 176,727 shares in Tamfelt Corp. Member since 1995.

Martin Lilius, born 1947. Term expiring 2002. Holds 1,404 shares in Tamfelt Corp. Member since 1986.

Vesa Kainu, born 1947. Term expiring 2001. Holds 500 shares in Tamfelt Corp. Member since 1995.

Jouko Oksanen, born 1951. Term expiring 2002. Holds no shares in Tamfelt Corp. Member since 1995.

### DUTIES OF THE BOARD OF DIRECTORS

The Board decides on matters of far-reaching consequence to the Group's activities or matters of principal importance. Such matters include Group strategy, action plan, powers, long-term agreements, budgets and major investments.

The Board nominates the President, Deputy President and other executives and determines their remuneration.

### ELECTION AND TERM OF THE BOARD MEMBERS

The Board members are elected at the Annual General Meeting. The Board consists of five to nine ordinary members and a maximum of three deputy

members. The Board members elect a Chairman and a Deputy Chairman among themselves. The Annual General Meeting shall be held each year by the end of May.

The term of office of the Board members terminates at the end of the second Annual General Meeting following their election. A person seventy years of age or over is not eligible as a Board member.

### BOARD MEETINGS

The Board of Directors met eleven times in 2000.

### AUDITORS

Jari Paloniemi

Veikko Terho

Jukka Lahdenpää

Moore Stephens Rewinet Oy Ab,  
Authorized Public Accountants

## REVIEW BY THE PRESIDENT

Tamfelt's year 2000 was another year of robust growth and progress. Steady increase in the demand for pulp and paper, which began in the summer of 1999, continued throughout the year. This, combined with the drive of a reviving mining industry and the all-time strongest rates of the dollar, enabled us to increase our net sales and improve our financial performance. Tamfelt attained a growth percentage of 12.9 and the record-breaking net sales of 736.7 million markka. While our company's relative profitability was slightly down, our net income was historically high at 100.2 million markka.

Our net sales grew most in export markets, notably in the Far East and Scandinavia. In particular press felts in Tampere and the Fanafel division in Portugal continued their upward trend. The 1999 major investments in Fanafel proved to have been timely and well-targeted. Our domestic market grew at a more moderate rate. At home, we kept our market-leading position and managed to expand our shares slightly in our main products.

Globally, paper machine clothing operations have been the subject of a large-scale consolidation process through structural reorganization. Small, less effective production units have been closed down and volumes have been concentrated in larger and modern facilities. At the same time, the pulp and paper industry has increasingly consolidated into bigger units. Thus purchasing volumes have grown with corporate agreements augmenting the purchasing power of big companies. Payroll costs have risen in the producer countries and increasingly costly oil has pushed up raw material prices. It has not been possible to include these extra costs in product prices. While some of it has been compensated by more efficient production, the cost climb is reflected in declining profitability

of the industry. I think clothing suppliers now find themselves in a situation, where any capital-intensive projects requiring investment and R&D will have to be carefully considered and are getting no chance of prompt implementation.

Tamfelt's recent initiatives in Brazil and China are well under way. Our Brazilian operation was transformed from a sales office into a small processing plant with growing net sales. Our Chinese joint venture came on stream in October 2000. The new plant impresses as a well-functioning, modern facility with an enthusiastic staff. We believe the sales will gain momentum once our customers have been able to verify the quality and technical performance of the forming and dryer fabrics produced by Tamfelt-GMCC. Fanafel in Portugal will be developed as vigorously as ever, and the technology of our belt unit in Tampere will be further sophisticated. All this will provide for new growth.

Our new 'Star Range', consisting of the applications Gapstar, Ecostar and Tamstar, has enjoyed a spectacular success. Systematic product development with adequate resources is one of our company's key investment areas. Our R&D shall be based on the potential provided by customers, research institutions and universities. The location of our plants, close to prominent centers of expertise, has become an asset in an effort to accelerate our R&D even further. It has been easy for us to capitalize on these sources of special know-how and capacity in specific projects. We have successfully increased the role of universities in our R&D and in the solution of production problems. At the same time we have been able to recruit young, enthusiastic and well-educated personnel. I am sure this is another way of safeguarding the continuous development of new,



*Risto Hautamäki, President.*

viable members to our product families in an effort to ensure growing sales.

The sharp increase in our net sales is testimony to our customers' confidence in the quality and performance of our products. Our continuous work towards higher product quality, our improved delivery strength and our new product features have been warmly welcomed. I would like to thank our customers for their confidence in our company, which is a good reward for our effort.

The personnel of the Tamfelt Group have worked hard and deserve full recognition of their commitment to our customers' benefit. I also thank our partners and suppliers for successful cooperation. My warmest thanks go to Tamfelt's stockholders and Board for continued confidence in our company.

A handwritten signature in blue ink that reads "Risto Hautamäki". The signature is written in a cursive, flowing style.

## LEADING EDGE BY QUALITY, CONFIDENCE AND COOPERATION

Tamfelt's performance during the first year of the new millennium was the best in the company's history. Chairman Mikael von Frenckell and President Risto Hautamäki sat down on a bright and cold January day to discuss the company's future in the light of today.

**MIKAEL VON FRENCKELL:** "The past year looks very good, both in terms of key indicators and bottom line. Hard work and commitment at every level lifted our earnings to an all-time high."

**RISTO HAUTAMÄKI:** "I think the year was both exciting and a little surprising. The first third of the year was rather sluggish, but later in the spring we could see the business get going and – the rest is history! We can continue work in a good atmosphere with the vastest backlog of orders ever."

**MIKAEL VON FRENCKELL:** "It should be remembered that the work we do to ensure good performance and a nice volume of orders is a continuing process. Part of the fruit will be picked in future accounts. During recent years we have invested a lot, but reorganized with a moderate hand. Our relative profitability has not improved, but the big picture is good. You can see that in the growing order book too."

**RISTO HAUTAMÄKI:** "We are not planning anything big for the near future – investments and efforts will be focused on opening bottlenecks. There is potential for better productivity and flexibility to handle the order backlog. Minor investments will be seen at every individual workplace. The most visible change is probably the departure of the dyehouse Pirkanmaan



*MIKAEL VON FRENCKELL: "Forest is our only renewable natural resource and forest industry will always be an important part of our economy. As part of the Finnish forest cluster Tamfelt has a natural competitive edge in the world market."*

*RISTO HAUTAMÄKI: "Finnish pulp and paper companies are leading the global development in terms of quality, volume and consolidation. This position cannot be taken away from Finland. In this configuration, Tamfelt has a great home-field advantage. We have a strong foundation to use as a stepping stone to progress and strong market presence."*

Uusi Värjäemö from the Tampere plant and the subsequent extension of our operations by 2,000 square meters. Our last tie with conventional textile industry will be broken."

**MIKAEL VON FRENCKELL:** "We see ourselves as an important part of the Finnish forest cluster. Finnish paper machines are global leaders. Many new paper mills have been engineered by Finns in various parts of the world. We have a strong position as a Finnish clothing supplier and good references are always an advantage. This helps us develop and contribute to development."

**RISTO HAUTAMÄKI:** "The pulp and paper industry keeps investing in higher efficiency by increasing machine operation speeds. This means that the textiles must keep up with the

requirements without losing any of their reliability. This trend suits us and matches with our strategy. We have been able to supply clothing for a number of start-ups and we are constantly instrumental in new speed records. For instance Haindl Papier Augsburg's PM3 set a new record for LWC machines in January: 1,723 meters a minute. The record machine featured Tamfelt's Ecostar felts.

**MIKAEL VON FRENCKELL:** "Paper machines have developed in leaps. Thirty years ago the clothing was 3.5 meters wide and the machines turned out less than 400 meters paper per minute. Now the biggest machines are ten meters wide and capable of producing over 1,700 meters per minute. Of course, the higher the operating speed and the wider and bigger the machine,

the more technique and technology are needed to retain the quality and reliability of the product. Ours is a challenging field, and the importance of cooperation is recognized, particularly in research and development. We have invested in R&D a lot and with good results. Up to 25 per cent of our volume consists of products engineered over the last few years.”

**RISTO HAUTAMÄKI:** ”Pulp and paper industry is one of the cornerstones of Tamfelt’s activities. But cooperation is important also in the production of filter fabrics for the chemical and mining industries. We have been involved in their manufacturing processes through the research done by machinery manufacturers. We have thus been among the first to develop something new, something that no one else has. This has led us to contribute actively to academic degree papers, which has raised the level of our practical know-how and helped us retain a hands-on approach to our business. We have taken great leaps forward, and I think they have been commercially excellent. We are also members in a consortium, in which we think up ideas of how intelligent fabrics could be made use of in future paper machine clothing. In this we have outstanding expertise in Finland.”

**MIKAEL VON FRENCKELL:** ”Earning logic should always be kept in mind when ideas are elaborated. We do nothing just for the hype of it; what we pursue is real economic benefit. The same is true of Tamfelt’s overall development and growth. People sometimes ask us why we shouldn’t desire to grow faster through acquisitions. Tamfelt concentrates on supplying clothing for big, high-speed and wide machines and we have invested in our plants under this strategy. An acquisition might involve facilities not in line with this strategy, but we would have to pay a premium for such ‘by-products’ as well. We think it wouldn’t make good economic sense, and we have preferred to invest in our own plants instead.”

**RISTO HAUTAMÄKI:** ”Tamfelt’s targeted growth is 7 per cent, when the demand for our products goes up 1.5

or, at best, 2.5 per cent a year. This shows that we are a profitable company, growing faster than the average industry, but in a controlled way. We want to minimize the risk of uncontrollability, which always goes with acquisitions. We prefer to move in controlled leaps. Mouses should not swallow elephants!”

**MIKAEL VON FRENCKELL:** ”I do believe in growth – without growth a company will wither – but growth should be smooth and sustained. For several years Tamfelt has grown faster than the market: our share in the market has grown, our machinery is competitive, and our organization works. And our customers have seen this.

Our management culture is another major strength. Tamfelt is a company which cherishes tradition. Tamfelt has always cared, even about small things, and it shows in the results. Tamfelt is also managed by example. Commands bring no lasting improvements, nor does too much delegation. Corporate management should exert a visible and encouraging presence. Many companies have become alienated from hands-on management and forgotten that managing is just another job.”



*MIKAEL VON FRENCKELL: "It's delightful that Tamfelt has a high percentage of domestic stockholders and among them a large number of private persons. And that they have been faithful to Tamfelt."*

**RISTO HAUTAMÄKI:** ”This is an exciting situation, because we know that trends vary constantly in a pendular movement. It will be interesting to see how the younger management generation, which is more sociable and shows a greater ease in delegation, will respond to development. We, at Tamfelt, are committed to systematic and efficient management style, where incentive schemes play a role. In our company, the trend is turning back from the so-called self-regulating approach to work. What we demand from work supervision is moral strength and organizing ability to ensure that the job will be done.”

**MIKAEL VON FRENCKELL:** ”Moral strength is a key value in the company overall. Customer satisfaction, profitability, caring and competence are important. I am confident that good results are obtained by setting objectives, which help us develop and maintain a professional working atmosphere. We must draw a clear line between business and the personal, soft world. The company’s benefit should never be overlooked.”



*RISTO HAUTAMÄKI: "Only just under 1.5 per cent of Tamfelt's stock is in foreign ownership. Our controlled and successful operations during recent years have made it possible for us to increase the dividend at a steady rate. I believe this has worked against stockholder willingness to sell."*



*Executive Board: Hannu Laine (left), Risto Hautamäki, Jaakko Räsänen, Jarmo Järviö, Seppo Holkko, Kaarina Tasanen, Jukka Huhtiniemi, Jyrki Nuutila and Esko Pessi.*

## EXECUTIVE BOARD

Risto Hautamäki, President and CEO  
 Jyrki Nuutila, Executive Vice  
 President and Deputy to the CEO  
 Hannu Laine, Executive Vice  
 President, Corporate Planning  
 Seppo Holkko, Executive Vice  
 President, PMC  
 Esko Pessi, Executive Vice President,  
 Filter Fabrics  
 Jukka Huhtiniemi, Technical  
 Director  
 Kaarina Tasanen \*  
 Jarmo Järviö \*  
 Jaakko Räsänen \*

\* Personnel representatives



*The new weaving unit at the Tampere Mill.*



### GENERAL

Tamfelt Group's main products include forming fabrics, press felts, belts, dryer fabrics and filter fabrics for the paper, board and pulp industries. Filter fabrics are also delivered to the mining and chemical industries and waste water treatment plants. Filter fabrics designed for dry filtration are one of the Group's fastest growing product groups. Tamfelt is also the leading European supplier of ironer felts for laundries.

The pulp and paper industry is Tamfelt's most important customer segment. Domestic production of paper and board grew 4 % at the year level and capacity was almost fully utilized. Production volumes increased also in Southeast Asia and the European paper industry. In the United States, production fell behind the volumes of the previous year. The demand for pulp remained good throughout the period. Brisk economic growth has boosted production volumes in the mining industry, aided by the good price levels of iron, stainless steel and color metals.

The pulp and paper industry has consolidated into ever-larger company units. Corporate agreements are a necessary prerequisite for winning business from big companies. Consolidating customer base leads to harmonious price levels in Europe.

Following a restructuring trend in the technical textile industry, Tamfelt's competitors have closed down or announced the close-down of several plants in Europe and the United States. Tamfelt, however, enjoys an established status as part of the Finnish forest cluster. This is an asset, which has helped the company to increase market shares as a supplier to new, sophisticated paper and board

machines. The number of start-ups was up from the previous year. Tamfelt also contributed as a major supplier for a number of paper machine rebuilds in Finland and abroad.

While paper, board and pulp industries grew, the total consumption of technical textiles increased only slightly. The volume of Tamfelt's deliveries was up 9 % at the year level. Tamfelt's market shares increased in Europe, North America and the Far East. The fast growth rate helped the company to utilize production capacity to the full and secured a favorable productivity trend. The Group's order volumes and capacity utilization were good throughout 2000, improving even further towards the end of the year.

PMC is a major supplier in the European market to paper machines over 5 meters wide and a market leader in forming fabrics engineered for SC paper machines and gap formers. Tamfelt's share of the European market for big and high-speed paper machines is 30 to 35 %, depending on the style of clothing and paper grade.

The Filter Fabrics Division is a world-class supplier to the iron pelleting and color metallurgy plants and pulp mills. Industrial and municipal waste water treatment is a growing market segment. The volumes of pulp and metal production increased, lifting the volume of Tamfelt's filter fabric deliveries to a record level.

Tamfelt's Brazilian subsidiary, which supplies the mining industry with wet filtration fabrics, has developed favorably. Both sales and earnings exceeded the budgeted targets.

The Chinese joint venture, founded with Tianjin Paper Net Factory,

started up in late 2000. Tamfelt holds a 60 % share of the capital stock. The company carries on the seaming and finishing of technical textiles, for which the fabrics are supplied from Finland. The first products were delivered to Chinese customers at the end of the year.

## SALES AND EARNINGS

Consolidated net sales were FIM 737 million, up 12.9 % from FIM 653 million in 1999 and clearly exceeding the target. The growing sales volumes of the PMC division were a particularly gratifying development. Increasing consolidation, both in the customer base and in the industry itself, has improved Tamfelt's prospects of winning larger shares of the market for technical textiles. Unit prices fell no further, partly due to a modification of the product mix, partly thanks to a strong dollar. The net sales of filter fabrics were also higher than prospected. The biggest growth was in filter fabrics for applications in the pulp and paper industry. All subsidiaries continued to sell their products at a brisk rate. Well-timed investments in Fanafel Lda. led to a major growth in the sales of ironer felts and dry filtration products. The Brazilian facility supplying wet filtration fabrics, just two years in operation, gained momentum. The North American subsidiaries also grew, and the strong dollar contributed to higher earnings in markka.

Exports grew faster than domestic sales in all product groups, accounting for 56 % of the parent company net sales, up from 55 %. Foreign activities and exports totaled 64 % of the consolidated net sales, vs. 62 % a year before. Rapidly growing sales and production volumes made it necessary to maintain a high rate of investment. Production capacity was in full use throughout the year, and in the case of certain production lines short capacity extended delivery times and pushed order-book backlogs up to a record-high level. The high rate of capacity utilization contributed to better profitability. Strong key export currencies boosted profitability in export activities. Earnings in markka

were the highest in the company's 203-year history. Tamfelt Group's net income was FIM 133.0 million, up from 118.7 million, representing 18.0 % of the 2000 net sales, compared to 18.2 % in 1999. Net income before taxes amounted to FIM 140.0 million vs. 127.9 million a year before. Return on net assets was 21.1 % compared to 20.9, and equity-assets ratio 79.6 % compared to 79.0 in 1999. Earnings per share were FIM 11.30, up from 10.20. Gross investment expenditure was FIM 76.3 million, compared to 55.8 in 1999. At 10 % of the net sales, the figure is well above the field average.

During the year, Tamfelt Properties disposed of the last housing company in the Group's possession. The capital gain from the transaction, FIM 6.0 million, was entered in the consolidated other operating income. The 1999 consolidated other operating income included a corresponding item of FIM 5.0 million. After this transaction the Group does not own any housing companies.

The depreciation periods applied in the parent company were adjusted to better correspond to the useful economic life of each particular asset. The adjustment contributed FIM 4.8 million to the net income.

The balance sheet total was up FIM 62 million, amounting to FIM 854 million at year-end. The single fastest growing items were fixed and other long-term assets and accounts receivable. In liabilities, stockholders' equity grew most.

Group liquidity remained good throughout the year. Following good internal financing and moderately growing working capital, investments could be funded with the company's own cash flow. On the balance-sheet date, interest-bearing loans amounted to FIM 15.1 million, compared to

11.2 million in 1999, and the book value of liquid assets was FIM 155 million vs. 144 million in 1999. FIM 3.0 million of the growth in interest-bearing loans is accounted for by a zero-interest loan from the EU to be invested in the Portuguese subsidiary.

The Group's net financial income totaled FIM 7.1 million compared to 7.0 million in the previous year. The company invests mainly in interest-bearing instruments and to some extent in stock.

The parent company's net sales were FIM 606 million, up 10 % from FIM 551 million in 1999. Net income was FIM 104.8 million compared to 92.4 million, and net income before extraordinary items was FIM 108.9 million compared to FIM 99.4 million in 1999. Extraordinary items comprise FIM 16.1 million group subsidy from Tamfelt Properties (0.0 in 1999).

## STOCK EXCHANGE

Average all-share index prices on the Helsinki Exchanges fell 11 %. At the same time the HEX portfolio index fell 25 %. Tamfelt's common share was down 21 % from 23.00 to 18.25 euro, and preferred share 20 % from 22.50 to 17.98 euro. No conversions were made from common to preferred shares during the year.

The Annual General Meeting approved the granting of options to certain Group executive members to buy stock in the company. The 1998 and 2000 options give subscription rights for a maximum of 328,000 preferred shares. The options exercised can increase the company's capital stock by a maximum amount of 551,656.40 euro. Subscription under the 1998 option rights began on November 1, 2000.

The subscription price on December 31, 2000 was at 24.45 euro.

The company's Board previously formulated a policy to distribute at least 40 % of earnings as dividends, providing that the company's financial position or progress will not be jeopardized. The Board has since made a decision to pursue a more active dividend policy in the next few years.

## INVESTMENTS

The Group's gross investment, FIM 76.3 million, was much in excess of the planned depreciation of FIM 38 million. The corresponding expenditure in 1999 was 55.8 million. For several years in a row, Tamfelt's investment outlay has exceeded the average rate of the field. It has been necessitated by heavily growing volumes as well as programs designed to enhance quality and productivity. The largest investment program was a new heat setting unit in Tampere to treat press felts and dryer fabrics alike. Other productional investments in Tampere aimed at increasing the plant's weaving and seaming capacity. At the Juankoski facility, the rapidly growing volumes of triple-layer forming fabrics required major investments to increase the capacity of the seaming department.

At Fanafel Lda. in Portugal, a new carding and needling line came on stream in early 2000. The investment permitted a significant growth of the division.

The parent company launched a large-scale enterprise resource planning project (ERP). The initial stage is expected to be completed during 2001.

## RESEARCH AND DEVELOPMENT

Tamfelt's research and development function cooperates with customers, material suppliers and paper machine manufacturers as well as universities and research institutions. The joint initiatives aim at upgrading paper quality and product runnability and at increasing the economy and efficiency of filtration. Major projects are under way to improve fabric structures and raw materials.

Tamfelt's new triple layer forming fabric style, Gapstar, has been welcomed by customers - order volumes have exceeded any expectations. This novel product has enabled many customers to improve the quality of their paper and to cut manufacturing costs. Soil-repellent treatment has given good results on machines using recycled pulp. The fabrics stay cleaner with less need for washing, which improves paper quality.

The new-generation Ecostar laminated felts have been further upgraded, and they are now even more production-friendly. New styles have been added to the range and quality consistency has improved since the commissioning of new machinery.

A major investment project has been the engineering of new-generation seamed press felts. Seamed press felts account for over third of the US production, and the European share is growing. R&D on shoe press belts has been continued to standardize casting conditions and to improve repeatability by using new materials.

The runnability and energy economy of dryer fabrics are of increasing consequence as machine speeds grow. New useful data has been obtained from wind tunnel tests, etc. Tamfelt's

Tamstar range represents the current state of the art.

An increasing number of R&D projects on filter fabrics are under way with customers, research institutes and universities. A major investment in causticization fabrics for applications in the pulp industry produced two new patented articles, and the division has strengthened its position as the globally leading manufacturer. The range of fabrics for waste water treatment was upgraded, which led to a significant growth in sales.

The cost of R&D was 4.5 % of the Group's net sales.

## HUMAN RESOURCES

Tamfelt Group employment averaged 1324 people, of which an average of 1023 were in the parent company. In 1999, Tamfelt averaged 1288 employees and parent company 1005. On the last day of the year, 1365 and 1291 people were on the Group's payroll in 2000 and 1999, respectively. The parent company's employment was 1049 and 1002, respectively. The Group employment was increased by the Chinese joint venture, which started up in late 2000. The main growth areas of the parent company were weaving and seaming. During the year, the parent company offered training jobs to 152 students (111 in 1999) and provided 46 comprehensive school and high school students (43 in 1999) an opportunity for orientation to working life.

The labor turnover at the Group level was 7.5 % and in the parent company 6.2 %. The corresponding percentages for 1999 were 7.6 and 6.6. The average length of employment was 13 years. At the end of the year the

average employee age was 41 for the Group as well as the parent company, as it was in the previous year.

The parent company personnel's working capability was monitored with a working capability index and by absenteeism through sickness. The latter percentage was 5.4, which corresponds to the average industry rate.

During the year, key expertise areas were specified for Tamfelt and its divisions, personnel development needs in each particular function were analyzed, and the personal development review procedure was extended to cover the entire personnel.

## ENVIRONMENT

Tamfelt's environmental management system under the SFS-EN ISO 14001 standard covering the Tampere and Juankoski facilities was certified in 1998.

The goals and targets to support sustainable development have been published in Tamfelt's environmental policy. Tamfelt's production process does not discharge significant amounts of pollutants to air or water. The key objectives of Tamfelt's environmental management program are to cut the amounts of raw material as well as slow-decaying landfill waste and to avoid unnecessary consumption of water and energy.

The environmental management program worked to reduce the amount of landfill waste further in compliance with the targets of Tamfelt's environmental policy. Special efforts were devoted to tackling the problem of raw material waste and to analyzing the environmental impact of PMC products over their entire life cycle.

## DIVISIONS

### PMC

The PMC division supplies forming fabrics, press felts, dryer fabrics and shoe press belts for the paper, board and chemical pulp industries. In addition to paper machine clothing, the division provides high-quality technical and laboratory services.

Consolidation continued in the customer base. Pulp and paper companies have grown into bigger and bigger units with increasingly global activities. Corporate agreements have become commonplace, reducing the number of clothing suppliers and increasing the volumes of remaining suppliers. While unit prices no longer fell, as they have done for several years, larger volume discounts have effectively restrained price increases.

Growth in paper consumption in Europe and Asia led to high utilization of paper machine capacity and growing demand for clothing. The 13 % growth in net sales was prompted by the strengthening of the U.S. dollar and other variable currencies against the euro. The division's performance in relation to net sales was up from the previous year. The product groups booked orders 20 % in excess of 1999, and Tamfelt gained a larger share of the PMC market.

Higher delivery volumes were achieved through new investments and better productivity. In forming fabrics, investments were focused on improving the seaming process with new automatic seamers and by improved working practices. PMC's heaviest investments were made in the production of press felts, including the commissioning of two new looms and the modernization of two existing machines. In dryer fabrics, the largest

single investment was in a new heat setting unit, which came on stream in the early autumn. In shoe press belts, investments were made to improve and standardize the manufacturing conditions.

### **TAMFELT-GMCC (TIANJIN) PAPER MACHINE CLOTHING CO, LTD.**

The joint venture was commissioned for production in Tianjin, China. In the early part of the year, the company's plant and office premises hired from the local partner were refurbished and the key personnel was in training in Finland for several weeks. When machine installations were completed in summer, the training continued locally in China.

The first orders for forming fabrics from Chinese customers came in early in the fall, and production started in October. The joint venture concentrates in the seaming and finishing of forming and dryer fabrics. It has been favorably received in the market and customers have been happy with the product quality.

### **TF GROUP, INC.**

The company manufactures and supplies fabrics for the North American paper and board industries. Expertise in papermaking and cooperation with the parent company are strengths upon which TF Group's activities are being developed.

Tamfelt's sales and market share were up in press felts as well as forming fabrics. While the division's order volumes grew further, its earnings fell behind targets.

The biggest investment was in two loom modernizations required for the weaving of complex seamed felts. Resources were added in technical customer service.

### **FANAFEL LDA.**

Fanafel in Ovar, Portugal is the leading manufacturer and supplier of felts for commercial laundries worldwide. The company also makes clothing for press and dryer sections for pulp and paper industries and distributes in the Portuguese market the products made in Tampere and Juankoski in Finland. The third major line produces dry filtration fabrics for applications in environmental protection and processing industries.

Fanafel's net sales and operating income rose to a record level. The biggest increase was in the sales of ironer felts. More than 75 % of the company's sales were exported. The main export areas are Spain, France and Germany. The heavy investments made during recent years are now being capitalized on, which is reflected in higher sales volumes and improved earnings.

### **FILTER FABRICS**

The division makes wet filtration media used in special applications in the forest, mining and chemical industries. Fabrics for municipal and industrial waste water treatment are another line of production. Industries supplying filtration equipment for these purposes are yet another important customer segment.

Following the favorable business conditions, customer companies increased their production volumes and the demand grew for filter fabrics. Deliveries to the pulp and paper industries set a new record. The mining and chemical industries consumed more fabrics than in the previous year, though the record level of 1997 is yet to be reached. Waste water treatment is a distinct growth area for filter fabrics.

In its chosen focal areas, the division has a significant market share of the global market; nearly 20 % in the pulp industry and in some product areas even more. Continuous R&D has produced a competitive range, which has ensured the favorable development.

The division's net sales grew and profitability remained good. Exports increased to 84 % of the net sales. The biggest growth was achieved in Scandinavia, South and North America, and Asia.

Following major investments in machinery and equipment in 1999, the division concentrated on improving production efficiency, and with good results.

#### TAMFELT TECNOLOGIA EM FILTRAÇÃO LTDA.

Operating in Belo Horizonte, Brazil since early 1999, the company continued to grow at a target-exceeding rate. The company supplies wet filtration products to mining applications. Most of the fabrics were supplied by the parent company.

## OUTLOOK

Economic conditions for the pulp and paper industries remained good throughout the year. According to forecasts, global growth will slow down in the current year. Capacity utilization, however, is expected to remain good in the pulp and paper industry, at least through the early part of 2000. New papermaking capacity has been constructed in Tamfelt's key market segment in Western Europe and Southeast Asia, increasing the demand for paper machine clothing. Corporate agreements and price harmonization in diverse markets keep price competition sharp. Tamfelt can maintain good profitability by increasing volumes, raising productivity and improving cost-efficiency. In the mining industry, the prices of color metal and iron have remained at a relatively good level. Despite growing uncertainty of the market situation, business conditions are expected to remain quite steady in the mining industry in the next few months.

If conditions for the pulp and paper and the mining industry develop as anticipated and no unpredictable changes occur in the global economy, Tamfelt's net sales and operating income are expected to grow, certainly for the first half of the year.

## CONSOLIDATED STATEMENT OF INCOME JAN.1- DEC. 31.

	2000	%	1999	%	2000	1999
	FIM 1 000		FIM 1 000		€ 1 000	€ 1 000
NET SALES	736 736	100	652 850	100	123 910	109 801
Change in finished goods inventory and work in progress +/-	-7 901		6 514		-1 329	1 096
Other operating income	10 676		11 108		1 796	1 868
Materials and services	140 597		127 839		23 647	21 501
Personnel expenses	287 132		262 146		48 292	44 090
Depreciation and write downs	37 935		40 048		6 380	6 736
Other operating expenses	<u>140 893</u>		<u>121 700</u>		<u>23 697</u>	<u>20 468</u>
	-606 557		-551 733		-102 016	-92 795
OPERATING INCOME	132 954	18	118 739	18	22 361	19 970
Financial income and expenses	7 063		7 022		1 188	1 181
INCOME BEFORE EXTRAORDINARY ITEMS	140 017	19	125 761	19	23 549	21 151
Extraordinary items			2 136			359
INCOME BEFORE TAXES	140 017	19	127 897	20	23 549	21 511
Direct taxes	-40 217		-35 164		-6 764	-5 914
Minority interest	376		-65		63	-11
NET INCOME FOR THE YEAR	<u>100 176</u>	14	<u>92 668</u>	14	<u>16 848</u>	<u>15 586</u>



## CONSOLIDATED BALANCE SHEET DEC. 31

	2000	%	1999	%	2000	1999
	FIM 1 000		FIM 1 000		€ 1 000	€ 1 000
<b>ASSETS</b>						
<b>FIXED AND OTHER LONG-TERM ASSETS</b>						
Intangible assets	7 806		7 528		1 313	1 266
Tangible assets	332 983		296 675		56 004	49 897
Long-term investments	<u>1 304</u>		<u>1 404</u>		<u>219</u>	<u>236</u>
	342 093	40	305 607	39	57 536	51 399
<b>INVENTORIES AND CURRENT ASSETS</b>						
Inventories	199 991		199 638		33 636	33 577
Long-term receivables	2 425		3 092		408	520
Short-term receivables	154 329		139 456		25 956	23 455
Short-term investments	44 689		80 654		7 516	13 565
Cash and bank	<u>110 572</u>		<u>63 668</u>		<u>18 597</u>	<u>10 708</u>
	512 006	60	486 508	61	86 113	81 825
	<u>854 099</u>	100	<u>792 115</u>	100	<u>143 649</u>	<u>133 224</u>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>						
<b>STOCKHOLDERS' EQUITY</b>						
Capital stock	88 600		88 600		14 901	14 901
Contingency reserve	13 179		13 179		2 217	2 217
Retained earnings	472 881		428 976		79 533	72 149
Net income for the year	<u>100 176</u>		<u>92 668</u>		<u>16 848</u>	<u>15 586</u>
	674 836	79	623 423	79	113 499	104 852
Minority interest	4 563	1	493	0	767	83
<b>LIABILITIES</b>						
Imputed tax liability	39 661		38 863		6 671	6 536
Long-term liabilities	11 640		10 035		1 958	1 688
Short-term liabilities	<u>123 399</u>		<u>119 301</u>		<u>20 754</u>	<u>20 065</u>
	174 700	20	168 199	21	29 382	28 289
	<u>854 099</u>	100	<u>792 115</u>	100	<u>143 649</u>	<u>133 224</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	2000	1999	2000	1999
	FIM 1 000	FIM 1 000	€ 1 000	€ 1 000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Cash from sales	723 265	623 477	121 644	104 861
Cash from other operating income	12 438	12 692	2 092	2 135
Operating expenses	<u>-571 034</u>	<u>-506 732</u>	<u>-96 041</u>	<u>-85 226</u>
Cash before financing activities and taxes	164 669	129 437	27 695	21 770
Financing activities	5 588	6 889	940	1 159
Taxes	<u>-42 288</u>	<u>-32 846</u>	<u>-7 112</u>	<u>-5 524</u>
Net cash from operating activities	127 969	103 480	21 523	17 404
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investment in tangible and intangible assets	<u>-73 636</u>	<u>-53 026</u>	<u>-12 385</u>	<u>-8 918</u>
Net cash used in investing activities	-73 636	-53 026	-12 385	-8 918
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Long-term receivables increase -/decrease +	-617	338	-104	57
Withdrawal of long-term loans	2 970	8 910	500	1 499
Repayment of long-term loans	-375	-450	-63	-76
Withdrawal of short-term loans	2 058		346	
Repayment of short-term loans		-4 294		-722
Change of minority share	4 446		748	
Dividends paid	<u>-51 877</u>	<u>-44 953</u>	<u>-8 725</u>	<u>-7 561</u>
Net cash used in financing activities	-43 395	-40 449	-7 299	-6 803
Net increase (+), decrease (-) in cash	<u>10 938</u>	<u>10 005</u>	<u>1 840</u>	<u>1 683</u>
Cash at beginning of year	144 323	134 318	24 273	22 591
Cash at end of year	<u>155 261</u>	<u>144 323</u>	<u>26 113</u>	<u>24 273</u>

## PARENT COMPANY STATEMENT OF INCOME JAN. 1 - DEC 31.

	2000	%	1999	%	2000	1999
	FIM 1 000		FIM 1 000		€ 1 000	€ 1 000
NET SALES	605 766	100	550 888	100	101 883	92 653
Increase (+) or decrease (-) in finished goods inventories	-10 540		3 134		-1 773	527
Other operating income	5 946		4 761		1 000	801
Materials and services	97 995		97 803		16 482	16 449
Personnel expenses	239 424		222 028		40 268	37 342
Depreciation and write downs	29 072		31 931		4 890	5 370
Other expenses	129 839		114 656		21 837	19 284
	<u>-496 330</u>		<u>-466 418</u>		<u>-83 477</u>	<u>-78 446</u>
 OPERATING INCOME	 104 842	 17	 92 365	 17	 17 633	 15535
Financial income and expenses	4 111		7 052		691	1 186
 INCOME BEFORE EXTRAORDINARY ITEMS	 108 953	 18	 99 417	 18	 18 325	 16 721
Extraordinary items	16 100				2 708	
 INCOME BEFORE APPROPRIATIONS AND TAXES	 125 053	 21	 99 417	 18	 21 032	 16 721
Appropriations	- 7 055		1 828		-1 187	307
Direct taxes	-33 504		-25 881		-5 635	-4 353
 NET INCOME FOR THE YEAR	 <u>84 494</u>	 14	 <u>75 364</u>	 14	 <u>14 211</u>	 <u>12 675</u>

## PARENT COMPANY BALANCE SHEET DEC. 31

	2000	%	1999	%	2000	1999
	FIM 1 000		FIM 1 000		€ 1 000	€ 1 000
<b>ASSETS</b>						
<b>FIXED AND OTHER LONG-TERM ASSETS</b>						
Intangible assets	6 944		7 428		1 168	1 249
Tangible assets	266 230		226 215		44 777	38 047
Long-term investments	<u>283 549</u>		<u>260 433</u>		<u>47 690</u>	<u>43 802</u>
	556 723	65	494 076	61	93 634	83 098
<b>INVENTORIES AND CURRENT ASSETS</b>						
Inventories	146 915		154 659		24 709	26 012
Long-term receivables	2 425		3 092		408	520
Short-term receivables	129 686		118 777		21 812	19 977
Short-term investments	20 065		33 845		3 375	5 692
Cash and bank	<u>4 034</u>		<u>5 191</u>		<u>678</u>	<u>873</u>
	303 125	35	315 564	39	50 982	53 074
	<u>859 848</u>	100	<u>809 640</u>	100	<u>144 616</u>	<u>136 172</u>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>						
<b>STOCKHOLDERS' EQUITY</b>						
Capital stock	88 600		88 600		14 901	14 901
Contingency reserve	13 179		13 179		2 217	2 217
Retained earnings	387 294		363 807		65 138	61 188
Net income for the year	<u>84 494</u>		<u>75 364</u>		<u>14 211</u>	<u>12 675</u>
	573 567	67	540 950	67	96 467	90 981
APPROPRIATIONS	143 481	17	136 425	17	24 132	22 945
<b>LIABILITIES</b>						
Long-term liabilities	750		1 125		126	189
Short-term liabilities	<u>142 050</u>		<u>131 140</u>		<u>23 891</u>	<u>22 056</u>
	142 800	17	132 265	16	24 017	22 245
	<u>859 848</u>	100	<u>809 640</u>	100	<u>144 616</u>	<u>136 172</u>

## PARENT COMPANY STATEMENT OF CASH FLOWS

	2000	1999	2000	1999
	FIM 1 000	FIM 1 000	€ 1 000	€ 1 000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Cash from sales	597 210	520 400	100 444	87 525
Cash from other operating income	5 341	4 687	898	788
Operating expenses	<u>-461 324</u>	<u>-435 163</u>	<u>-77 589</u>	<u>-73 189</u>
Cash before financing activities and taxes	141 227	89 924	23 753	15 124
Financing activities	783	-284	132	-48
Taxes	<u>-32 436</u>	<u>-29 070</u>	<u>-5 455</u>	<u>-4 889</u>
Net cash from operating activities	109 574	60 570	18 429	10 187
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investment in tangible and intangible assets	69 475	42 614	11 685	7 167
Investment in other assets	<u>6 776</u>	<u></u>	<u>1 140</u>	<u></u>
Net cash used in investing activities	-76 251	-42 614	-12 824	-7 167
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Long-term receivables increase -/decrease +	-12 108	3 007	-2 036	506
Repayment of long-term loans	-375	-362	-63	-61
Withdrawal of short-term loans		7 000		1 177
Group contributions received	16 100		2 708	
Dividends paid and distribution of other profits	<u>-51 877</u>	<u>-44 953</u>	<u>-8 725</u>	<u>-7 561</u>
Net cash used in financing activities	-48 260	-35 308	-8 117	-5 938
Net increase (+), decrease (-) in cash	<u>-14 937</u>	<u>-17 352</u>	<u>-2 512</u>	<u>-2 918</u>
Cash at beginning of year	39 036	56 388	6 565	9 484
Cash at end of year	<u>24 099</u>	<u>39 036</u>	<u>4 053</u>	<u>6 565</u>

## SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared in compliance with the Accounting Act of December 30, 1997/1336. The financial statements are presented in Finnish markka. The income statement, balance sheet and statement of cash flows are also presented in euro, applying the official conversion rate of 5.94573.

### CHANGES IN ACCOUNTING POLICIES

In the parent company, the depreciation period for heavy machinery was extended to 15 years and the depreciation period for computer hardware was reduced to three years.

### PRINCIPLES OF CONSOLIDATION

The consolidated accounts cover the parent company and those companies in which Tamfelt Corp., directly or indirectly, holds over 50 % of the voting stock. Associated undertakings have been consolidated according to their capital contribution.

The acquisition method has been adopted for consolidation.

A surplus of the purchase price of the shares in subsidiary company over their underlying net worth at the date of acquisition is shown in the consolidated accounts as goodwill, amortized over five years using the straight line method.

All intergroup transactions, pending margins, internal balances, and internal profits have been eliminated. The resulting tax claims and liabilities have been imputed. In the consolidated accounts, imputed tax claims have been presented as a deduction of imputed tax liability. Minority interests are deducted in the statement of income as an item of net income, and in the balance sheet as an item of stockholders' equity. The income statements of the foreign Group companies have been trans-

lated into markka at the average exchange rate for the year. Their balance sheets have been translated at the average official rate of the balance sheet date. The resulting two-rate differences, together with the conversion adjustments resulting from the elimination of equity, and the exchange rate differences of equity-ranked inter-Group loans are dealt with as translation adjustment in the stockholders' equity.

Change in accelerated depreciation and voluntary reserve has been split between change in imputed tax liability and income for the year. Total accelerated depreciation and voluntary reserve have been divided between equity and the imputed tax liability included in liabilities.

### NET SALES

For the computation of net sales, indirect taxes, discounts, and exchange rate differences have been deducted from the sales revenue.

### FOREIGN CURRENCIES

The parent company receivables and liabilities are booked at the average official exchange rate of the balance sheet date. Current hedging instruments for foreign denominated items are entered at the value of the date, including the effect of interest. Hedging instruments to cover the order-book backlog are entered applying the prudence concept.

### FIXED ASSETS AND DEPRECIATION

Fixed assets are stated in the balance sheet at acquisition cost less annual depreciation according to plan. Total accelerated depreciation is recorded in the parent company as a separate item in appropriations.

Planned depreciation is computed using the straight line method over the useful economic life of the asset. The most common periods are:

Intangible rights	3 to 10 years
Consolidated goodwill	5 years
Other long-term expenditure	10 years
Buildings	25 to 50 years
Machinery and equipment	3 to 15 years
Other tangible assets	10 years

## INVENTORIES

Inventories are valued at lower of cost or market, at either the purchase price, or estimated net realizable value, whichever is lower. The purchase price is defined using the direct cost of acquisition or manufacture on the FiFo principle.

For foreign subsidiaries, inventories are valued in accordance with local practice and also include indirect costs of production.

## SECURITIES

Bonds are entered in assets at acquisition cost, allocating the difference between acquisition cost and nominal value as an increase or decrease of acquisition cost, according to maturity. In the final accounts, however, they are not valued higher than the market price. Shares and holdings are stated at the acquisition cost or market price, whichever is lower.

Nominal interest income from bonds is booked in interest income. The difference between acquisition cost and nominal value is allocated as an increase or decrease of interest income. If bonds are sold in advance of maturity date, a gain is entered

in other financial income and a loss in other financial expenses.

## RESEARCH AND DEVELOPMENT

The R&D expenditure is booked as expenses of the financial period during which they arose, with the exception of research equipment, which is depreciated according to plan over five years by the straight line method.

## TAXES

Computed estimates of taxes are entered in the statement of income of the domestic Group companies. Foreign subsidiary taxes are presented in the consolidated statements as booked in their respective original accounts. Entries resulting from internal integration are made in compliance with Accounting Act Chapter 6 Section 11.

## PENSION LIABILITY IN FINLAND

Liability for working employees is covered by pension insurance corporations. The parent company is responsible for voluntary, unregistered old age pensions. Liability for these pensions is entered as expenses.

## FINANCIAL DATA

### STATEMENT OF INCOME (FIM 1 000)

#### NET SALES

Tamfelt's line of business is technical textiles.

#### NET SALES IN THE VARIOUS MARKET AREAS

	Consolidated				Parent company			
	2000	%	1999	%	2000	%	1999	%
Nordic countries	355 705	48	309 606	47	332 787	55	305 244	55
Other Europe	202 085	27	199 607	31	157 696	26	149 808	27
North America	89 695	12	74 791	11	35 484	6	32 470	6
Far East	64 897	9	41 274	6	62 661	10	39 809	7
Other countries	24 354	3	27 572	4	17 138	3	23 557	4
Total	736 736	100	652 850	100	605 766	100	550 888	100

#### OTHER OPERATING INCOME

Gains on the disposal of fixed assets	6 626	5 126	605	74
Rental income	1 261	1 969	1 261	1 368
Other	2 789	4 013	4 080	3 319
Total	10 676	11 108	5 946	4 761

#### MATERIALS AND SERVICES

Purchases during the year	139 735	118 968	94 932	86 339
Change in inventories	-5 085	3 081	-2 795	5 825
Outsourced and subcontracted services	5 947	5 790	5 858	5 639
Total	140 597	127 839	97 995	97 803

#### PERSONNEL EXPENSES

Remunerations to directors and presidents	3 486	2 563	1 741	1 489
Other remunerations	231 238	207 143	193 135	174 684
Pension expenses	26 563	29 918	23 152	26 733
Other social expenses	25 845	22 522	21 396	19 122
Total	287 132	262 146	239 424	222 028

#### EMPLOYMENT

Average	1324	1288	1023	1005
Year-end	1365	1291	1049	1002



PLANNED DEPRECIATION	Consolidated		Parent company	
	2000	1999	2000	1999
Intangible rights	1 131	1 157	1 131	1 157
Other long-term expenditure	796	556	529	387
Buildings	2 880	2 864	666	600
Machinery, equipment and furniture	32 922	35 417	26 651	29 733
Other tangible assets	206	54	95	54
Total	37 935	40 048	29 072	31 931
FINANCIAL INCOME AND EXPENSES				
Dividend income	336	418	117	110
Interest income from long-term investments	1 241	1 776	1 241	1 776
Other interest and financial income				
From Group companies				33
From others	6 544	6 324	6 174	8 184
Write down on investment				
Write down on financial instruments	-766	-720		
Interest expenses and other financial expenses				
To Group companies			-3 141	-2 499
To others	-292	-776	-279	-552
Total	7 063	7 022	4 111	7 052
The item interest and financial income includes exchange rate gains (+)/losses (-)	1 308	-83	5 058	6 746
EXTRAORDINARY ITEMS				
Group subsidies			16 100	
Change in accounting policies		2 136		
DIRECT TAXES				
Taxes for the year	40 008	35 474	28 835	26 594
Taxes for previous years	-418	-713		-713
Taxes for extraordinary items			4 669	
Change in imputed tax liability *	627	403		
Total	40 217	35 164	33 504	25 881
* Change in imputed tax liability				
Reperiodizing	-860	-342		
Integration	-449	871		
Appropriations	1936	-126		

## BALANCE SHEET (FIM 1 000)

### FIXED AND OTHER LONG-TERM ASSETS 2000

	Acquisition cost Jan. 1	Increase Jan. 1 through Dec. 31	Decrease Jan. 1 through Dec. 31	Translation differences	Acquisition cost Dec. 31	Accumulated depreciation according to plan Dec. 31	Book value Dec. 31
<b>CONSOLIDATED</b>							
<u>Intangible assets</u>							
Intangible rights	19 413	1 176			20 589	-16 730	3 859
Consolidated goodwill	5 699				5 699	-5 699	0
Other long-term expenditure	6 198	1 030			7 228	-3 281	3 947
<u>Tangible assets</u>							
Land and water	5 927		-328		5 599		5 599
Buildings	109 367	4 282	-2 852		110 797	-46 300	64 497
Machinery, equipment and furniture	637 996	64 832	-1 150	4 420	706 098	-459 016	247 082
Other tangible assets	1 568	663			2 231	-474	1 757
Advance payments and construction in progress	9 698	14 036	-9 716	30	14 048		14 048
<u>Investments</u>							
Shares and holdings	1 400		-100		1 300		1 300
Shares and holdings in associated companies	4				4		4
<b>Total</b>	<b>797 270</b>	<b>86 019</b>	<b>-14 146</b>	<b>4 450</b>	<b>873 593</b>	<b>-531 500</b>	<b>342 093</b>
Machinery and equipment							224 610
<b>PARENT COMPANY</b>							
<u>Intangible assets</u>							
Intangible rights	23 480	1 176			24 656	-20 797	3 859
Other long-term expenditure	5 289				5 289	-2 204	3 085
<u>Tangible assets</u>							
Land and water	4 562				4 562		4 562
Buildings	25 080	3 983			29 063	-2 146	26 917
Machinery, equipment and furniture	508 770	57 380	-193		565 958	-346 932	219 026
Other tangible assets	1 568	663			2 231	-474	1 757
Advance payments and construction in progress	8 372	13 956	-8 360		13 968		13 968
<u>Investments</u>							
Shares and holdings in Group companies	204 019	6 665			210 684		210 684
Shares and holdings in Group companies	4				4		4
Other shares and holdings	1 399		-109		1 290		1 290
Other receivables from Group companies	55 012	12 807		3 752	71 571		71 571
<b>Total</b>	<b>837 555</b>	<b>96 630</b>	<b>-8 662</b>	<b>3 752</b>	<b>929 276</b>	<b>-372 553</b>	<b>556 722</b>
Machinery and equipment							199 856

FIXED AND OTHER LONG-TERM ASSETS 1999

	Acquisition cost Jan. 1	Increase Jan. 1 through Dec. 31	Decrease Jan. 1 through Dec. 31	Translation differences	Acquisition cost Dec. 31	Accumulated depreciation according to plan Dec. 31	Book value Dec. 31
<b>CONSOLIDATED</b>							
<u>Intangible assets</u>							
Intangible rights	17 996	1 417			19 413	-15 599	3 814
Consolidated goodwill	5 699				5 699	-5 699	0
Other long-term expenditure	4 444	1 754			6 198	-2 484	3 714
<u>Tangible assets</u>							
Land and water	6 144	16	-233		5 927		5 927
Buildings	108 468	2 830	-1 931		109 367	-44 870	64 497
Machinery, equipment and furniture	577 958	56 596	-4 204	7 646	637 996	-422 632	215 364
Other tangible assets	1 147	421			1 568	-379	1 189
Advance payments and construction in progress	16 810	9 698	-16 907	97	9 698		9 698
<u>Investments</u>							
Shares and holdings	1 400				1 400		1 400
Shares and holdings in associated companies	4				4		4
<b>Total</b>	<b>740 070</b>	<b>72 732</b>	<b>-23 275</b>	<b>7 743</b>	<b>797 270</b>	<b>-491 663</b>	<b>305 607</b>
Machinery and equipment							187 161
<b>PARENT COMPANY</b>							
<u>Intangible assets</u>							
Intangible rights	22 063	1 417			23 480	-19 666	3 814
Other long-term expenditure	3 578	1 711			5 289	-1 675	3 614
<u>Tangible assets</u>							
Land and water	4 546	16			4 562		4 562
Buildings	23 674	1 406			25 080	-1 479	23 601
Machinery, equipment and furniture	463 539	45 271	-40		508 770	-320 279	188 491
Other tangible assets	1 147	421			1 568	-379	1 189
Advance payments and construction in progress	16 035	8 372	-16 035		8 372		8 372
<u>Investments</u>							
Shares and holdings in Group companies	204 019				204 019		204 019
Shares and holdings in associated companies	4				4		4
Other shares and holdings	1 399				1 399		1 399
Other receivables from Group companies	50 612		-2 673	7 073	55 012		55 012
<b>Total</b>	<b>790 616</b>	<b>58 614</b>	<b>-18 748</b>	<b>7 073</b>	<b>837 555</b>	<b>-343 478</b>	<b>494 076</b>
Machinery and equipment							167 374

	Consolidated		Parent company	
	2000	1999	2000	1999
<b>INVENTORIES</b>				
Raw materials and consumables	35 901	31 196	25 437	23 142
Work in progress	74 269	74 644	61 412	61 828
Finished products	89 821	93 798	60 066	69 689
Total	199 991	199 638	146 915	154 659
<b>LONG-TERM RECEIVABLES</b>				
Loans receivable from associated companies	1 167	1 556	1 167	1 556
Other loans receivable	1 258	1 536	1 258	1 536
Loans receivable	2 425	3 092	2 425	3 092
<b>SHORT-TERM RECEIVABLES</b>				
Accounts receivable	130 441	118 464	110 942	103 787
Loans receivable from associated companies	389	389	389	389
Other loans receivable	756	772	672	706
Prepaid expenses and accrued income *	22 743	19 831	17 683	13 895
Total	154 329	139 456	129 686	118 777
Receivables from Group companies				
Accounts receivable			10 693	15 109
* Material items of short-term prepaid expenses and accrued income				
Periodization of personnel expenses	6 871	4 932	6 850	4 813
Periodization of interest income	7 417	6 293	6 374	5 326
Other periodization	8 455	8 606	4 459	3 756
Total	22 743	19 831	17 683	13 895
<b>SHORT-TERM INVESTMENTS</b>				
Other shares	4 461	4 257	65	65
Other securities	40 228	76 397	20 000	33 780
Total	44 689	80 654	20 065	33 845
Replacement price of short-term investment	45 443	84 178	20 218	34 058
Book value of short-term investment	44 689	80 654	20 065	33 780
Difference	754	3 524	153	278

	Consolidated		Parent company	
	2000	1999	2000	1999
<b>STOCKHOLDERS' EQUITY</b>				
Capital stock Jan. 1	88 600	88 600	88 600	88 600
Capital stock Dec. 31	<u>88 600</u>	<u>88 600</u>	<u>88 600</u>	<u>88 600</u>
Contingency reserve Jan. 1	13 179	13 179	13 179	13 179
Contingency reserve Dec. 31	<u>13 179</u>	<u>13 179</u>	<u>13 179</u>	<u>13 179</u>
Retained earnings from previous years Jan. 1	521 645	467 659	439 171	408 760
Dividend	-51 877	-44 953	-51 877	-44 953
Change in translation adjustment	<u>3 114</u>	<u>6 271</u>		
Retained earnings from previous years Dec. 31	472 882	428 977	387 294	363 807
Net income for the year	100 176	92 668	84 494	75 364
Total stockholders' equity	<u>674 836</u>	<u>623 423</u>	<u>573 567</u>	<u>540 950</u>

**STATEMENT OF DISTRIBUTABLE  
EARNINGS DEC. 31**

Contingency reserve	13 179	13 179	13 179	13 179
Profit for previous years	472 882	428 977	387 294	363 807
Net profit for the year	100 176	92 668	84 494	75 364
- Portion of accumulated depreciation and voluntary reserve entered in stockholders' equity	<u>-105 574</u>	<u>-101 509</u>		
Total	480 663	433 315	484 967	452 350

**PARENT COMPANY CAPITAL STOCK  
AND CLASSES OF SHARES DEC. 31**

	2000		1999	
	Number of shares	FIM	Number of shares	FIM
Common stock (20 votes/share)	3 373 066	33 730 660	3 373 066	33 730 660
Preferred stock (1 vote/share)	<u>5 486 934</u>	<u>54 869 340</u>	<u>5 486 934</u>	<u>54 869 340</u>
Total	8 860 000	88 600 000	8 860 000	88 600 000

	Consolidated		Parent company	
	2000	1999	2000	1999
<b>IMPUTED TAX LIABILITY</b>				
For appropriations	43 224	41 461		
For periodizations and appropriations	-3 563	-2 598		
Total	39 661	38 863		
<b>LONG-TERM LIABILITIES</b>				
Other long-term liabilities	11 640	10 035	750	1 125
Instalment plan for 2001-2004 (2000-2003)	11 640	10 035	750	1 125
<b>SHORT-TERM LIABILITIES</b>				
Loans from financial institutions	3 423	1 147	375	375
Advance received	57	2 222	57	2 222
Accounts payable	37 237	40 476	34 763	30 287
Other liabilities	23 193	17 294	56 629	54 025
Accrued liabilities and deferred income *	59 489	58 163	50 226	44 231
	123 399	119 302	142 050	131 140
Liabilities to Group companies				
Accounts payable			1 072	468
Other liabilities			40 000	40 000
Accrued liabilities and deferred income			174	
			41 246	40 468
* Material items of short-term accrued liabilities and deferred income				
Periodization of personnel expenses	38 490	39 189	37 489	36 624
Other periodizations	20 999	18 974	12 737	7 607
	59 489	58 163	50 226	44 231
Liabilities with and without interest				
Long-term				
Without interest	39 661	38 863		
With interest	11 640	10 035	750	1 125
Total	51 301	48 898	750	1 125
Short-term				
With interest	119 976	118 155	101 675	90 765
Without interest	3 423	1 147	40 375	40 375
Total	123 399	119 302	142 050	131 140

	Consolidated		Parent company	
	2000	1999	2000	1999
<b>CONTINGENT LIABILITIES</b>				
a) Other securities given				
Mortgages in real estate	500	500	500	500
b) Consolidated debt				
Guarantees			2 058	
c) For others				
Guarantees	200	200	200	200
d) Other own liabilities				
Bill liabilities	64	32		
Leasing liabilities	1 126	5 388	1 126	1 263
Pension liabilities		1 101		1 101
Total	1 890	7 221	3 884	3 064

#### DERIVATIVE CONTRACTS

Currency terms	
Current value	70 288

#### SHARES AND HOLDINGS OWNED BY THE GROUP AND THE PARENT COMPANY

	Percentage of Group ownership	Percentage of parent company ownership
<b>GROUP COMPANIES</b>		
Fanafel - Fábrica Nacional de Feltros Industriais Lda.	98.2	72
Formtec Forming Fabrics Inc.	100	0
Formtec Forming Fabrics of Canada Inc.	100	0
Tamfelt (UK) Ltd.	100	100
Tamfelt - GMCC ( Tianjin ) Paper Machine Clothing Co. Ltd	60	60
Tamfelt Canada Inc.	100	0
Tamfelt Group Inc.	100	100
Tamfelt Inc.	100	0
Tamfelt Properties	100	100
Tamfelt Tecnologia em Filtração Ltda.	99.9	99.9
Tampereen Verkatehdas Oy	100	100
<b>ASSOCIATED COMPANIES</b>		
Alakoski Oy	39	39

## OTHER DATA

### RISK MANAGEMENT

The means of hedging against currency risks include cash flow matching, forward contracts, and options.

The parent company has no liabilities denominated in foreign currency. Subsidiary liabilities are in the currency of the particular country. Current risk positions result only from foreign exchange purchases and sales in operating activities and from inter-Group financial arrangements.

The current exchange rate risk involved in sales and purchases is mainly covered by forward contracts. In certain cases, even current foreign exchange positions arising from unfilled orders or pending offers are hedged against.

The Group does not cover subsidiary equity or currency risks involved in equity-ranked loans.

In liquid fund investments, Tamfelt avoids risks. The company invests mainly in money market instruments. Limited amounts of liquid funds can be placed in shares. The Board of Directors has confirmed principles for the taking of investment risks and risks with partners.



## CONSOLIDATED FINANCIAL SUMMARY

(€ 1000)

	1996	1997	1998	1999	2000
Net sales	89 436	102 143	103 479	109 801	123 910
Change %	5.9	14.2	1.3	6.1	12.9
Exports and foreign subsidiaries	50 979	61 554	61 435	68 487	79 331
% of sales	57.0	60.3	59.4	62.4	64.0
Operating income	14 056	20 796	19 031	19 970	22 361
% of sales	15.7	20.4	18.4	18.2	18.0
Net income before extraordinary items, taxes and minority interest	16 568	23 065	20 877	21 151	23 549
% of sales	18.5	22.6	20.2	19.3	19.0
Net income before taxes and minority interest	16 568	23 065	20 877	21 511	23 549
% of sales	18.5	22.6	20.2	19.6	19.0
Return on equity %	17.2	20.1	16.3	15.2	15.3
Return on net assets %	21.4	27.5	22.6	20.9	21.1
Equity/assets ratio %	75.4	76.6	78.3	79.0	79.6
Gearing %	-33.6	-33.4	-22.3	-21.3	-20.6
Gross investment	8 921	10 100	17 428	9 389	12 833
% of sales	10.0	9.9	16.9	8.6	10.4
R&D expenditure					
% of sales	3.9	5.0	5.1	4.8	4.5
Average employment during the period	1162	1 202	1 291	1 288	1324

### RETURN ON EQUITY %

Net income before extraordinary items, taxes and minority interest - taxes	
<hr/>	x 100
Equity + minority interest (average)	

### RETURN ON NET ASSETS %

Net income before extraordinary items, taxes and minority interest + interest and other financial expenses	
<hr/>	x 100
Balance sheet total - interest-free liabilities (average)	

### EQUITY/ASSETS RATIO %

Equity + minority interest	
<hr/>	x 100
Balance sheet total - advance received	

### GEARING

Interest-bearing liabilities – cash, bank and short-term investments	
<hr/>	x 100
Equity + minority interest	

## STOCK ANALYSIS

### CAPITAL STOCK AND CLASSES OF SHARES

The capital stock of Tamfelt Corp. consists of common stock and preferred stock. The accounting par value, which is not an exact value, is 1.68 euro for each class of share. Whenever the Annual General Meeting decides that a dividend be distributed, each preferred share shall collect a two percentage units higher dividend than a common share; however, when the dividend collected by a preferred share is rounded to whole cents, it shall always be rounded up to the nearest whole cent. Common shares carry twenty votes and preferred shares one vote. If requested by the holder, a common share can be converted into a preferred share on conditions specified in the Articles of Association.

The Annual General Meeting held on March 23, 2000 agreed to the Board's motion to grant certain Group executive members options to buy stock in the company. The Annual General Meeting also adopted the motion to sell the shares that still have not been transferred to the book-entry securities system. As provided by Chapter 3a, Section 3a of the Companies Act, a corresponding notification and request to holders of Tamfelt stock certificates was published on June 14, 2000 in the Official Gazette as well as in the newspapers Helsingin Sanomat, Aamulehti and Hufvudstadsbladet. Any shares that remain untransferred after June 16, 2001 will be sold in the name of their holders without delay.

The company's capital stock is 14,901,450.28 euro. The capital stock consists of 3,373,066 common shares and 5,486,934 preferred shares. The total number of shares is 8,860,000 and the total number of votes is 72,948,254.

The 1998 and 2000 options give subscription rights for a maximum of 328,000 preferred shares. The options exercised can increase the company's capital stock by a maximum amount of 551,656.40 euro. The maximum increase in the number of votes may be 328,000, or 0.45 % of the new total number of votes. Subscription under the 1998 option A began on November 1, 2000 and ends on March 31, 2004. The subscription price at the outset of the subscription period was 24.45 euro. The price will be reduced by the amount of dividends to be paid before the subscription. The subscription period for the 1998 option B will be from November 1, 2002 through March 31, 2004, and the price will be determined as in the case of option A. Subscription under the 2000 option C will begin on November 1, 2002 and option D on November 1, 2004, and both will end on March 31, 2006. The subscription price in the year 2000 option program was 26.10 euro on December 31, 2000, from which prior-subscription dividends will be deducted. The options are covered by a stock-holding plan, whereby the holder agrees to invest 10 % of the derived gross benefit in the company's stock.

### TRENDS AND TRADE VOLUMES

The HEX all-share index fell 10.6 % and the HEX portfolio index fell 24.9 % in 2000. Tamfelt common share fell 20.7 % and preferred share 20.1 %.

Trading in Tamfelt common shares on the Helsinki Exchanges amounted to 3.2 million euro (1.4 million in 1999) and preferred shares to 7.4 million euro (6.5 million in 1999). The numbers traded were 153,000 (64,992) common shares and 357,155 (309,650) preferred shares.

Turnover in common shares was 4.5 % (1.9) of the company's total common stock. Turnover in preferred shares was 6.5 % (5.6) of the total preferred stock.

The highest quotation for a common share in 2000 was 22.90 euro and the lowest 18.00 euro. The highest quotation for a preferred share was 23.50 euro and the lowest 17.30 euro.

### CAPITAL STOCK OWNERSHIP

At the end of 2000 (1999) the company had 1,836 (1,786) stockholders and one (two) ownership registration in the name of a nominee. The number of shares registered in the name of a nominee was 17,470 (24,570). The number of shares yet to be transferred to the book-entry securities system was 3,689 (6,993), or 0.04 % (0.08). The company's Directors, President & CEO and Deputy to the CEO held a total of 176,439 (175,089) common and 76,387 (76,937) preferred shares corresponding to 2.9 % (2.8) of the capital stock and a 4.9 % (4.9) voting power. The number of options held by the President & CEO and the Deputy to the CEO was 42,600 (42,600), which entitle them to subscribe for a total of 56,800 preferred shares. The persons subject to the disclosure requirement held a total of 259,248 (256,429) shares, corresponding to 2.9 % (2.9) of the capital stock and a 5.0 % (4.9) voting power, and 116,700 (92,700) options which entitle to subscribe for 147,600 (123,600) preferred shares at the most. The total number of options issued and subscribed for is 268,000. Options exercised can increase the company's capital stock by a maximum amount of 551,656.40 euro and the number of shares by a maximum of 328,000.

### INSTRUCTIONS FOR INSIDERS

Tamfelt's Board of Directors decided on December 13, 1999 to issue a new set of instructions for insiders. The insider instructions for a listed company prepared by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers have been applied at Tamfelt since March 1, 2000.

STOCK OWNERSHIP ON THE BASIS OF CLASSIFICATION OF INSTITUTIONAL SECTORS DEC. 31, 2000

Category	Ownerships	%	Shares	%	Votes	%
100 Corporations	144	7.8	700 806	7.9	6 751 109	9.2
200* Financial and insurance institutions	23	1.2	1 950 737	22.0	12 366 936	17.0
300** General government	16	0.9	1 429 294	16.1	9 603 455	13.2
400 Non-profit institutions	88	4.8	1 373 027	15.5	12 497 413	17.1
500 Households	1 542	84.0	3 280 455	37.0	30 553 606	41.9
600 Rest of the world	23	1.3	121 992	1.4	1 132 925	1.5
Total	1 836	100.0	8 856 311	99.9	72 905 444	99.9

Shares not transferred to book-entry system 3 689 0.1 42 810 0.1

Issued number 8 860 000 100.0 72 948 254 100.0

Ownerships registered in the name of a nominee 1 17 470 0.2 71 791 0.1

\*) Including ownerships registered in the name of a nominee.

\*\*\*) Employment pension schemes (Pension insurance companies) fall under category 300 General government.

STOCK OWNERSHIP BY SIZE DEC. 31, 2000:

Number of shares	Ownerships	%	Shares	%	Votes	%
1 - 500	1 034	56.3	198 776	2.2	1 083 169	1.5
501 - 5 000	615	33.5	969 202	10.9	6 774 291	9.3
5 001 - 10 000	66	3.6	482 727	5.5	4 144 217	5.7
10 001 - 50 000	86	4.7	1 952 607	22.0	16 182 828	22.2
50 001 - 100 000	17	0.9	1 169 562	13.2	9 742 571	13.3
100 001 - 999 000	19	1.0	4 083 437	46.1	34 978 368	47.9
Total	1 837	100.0	8 856 311	99.9	72 905 444	99.9

Shares not transferred to book-entry system 3 689 0.1 42 810 0.1

Issued number 8 860 000 100.0 72 948 254 100.0

LARGEST OWNERSHIP REGISTRATIONS BY VOTING POWER  
ON DEC. 31, 2000 (DEC. 31, 1999):

1	(1)	Varma-Sampo Mutual Pension Insurance Company .....	9.1	%	(9.1)
2	(2)	Sampo Life Insurance Company Limited .....	5.3	%	(5.3)
3	(3)	Industrial Insurance Company Ltd.....	5.1	%	(5.1)
4	(4)	Metso Corporation .....	4.5	%	(4.5)
5	(5)	Waldemar von Frenckell Foundation .....	4.0	%	(4.0)
6	(6)	Cedercreutz, Axel .....	3.6	%	(3.6)
7	(7)	Samfundet Folkhälsan i Svenska Finland r.f. ....	2.5	%	(2.5)
8	(8)	Snäll, Clara .....	2.2	%	(2.2)
9	(9)	House of Nobility .....	1.8	%	(1.8)
10	(11)	Nordgren, Karl .....	1.7	%	(1.6)
		TOTAL	39.8	%	(39.7)

LARGEST OWNERSHIP REGISTRATIONS BY NUMBER OF SHARES  
ON DEC. 31, 2000 (DEC. 31, 1999):

1	(1)	Varma-Sampo Mutual Pension Insurance Company .....	6.1	%	(6.1)
2	(2)	Industrial Insurance Company Ltd .....	5.0	%	(5.0)
3	(3)	Sampo Life Insurance Company Limited .....	3.5	%	(3.5)
4	(4)	The Local Government Pensions Institution .....	3.3	%	(3.3)
5	(7)	Suomi Mutual Life Assurance Company .....	3.0	%	(2.6)
6	(5)	Metso Corporation .....	2.7	%	(2.7)
7	(6)	Waldemar von Frenckell Foundation .....	2.7	%	(2.7)
8	(8)	Tapiola General Mutual Insurance Company .....	2.3	%	(2.3)
9	(9)	Samfundet Folkhälsan i Svenska Finland r.f. ....	2.3	%	(2.3)
10	(10)	Tapiola Mutual Pension Insurance Company .....	2.2	%	(2.2)
		TOTAL	33.1	%	(32.7)

Sampo Insurance Company plc disclosed on May 11, 2000 the intended merger between Sampo Insurance Company plc and Leonia plc on December 31, 2000. The share in Tamfelt of the new Group, which is under the authority of Sampo Insurance Company plc, had fallen below 10 per cent.

STOCK SUMMARY

	1996	1997	1998	1999	2000
Earnings/share, € <sup>2)</sup>	1.41	1.88	1.69	1.72	1.90
Equity/share Dec. 31, € <sup>2)</sup>	8.75	9.92	10.76	11.84	12.78
DIVIDEND					
Dividend, M€ <sup>1)</sup>	6.39	7.07	7.56	8.73	11.4
Dividend/share, € <sup>1)</sup>					
common	0.94	1.04	0.83	0.96	1.26
preferred	0.98	1.08	0.87	1.00	1.30
Adjusted dividend/share, € <sup>2)</sup>					
common	0.71	0.78	0.83	0.96	1.26
preferred	0.73	0.81	0.87	1.00	1.30
Dividend/earnings % <sup>1)</sup>	51.3	42.6	50.4	57.3	67.6
Effective dividend yield Dec. 31, % <sup>1)</sup>					
common	4.5	3.1	4.0	4.2	6.9
preferred	4.8	3.3	4.1	4.4	7.2
P/E ratio Dec. 31					
common	11.1	13.3	12.3	13.4	9.6
preferred	10.8	13.0	12.4	13.1	9.5

	1996	1997	1998	1999	2000
<b>TRENDS AND TRADING</b>					
Unadjusted trading price at year-end					
common	21.0	33.1	20.9	23.0	18.25
preferred	20.4	32.5	21.0	22.5	17.98
Adjusted trading price at year-end <sup>2)</sup>					
common	15.8	24.8	20.9	23.0	18.25
preferred	15.3	24.3	21.0	22.5	17.98
Change of adjusted trading price, %					
common	68.9	57.6	-16.1	10.3	-20.65
preferred	82.0	59.5	-13.6	7.0	-20.08
Highest trading price, € <sup>2)</sup>					
common	15.9	26.5	33.6	24.0	22.9
preferred	15.8	27.1	33.6	24.0	23.5
Lowest trading price, € <sup>2)</sup>					
common	9.5	15.9	20.4	20.0	18.0
preferred	8.7	15.5	20.7	18.5	17.3
Trading volume, M€					
common	2.9	2.2	12.9	1.4	3.2
preferred	13.3	24.2	26.3	6.5	7.4
Trading volume (number of shares) <sup>3)</sup>					
common	164 383	78 552	454 212	64 922	153 000
preferred	819 084	789 600	906 418	309 650	357 155
Trading volume/total stock %					
common	6.3	3.0	13.4	1.9	4.5
preferred	20.4	19.5	16.5	5.6	6.5
<b>CAPITAL STOCK AND NUMBER OF SHARES</b>					
Capital stock Dec. 31, M€	11.2	11.2	14.9	14.9	14.9
common	4.4	4.4	5.7	5.7	5.7
preferred	6.8	6.8	9.2	9.2	9.2
Market capitalization Dec. 31, M€	137.0	217.5	185.7	201.0	160.2
Number of shares Dec. 31 (1 000)	6 645	6 645	8 860	8 860	8 860
common	2 600	2 599	3 378	3 373	3 373
preferred	4 045	4 046	5 482	5 487	5 487
Average number of shares (1 000) <sup>2)</sup>	8 811	8 860	8 860	8 860	8 860
Adjusted number of shares Dec. 31 (1 000) <sup>2)</sup>	8 860	8 860	8 860	8 860	8 860
Number of shareholders Dec. 31	1 629	1 653	1 769	1 788	1 836
Nominee-registered ownerships Dec. 31	2	2	3	2	1

#### EARNINGS/SHARE

Net income before extraordinary items, taxes and minority interest - taxes - minority interest  
Year-end number of shares adjusted for issue

#### EQUITY/SHARE

Equity  
Year-end number of shares adjusted for issue

#### PRICE/EARNINGS (P/E)

Year-end trading price adjusted for issue  
Earnings/share (EPS)

<sup>1)</sup> 2000 Board of Directors' proposal

<sup>2)</sup> Adjusted for share issue

<sup>3)</sup> Trading volume made commensurable with current par value.

## BOARD OF DIRECTORS' PROPOSAL TO ANNUAL GENERAL MEETING

Consolidated distributable earnings total  
FIM 480,663,000.00

Parent company's distributable earnings	FIM
Contingency reserve	13,178,868.29
Retained earnings from previous years	387,293,853.58
Net income for the year	84,493,880.18
	<u>484,966,602.05</u>

The Board proposes that this sum be appropriated as follows:

- a dividend of 1.26 euro a share paid on 3,373,066 common shares, totalling	25,269,728.03
- a dividend of 1.30 euro a share paid on 5,486,934 preferred shares, totalling	42,410,976.52
- to be kept in contingency reserve	13,178,868.29
- to be retained	404,107,029.21
	<u>484,966,602.05</u>

Helsinki, February 13, 2001

Mikael von Frenckell  
Martin Lilius  
Jouko Oksanen

Axel Cedercreutz  
Vesa Kainu

Risto Hautamäki  
President

## AUDITORS' REPORT

to the shareholders of Tamfelt Corp.

We have audited the book-keeping, the financial statements and the administration of Tamfelt Corp. for the financial year 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statement, balance sheet, cash flow statement and notes to the financial statement, have been prepared by the Board of Directors and President. Based on our audit we express an opinion on these financial statements and on administration.

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 misstatements. 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 administration is to examine that the members of the Board of Directors and President have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accord-

ance 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 statement can be adopted and the members of the Board of Directors and President 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.

Helsinki, February 13, 2001

Jari Paloniemi  
Authorized Public Accountant

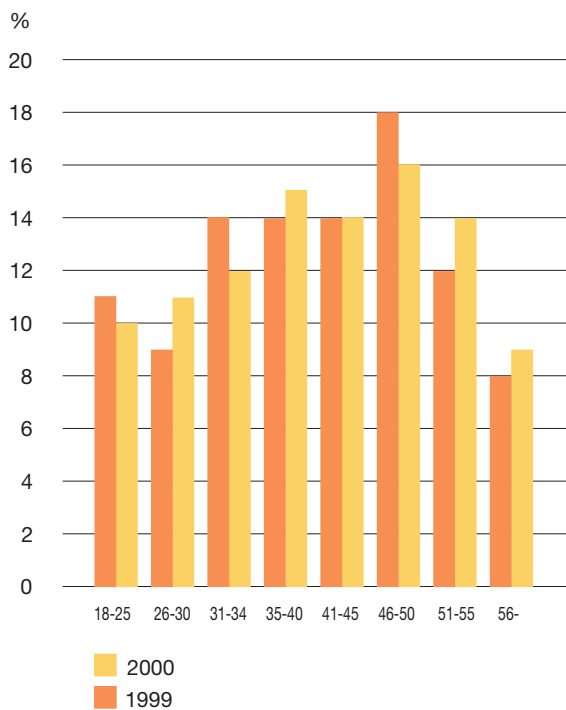
Veikko Terho  
Authorized Public Accountant

# HUMAN RESOURCES ACCOUNT

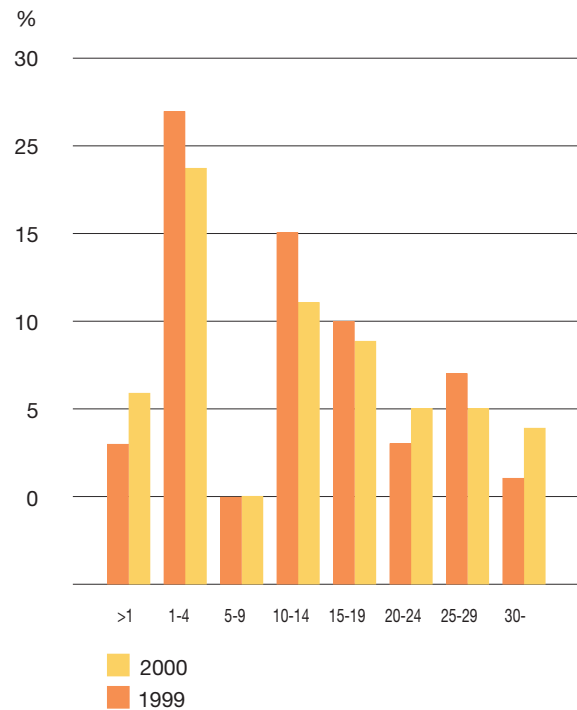
Parent company (FIM 1 000)

	2000		1999	
	1.1 - 31.12.	%	1.1 - 31.12.	%
NET SALES	605 766	100	550 888	100
Personnel expenses	242 208	40	225 185	41
Payroll for regular worktime	170 258	29	158 222	26
Payments by results	9 350	1	5 521	2
Payments for overtime	6 643	1	5 271	1
Personnel renewal				
Recruiting and job orientation	4 626	1	3 805	1
Vacation payments	30 858	5	28 272	5
Other holiday payments	9 897	2	8 422	2
Personnel development				
Training	3 346	.	2 943	1
Other measures to maintain and improve working ability	1 536	.	1 959	.
Sick payments	3 787	1	3 079	1
Disability pension expenses	-811	.	5 092	.
Other personnel expenses	2 718	.	2 601	1
Outsourced services	7 248	1	6 971	1
Other costs and expenses	<u>271 817</u>	45	<u>243 368</u>	44
NET INCOME FOR THE YEAR	<u>84 494</u>	14	<u>75 364</u>	14

AGE COMPOSITION, PARENT COMPANY



YEARS IN THE PARENT COMPANY





## TAMFELT'S ENVIRONMENTAL POLICY AND ENVIRONMENTAL MANAGEMENT SYSTEM

Tamfelt's environmental policy has been designed to promote sustainable development. It considers the major environmental impacts of the Juankoski and Tampere plants and the requirements of environmental legislation. The Group's Executive Board and the representatives of personnel groups endorsed the policy in August 1997.

The goal is to avoid unnecessary use of energy, electricity and water and to save natural resources by efficient use of raw materials. Efforts are made to reduce waste amounts and to increase the reuse of materials. Waste hazardous to the environment or human health is transported to plants specializing in the treatment of hazardous waste.

Tamfelt's environmental management system is based on the SFS-EN ISO 14001 standard and the parent company was certified on March 2, 1998.

The company's management is responsible for the development and implementation of the environmental management system.

## ENVIRONMENTAL RISKS

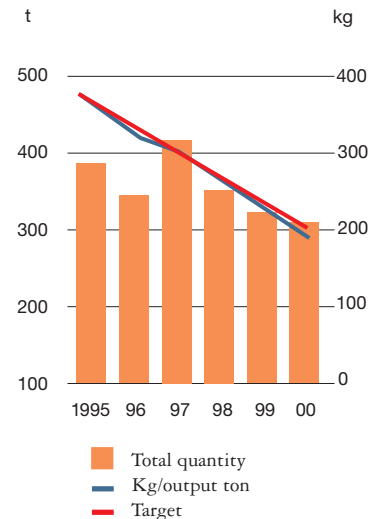
Environmental risks from Tamfelt's activities are low. Potential risks at the Tampere plant are provided by the hot oil system and the location of the plant in a watershed area. At the Juankoski mill, environmental risks are very low. There were no accidents leading to environmental damage at either plant in 2000.

## MAJOR ENVIRONMENTAL IMPACTS AND THEIR TREND

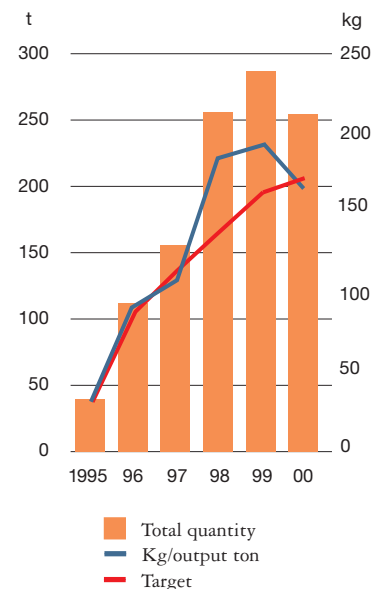
The Tampere plant takes in its service water from the nearby Kaukajärvi lake. Owing to a rainy summer, no restrictions were necessary unlike the previous year. The contents and amounts of waste water discharged into the municipal sewerage system through an equalizing basin were below the licenced rates.

The boiler plant of the Tampere facility was fuelled by natural gas. The nitrogen oxide and carbon dioxide emissions produced by the combustion stayed at the level of the previous year. Tamfelt was a party in an air-quality monitoring program run by the city of Tampere.

LANDFILL WASTE, TAMPERE PLANT

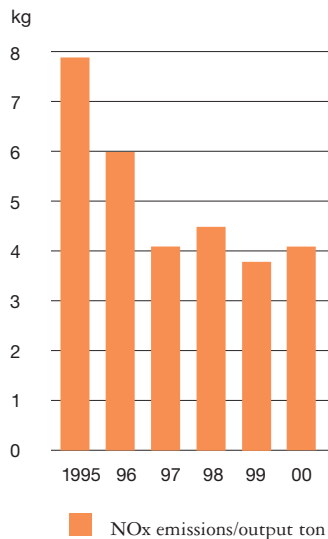


RECOVERED MATERIAL, TAMPERE PLANT





## NITROGEN OXIDE EMISSIONS

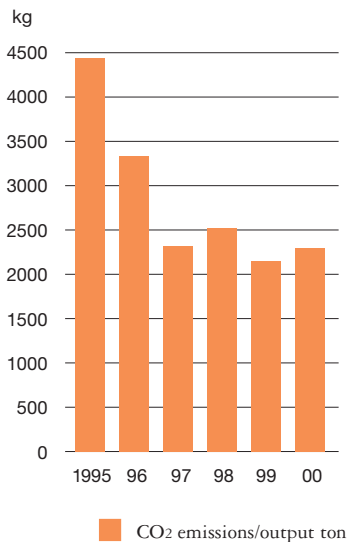


At both sites more than half of the waste consists of raw material residue. At the Tampere plant, the amount of landfill waste was cut further by 7 % per output ton. Waste recycling lagged slightly behind the 2000 target. At the Juankoski plant, the amount of landfill waste was reduced by 49 % thanks to improved raw material recovery, and the targets of the environmental program were exceeded. All hazardous waste was sent to appropriate disposal plants.

All of the product groups failed to reach the targets of raw material reuse. The recycling of cloth waste at the Tampere plant fell from 41 to 26 % following the failure of certain recovery experiments.

local water utility was renewed on May 22, 2000 allowing industrial waste waters to be conducted into the municipal sewerage system. The company's employees have actively contributed to developing the environmental program. They are committed to the program and they can express their opinions within the suggestion scheme. Tamfelt's customers have also asked questions about the management of environmental issues in the company.

## CARBON DIOXIDE EMISSIONS



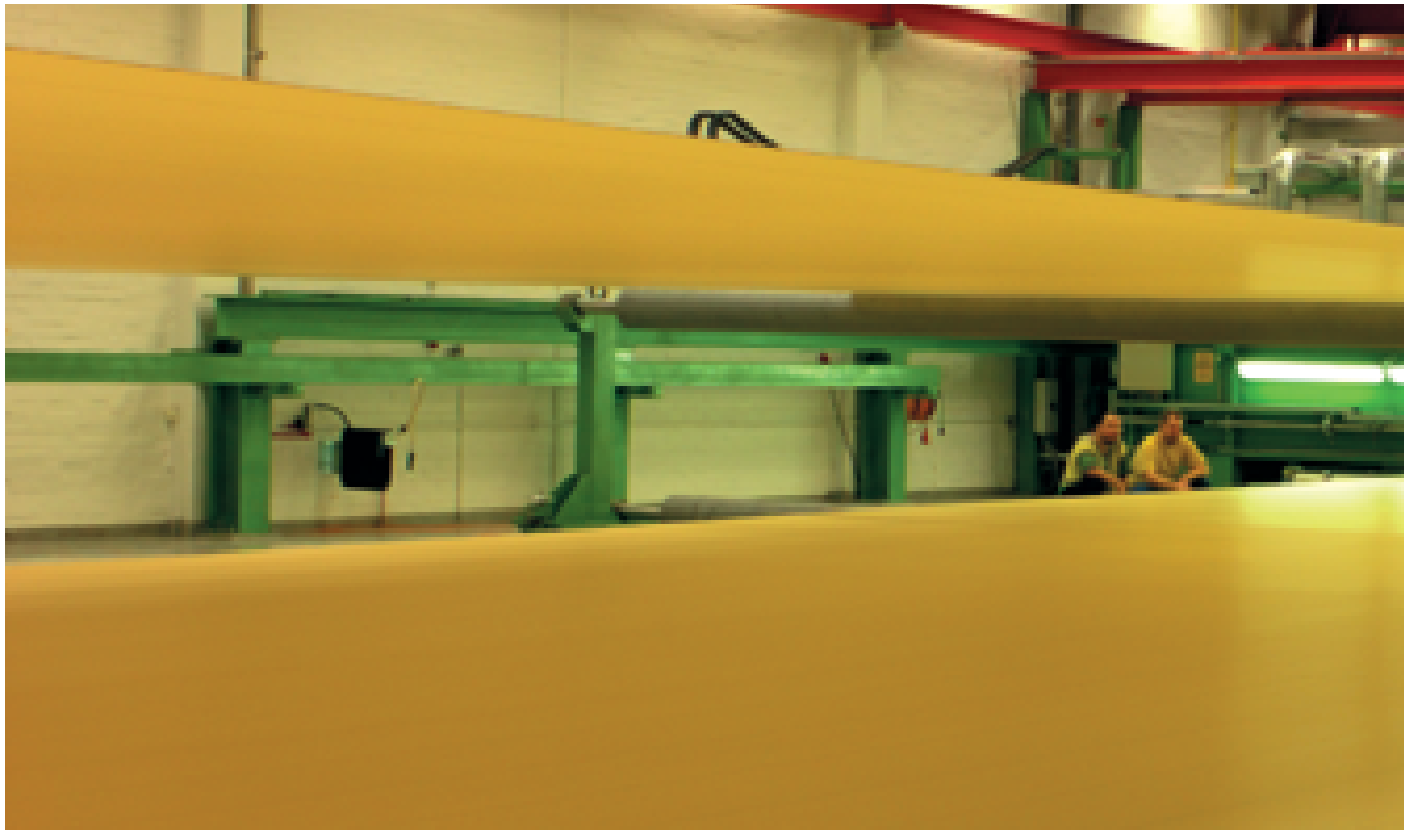
90 % of the packings supplied by Tamfelt are reused. The amount of packing is 280 kg per product ton.

## OTHER ENVIRONMENTAL IMPACTS

Tamfelt's products are mainly made of PA, PES and PP filaments. Suppliers have been informed on the requirements of Tamfelt's environmental management system. An analysis was launched of the environmental impact of PMC products over their entire life cycle. Used forming fabrics and felts can be put into service in soil improvement or another secondary application, or be burnt or disposed of in a landfill site.

## STAKEHOLDER RELATION

Government officials had no objections to Tamfelt's environmental performance. The Environmental Committee of the City of Tampere granted the Tampere plant's heating station an environmental license on June 22, 2000. Agreement with the



## TAMFELT PRODUCTS

Tamfelt produces technical textiles which are used in the process industry. The products can be roughly divided in three lines: paper machine clothing, filter fabrics and ironer felts.

### PAPER MACHINE CLOTHING

In paper manufacture, clothing - fabrics and felts - is used to transport the web of paper through the process and to remove water. The goal is a trouble-free process enabling the customer to make high-quality paper economically and effectively. The constantly advancing technology of large and high-speed paper machines presents a huge challenge to the clothing supplier. As a full-line supplier, Tamfelt provides solutions for the entire machine, with products and technical services complementing each other. Tamfelt is an experienced start-up supplier for large and high-

speed SC, LWC, newsprint, fine paper and board machines.

### FORMING FABRICS

The pulp sprayed on the wire section contains 99 % water and 1 % fibers and in some cases also fillers or additives. Most of the water is removed on the wire section. A paper web is formed as water flows through the fabric and the fibers stay on top of the fabric. This is a crucial phase, determining many of the most important qualities of the paper. The fabric should also guarantee economic operation of the paper machine. Forming fabrics are woven from plastic yarns.



### PRESS FELTS

From the wire section the web is conducted to the press section. The main function of the press section is to remove water. The web is pressed between rolls and an endless felt.





This increases water pressure and makes the water flow into the felt. The structure of the press felt affects the dry content of the web. A higher dry content improves machine runnability and reduces the need for energy at drying. Felt properties affect printability and other qualities of the paper. Press felts are made of synthetic fibers by weaving and needling techniques. The Aquaduct felts make an exception; they are produced by a patented non-weaving

method. The Aquanet felts are made by combining a woven and a non-woven base fabric.

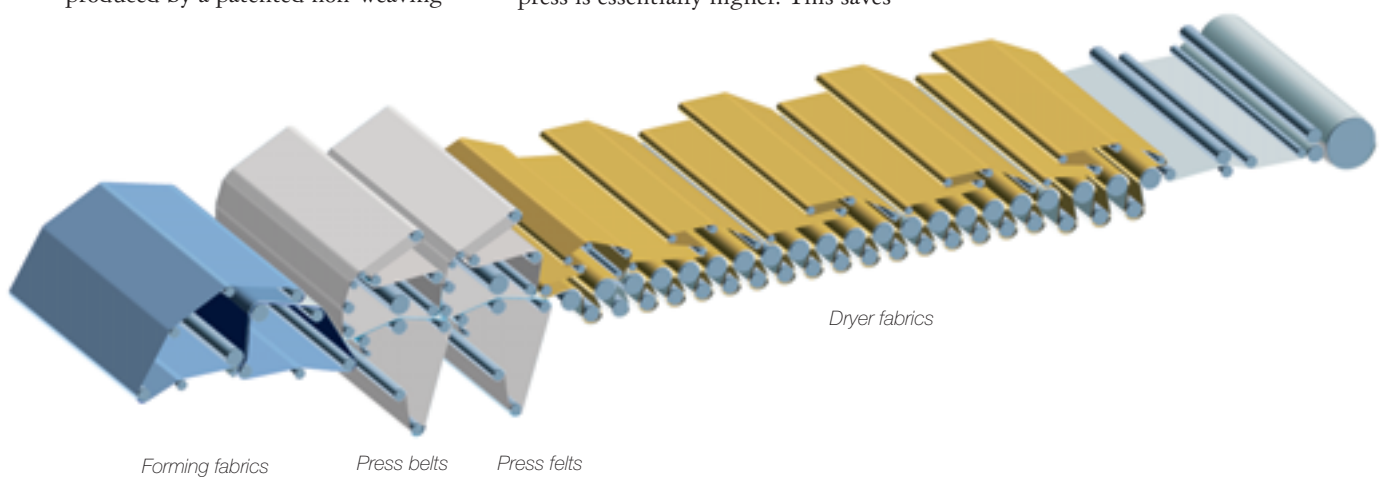
### SHOE PRESS BELTS

The press sections of new paper and board machines have one or several shoe presses instead of conventional roll presses.

The dewatering capacity of a shoe press is essentially higher. This saves

energy in paper manufacture. Besides, it improves paper quality and strength.

A shoe press is operated with a belt. The belt functions like a roller jacket, but it is elastic and flexible. Shoe press belts - Tambelts - are either smooth or grooved. They are cast of polyurethane into cylindrical roller jackets. Yarns are used as reinforcement.



Forming fabrics

Press belts

Press felts

Dryer fabrics



## DRYER FABRICS

On the dryer section, the dry content of the web is further increased by evaporation. The dryer fabric presses the web against the surface of steam-heated drying cylinders. The temperature of the web rises and water is effectively evaporated into and through a porous dryer fabric. The dryer fabric also helps to support the web as it moves from a cylinder to another and between the dryer groups. Dryer fabrics are woven of plastic yarns.

## FILTER FABRICS

### PRODUCTS FOR THE PULP AND PAPER INDUSTRY

Filter fabrics are used in the manufacture of pulp and paper in several positions. Pulp cooking chemicals are removed in post-cooking washers. In the bleaching process, the pulp is washed several times and water is always removed by filtering. The same applies to the manufacture of mechanical pulp and the reuse of fiber recovered from recycled paper.

In the causticization process of a pulp mill, cooking chemicals are recycled and cleaned to be returned to cooking. This process is mainly employed in the filtration of white liquor and lime mud.

Fiber emissions from paper machines and filters are filtered before discharging into waste water. The slurry resulting from waste water treatment is filtered and dried for incineration or transportation to a landfill site.

The biggest product groups are:

- Shrink fabrics for drum filters
- Disc filter bags
- Lime mud filter fabrics
- White liquor and green liquor fabrics, dregs filter fabrics
- Double press filter fabrics



## PRODUCTS FOR THE MINING INDUSTRY

Filter fabrics are employed in various processes in dressing in the mining industry, in the metallurgical and chemical industries and in the treatment of community and industrial waste water.

The biggest product groups are:

- Cloths for automatic pressure filters
- Disc filter bags and plastic sectors
- Cloths and fabrics for belt filter presses
- Double press filter fabrics
- Pressure filter cloths
- Drum filter cloths
- Cloths for electrolysis

## DRY FILTRATION PRODUCTS

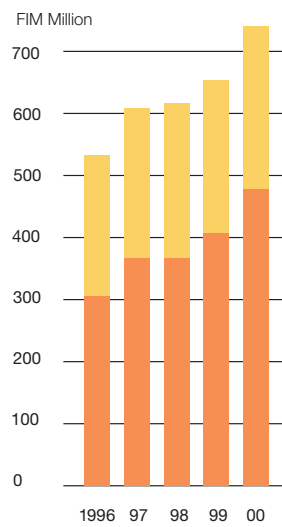
Dry filtration products are used to separate solids from gases. The filtering of industrial flue gases and exhaust air is an essential part of air pollution control. Solid particles are either returned to the process,

converted into energy by incineration, or taken to a landfill site. The filters use filter cassettes, cylinders and bags, which are made of various types of felts.

## IRONER FELTS

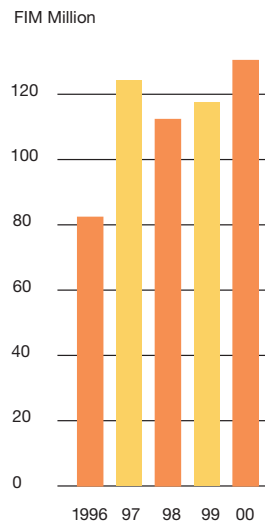
Commercial and institutional laundries provide their customers with clean and dry textiles. The dryers use ironer felts, which are installed around rotating rolls. They give the fabric smoothness and a pleasant feel. Besides, the felt absorbs moisture from the fabric. Ironer felts are produced in various qualities, depending on the technology employed by the dryer and the customer's requirements for the end product. The heaviest felts weigh around four kilograms and the lightest under 700 grams a square metre. Ironer felts must be highly resistant to abrasion, heat and moisture.

### NET SALES, CONSOLIDATED

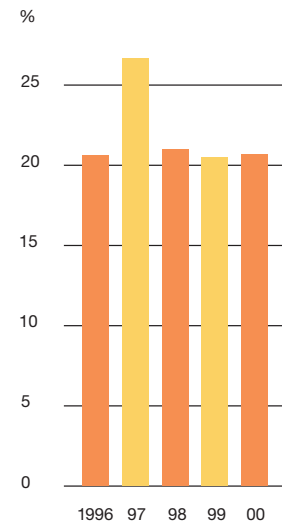


Exports and foreign subsidiaries

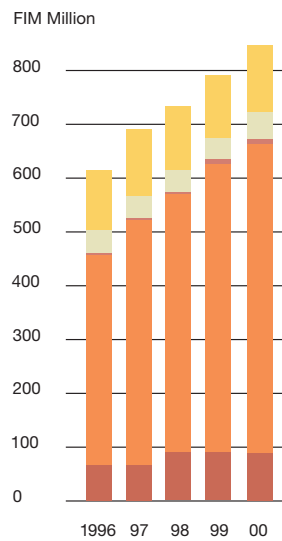
### OPERATING INCOME, CONSOLIDATED



### RETURN ON NET ASSETS, CONSOLIDATED

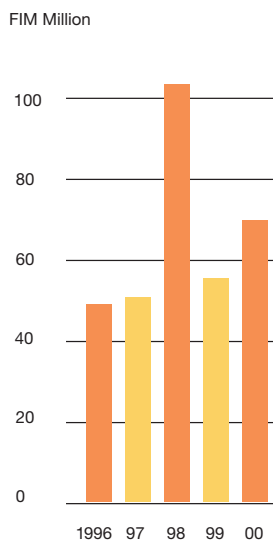


### FINANCING, CONSOLIDATED

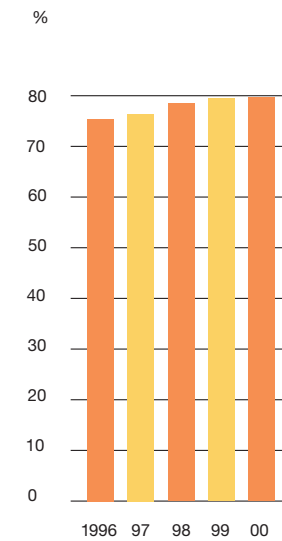


Capital stock  
Other equity  
Long-term debt  
Deferred tax liability  
Short-term debt

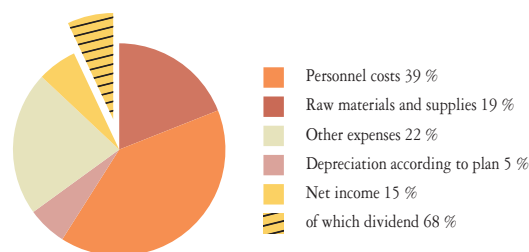
### NET INVESTMENTS, CONSOLIDATED



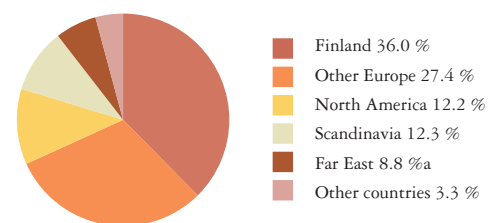
### EQUITY/ASSETS RATIO, CONSOLIDATED



### DISTRIBUTION OF INCOME 2000, CONSOLIDATED



### NET SALES IN VARIOUS MARKET AREAS 2000, CONSOLIDATED



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