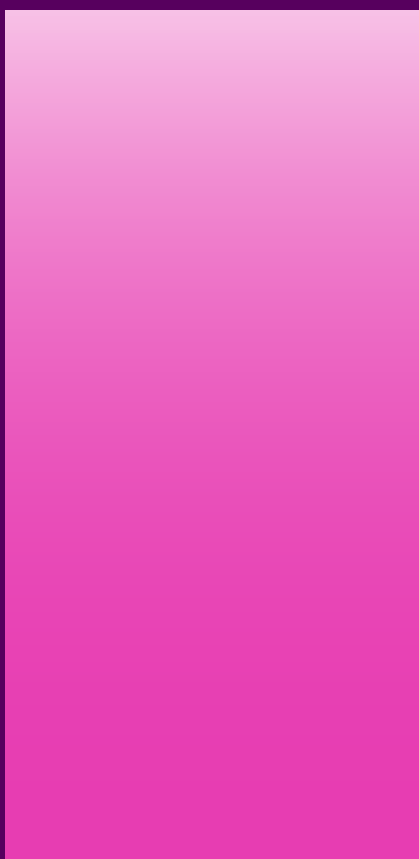




Annual Report 2001



CONTENTS

Company Profile	2
Stockholder information	3
Key Data	3
Investment Analyses	3
Group Governance	4
Review by the President	5
Executive Board	6

FINANCIAL STATEMENTS

Annual Report by the Board of Directors	7-13
Consolidated Statement of Income	14
Consolidated Balance Sheet	15
Consolidated Statement of Cash Flows	16
Statement of Income, Parent Company	17
Balance Sheet, Parent Company	18
Statement of Cash Flows, Parent Company...	19
Significant Accounting Policies	20-21
Financial Data	22-30
Consolidated Financial Summary	31
Stock Analysis	32-36
Board of Directors' Proposal to Annual General Meeting	37
Auditors' Report	37
Personnel Report	38
Human Resources Account	39
Environmental Report	40-42
Tamfelt Products	43-47
Financial Data	48

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

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 five production units. In addition to the domestic mills in Tampere and Juankoski, the Group has plants in Portugal, Brazil and China. The Group employs more than 1300 persons and its turnover exceeded 130 million euro in the year 2001.

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.

STOCKHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, March 13, 2002 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 1, 2002 at the latest. A shareholder wishing to attend the Annual General Meeting should notify the company by 4.00 p.m. on Monday, March 11, 2002.

DIVIDEND

The Board of Directors will propose to the Annual General Meeting that

a dividend of 1.40 euro be paid on a preferred share and 1.36 euro on a common share and a bonus dividend of 0.50 euro per share for both preferred and common stock. The dividend record date is March 18, and the proposed dividend payment date is Tuesday, March 26, 2002.

INTERIM REPORTS

Tamfelt will issue three Interim Reports in 2002: on April 24, August 8, and October 8. The publications will be available in Finnish, Swedish and English from:

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

ANNUAL REPORT

The printed Annual Report will be mailed automatically to all stockholders. Please notify the book-entry securities register of any change of address; the company will be notified accordingly.

KEY DATA

		2001	2000	Change %
Net sales	M €	131	124	5.7
Income before taxes	M €	20	24	- 16.7
Gross investments	M €	17	13	30.8
Earnings/share	€	1.92	1.90	1.1
Equity/share	€	12.89	12.78	0.9
Dividend/share				
common	€	1.86	1.26	
preferred	€	1.90	1.30	
Return on net assets, %		20.7	21.1	
Equity/Assets ratio, %		76.1	79.6	
Personnel, Dec. 31		1360	1365	- 0.4

INVESTMENT ANALYSES

In 2001, investment analyses of the Tamfelt Group were made by e.g. the following companies:

Conventum Securities Ltd
FIM Securities Ltd
Mandatum Stock Brokers Ltd
Nordea Securities Oyj
Opstock Ltd
Seligson & Co

GROUP GOVERNANCE

BOARD OF DIRECTORS

Mikael von Frenckell, Chairman, born 1947. Term expiring 2003. Holds 90,000 shares in Tamfelt Corp. Member since 1979, Chairman since 1995.



Axel Cedercreutz, Deputy Chairman, born 1939. Term expiring 2003. Holds 169,754 shares in Tamfelt Corp. Member since 1995.



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



Jouko Oksanen, born 1951. Term expiring 2002. Holds 400 shares in Tamfelt Corp. Member since 1995.



Martti Karttunen, born 1948. Term expiring 2003. Holds no shares in Tamfelt Corp. Member since 2001.

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 nine times in 2001.

AUDITORS

Jari Paloniemi

Veikko Terho

Jukka Lahdenpää

Moore Stephens Rewinet Oy Ab,
Authorized Public Accountants

REVIEW BY THE PRESIDENT

The 2001 marketing environment for Tamfelt's key customer industries forest and mining was weaker than it had been for several years. Recession in major world economies, having set in in spring, and the after-effects of the September 11 events in New York and Washington were the hallmarks of the economic landscape. That the change has been dramatic is obvious, when we look at the downswing in the global consumption of paper and board, something that we have not seen since 1982. This has led to lower rates of capacity utilization and lower output compared to the year 2000. In the mining industry, iron and color metals have experienced an even sharper decline. The usage of paper machine clothing and filter fabrics has inevitably suffered from production cuts in our customer industries.

For all the economic adversities, our net sales were up in 2001 by 5.3 % at 130.5 million euro. Our operating income reached an all-time high at 22.7 million euro. Earnings per share improved slightly. The company's net income was down from the previous year at 12.8 million euro. The decline was due to the closing down of our U.S. plant at Canton, which cost us 4.2 million euro.

The decision to discontinue unprofitable production of press felts at Canton pushed us to step up manufacture at the Tampere plant in an effort to keep our U.S. and Canadian customers. This necessitated extensive relocation of machinery and new



Risto Hautamäki, President

investments, which will continue into the summer of this year. The resulting stress on the Tampere plant will ease off as soon as the new machinery is on stream. Tamfelt will continue to run a sales company in North America to handle the sales of products imported from Finland and to provide customer service.

Filter fabrics and paper machine clothing are two lines of business, which often call for distinct strategies and may not share the same economic trends. This caused us to separate Tamfelt's operations into two divisions at the end of the year: PMC Division and Filter Fabric Division, each with its own individual targets and ways to reach them. The separation has been implemented in internal reporting, which makes it easy to monitor the development of the two Divisions. This move will also ensure that any benefits of market synergy

are more naturally realized, with the product units grouped under the two Divisions.

Thanks to our consistently good performance and active dividend policy, the trend of Tamfelt's stock price departed favorably from that of the average all-share index prices on the Helsinki Exchanges. Our preferred share rose 47 %, while the HEX all-share index fell 32 %. The trend has been similarly positive for the pulp and paper industry. Our stock price has been steadily increasing, unaffected by the September stock market crash. With the turnover of shares also growing, Tamfelt's stock seems to have become an attractive investment.

As unstable as the economic outlook still is, I trust that 2002 will be a good year for us, of which our large order book is an indication. We are more competitive now that we have disposed of unprofitable business to focus on the viable sectors of our activities. I am confident that we will have surpassed the recession and reapproached our long-term favorable growth trend by the end of this year.

At the start of another financial year, I would like to thank our customers for making our positive trend happen by showing confidence in our products and cooperation. I also thank our partners and suppliers as well as our employees for their excellent, committed and competent work for our customers' benefit.

EXECUTIVE BOARD



Risto Hautamäki,
President & CEO



Jyrki Nuutila,
Executive Vice President
and Deputy to the CEO



Hannu Laine,
Executive Vice President,
Corporate Planning



Seppo Holkko,
Executive Vice President,
PMC Division



Esko Pessi,
Executive Vice President,
Filter Fabric Division



Jukka Huhtiniemi,
Technical Director



Jaakko Räsänen *



Kaarina Tasanen *



Jarmo Järviö *

* Personnel representatives

ANNUAL REPORT BY THE BOARD OF DIRECTORS

MARKET SITUATION AND CHANGES IN BUSINESS ENVIRONMENT

Tamfelt Group's main products include paper machine clothing and filter fabrics, which are used in the paper, board and pulp industries. Filter fabrics are also delivered to the mining and chemical industries and to waste water treatment plants and commercial laundries. Fabrics for dry filtration and ironer felts are the fastest growing product groups.

The forest industry is Tamfelt's most important customer segment. Capacity utilization rates declined in the domestic paper and board industries, and output was down from the previous year. Also in Europe and North America production volumes fell below a year ago. Only in Asia did growth continue.

In early 2001, the price of pulp took a downswing, but steadied towards the end of the year. Despite production cuts, prices fell for pulp-based paper, though less sharply than the price of pulp itself. The market situation deteriorated for other paper and board grades as well, and their price level dropped towards the end of the year. The mining industry is also facing a decline. Prices dipped for iron and the most important color metals, but the trend slowed down at the end of the year.

The forest industry has consolidated into ever-larger units. Global corporate agreements are a necessary requirement for major suppliers to be able to win contracts from them. Following a restructuring of the technical textile industry, Tamfelt's competitors have streamlined their operations and closed down a number of plants in Europe and the United States. Even Tamfelt made a decision to discontinue the loss-making manufacture of press felts at Tamfelt, Inc.'s

Canton plant in the USA. Tamfelt continues to run a sales and customer service organization in North America to concentrate on the strategically important and growing market of high-speed and wide paper machines. All paper machine clothing to North America will be supplied from the Finnish plants.

Restructuring among customers as well as clothing suppliers have clarified the market situation and opened up new opportunities for Tamfelt to gain market shares. The PMC (Paper Machine Clothing) Division contributed as a major supplier for a number of paper machine starts and rebuilds worldwide. Tamfelt enjoys an established status as part of the Finnish forest cluster. This is an asset, which has helped the company to win higher market shares in the weak economic situation as a supplier to new, sophisticated paper and board machines.

Tamfelt is a major supplier in the European market to paper machines over five meters wide and a market leader in forming fabrics engineered for SC paper machines and gap formers. The volume of Tamfelt's shipments to the forest industry was up 10 % at the year level. The company's presence increased in the European and Southeast Asian market. Even domestic clothing supplies remained at a good level despite curtailed production in the paper industry. The fast growth rate enabled the company to utilize the higher production capacity to the full, securing a favorable productivity trend. According to an extensive customer satisfaction survey conducted in Finland, more than 60 % of customers found Tamfelt the best partner as a clothing supplier.

Despite the economic slowdown in North America and the closing down

of the Canton operation, Tamfelt's share of the North American market remained unchanged. Tamfelt's Chinese joint venture won several contracts for paper machine start-ups and also repeat orders, which prove that the customers have confidence in Tamfelt's product quality and service.

The Filter Fabric Division is a world-class supplier to iron pelleting and color metallurgy plants, pulp mills and commercial laundries. Industrial and municipal waste water treatment as well as dry filtration are growing market segments. In the declining market for mining and the pulp industry, the Division managed to increase delivery volumes. It is now the world leading supplier of filter fabrics to the forest industry with an over 20 % market share and increasing volumes. In the mining industry, production cuts led to smaller usage of filter fabrics.

Fanafel's sales rose to a record level, mostly as a result of successful exports. Sales of dry filtration fabrics grew, both through repeat orders and through sales of new products to regular customers. Fanafel passed to Tamfelt Group's 100-% ownership during the financial year.

SALES AND EARNINGS

Consolidated net sales were 131 million euro (124 in 2000), an advance of 5 % over the previous year. While the growth was below the long-term average target, it exceeded the target set for the financial year. The PMC Division grew faster than the rest of the Group. Increasing consolidation, both in the customer base and in the industry itself, has improved Tamfelt's prospects of gaining market share. Unit prices have ceased to fall, which is due to a modification of the product mix, a strong dollar and the elimination of overcapacity. Over the long term, the price trend has been sliding down, but Tamfelt has managed to compensate the decline and maintain high profitability by means of product innovations and cost efficient performance. In the Filter Fabric Division, applications for the forest industry were the best performing products.

Tamfelt's subsidiaries continued to grow. For the Chinese joint venture, 2001 was the first full year in operation, and its sales grew as expected. In the North American subsidiaries net sales were up, and a strong dollar accentuated the trend. While the Brazilian filter fabric facility grew as planned, the weak local currency slowed down growth in net sales and affected profitability. Investments made in Fanafel's production of dry filtration fabrics secured volume growth. Exports accounted for 56 % (56) of the parent company's net sales. Foreign activities totaled 63 % (64) of the consolidated net sales.

The high and even rate of capacity utilization contributed to better profitability. Although the Group's investment schedule was advanced, long delivery times hindered growth in some product groups. Order intake was good throughout the year.

Tamfelt Group's net income was 22.7 million euro (22.4), representing 17.4 % (18.0) of the net sales. Consolidated net income before extraordinary items, 24.1 million euro (23.5), was the highest in the company's history of over 200 years. Extraordinary items include a non-recurring post-tax item of 4.2 million euro for the closing down of Tamfelt, Inc. Return on net assets was 20.7 % (21.1) and equity/assets ratio 76.1 % (79.6). Earnings/share were 1.92 euro (1.90).

The balance sheet total was up 7.4 million euro at 151.1 million euro at year-end. The single fastest growing items were fixed and other long-term assets, accounts receivable and interest-free loans.

Group liquidity remained good throughout the year. The growth of working capital and record-high investments were funded with the company's own cash flow. On the balance-sheet date, interest-bearing loans amounted to 2.1 million euro (2.5) and the book value of liquid assets to 16.4 million euro (26.1). Most of the interest-bearing loans consist of a zero-interest investment loan from the European Union or other capital borrowed at a rate smaller than the market based interest.

The Group's net financial income totaled 1.4 million euro (1.2). Tamfelt invests mainly in interest-bearing instruments.

The parent company's net sales were 109.5 million euro, up 8 % from 101.9 million in the previous year. Net income was 18.1 million euro compared to 17.6 million, and net income before extraordinary items was 19.2 million euro compared to 18.3 million in 2000. Extraordinary items include a post-tax item of 9.2 million euro for a composition granted to TF Group, Inc. for the discontinuation of the loss-making North American plant.

STOCK

Average all-share index prices on the Helsinki Exchanges fell 32 %. The HEX portfolio index fell 22 %. Tamfelt's common share rose 43 % from 18.25 to 26.00 euro, and preferred share 47 % from 17.98 to 26.50 euro. Trading in Tamfelt shares on the Helsinki Exchanges amounted to 18.5 million euro (10.6 million in 2000). Turnover in common shares was 3.0 % (4.5) of the company's total common stock. Turnover in preferred shares was 15.1 % (6.5) of the total preferred stock. The numbers of shares remained unchanged and no conversions were made from common to preferred shares.

The development of Tamfelt's stock price against the overall trend was attributed to growing sales, increasing market shares and consistent profitability trend, which, for all the economic uncertainty factors, has continued for several years. Tamfelt's Board of Directors proposes to the Annual General Meeting that a dividend of 1.36 euro be paid on a common share and 1.40 euro on a preferred share. As previously announced, the Board of Directors has decided to pursue active dividend policy and therefore proposes a bonus dividend of 0.50 euro per share to be paid to honor the company's good profit trend of many years. The proposed total dividend amounts to 16.7 million euro (11.4), or 98,3 % of the net income.

Options granted in 1998 and 2000 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 euro. Subscription under the 1998 option A began on November 1, 2000. The subscription price on December 31, 2001 was 23.15 euro. The maximum dilution effect of this option scheme is 3.6 %.

INVESTMENTS

The Group's gross investment of 17.4 million euro was much in excess of the planned depreciation of 6.8 million euro. The corresponding expenditure in 2000 was 12.8 million euro. For several years in a row, Tamfelt's investment outlay has exceeded the average rate of the industry. The high expenditure of 2001 was necessitated by machine relocations and modernizations following the closing down of the Canton plant, combined with the requirements of growing market shares and productivity schemes. The largest investment programs completed in the PMC Division aimed at increasing capacity in weaving and seaming. A decision was made to buy a new heat setting unit and a needling machine in an effort to satisfy the growing demand for press felts. Production capacity for filter fabrics was added by investing in both a wide and a narrow weaving mill. Pirkanmaan Uusi Värjäämö Oy's lease expired in summer 2001, and the vacant premises are being renovated for the needs of the Filter Fabric Division. In Portugal, Fanafel Lda.'s laundry felt line was modernized.

The parent company carried out a large-scale enterprise resource planning project (ERP). The first stage was put into use late in 2001.

RESEARCH AND DEVELOPMENT

Tamfelt's R&D function works in cooperation with customers, material suppliers and paper machine manufacturers as well as universities and research institutions. The joint initiatives aim at upgrading filtration, paper quality, runnability and economy. Major projects are under way to upgrade fabric structures and raw materials.

Nearly a third of Tamfelt's forming fabrics are triple-layer styles. Beside Gapstar, there is now a new type

of triple-layer application, Gapmaster. Its smooth surface on the paper side and optimal dewatering performance enhance paper quality. Thanks to its stable structure and wear resistant base weave the fabric has a longer life, which helps improve the performance of the paper machine.

The Ecostar range has been further expanded, and the felts suit all paper and board grades and machines. Tamfelt's Ecostar felts have contributed to a number of world record speeds and gained a strong position even on new press concepts employed in paper machines. The volumes of seamed press felts have continued to grow, and the Tamseam range has been upgraded and expanded. Tamfelt's R&D function uses a felt simulator to test product performance against abrasion or clogging, to compare different chemicals and to develop methods for felt conditioning.

Tamfelt's dryer fabric technology is spearheaded by Unistar, a novelty designed to improve the controllability of the web and machine runnability in the first groups of the dryer section. The product's smooth and even surface and a high number of contact points ensure an even pressure against paper. This keeps the product cleaner and provides maximum support in uniron positions. Unistar was patented in Finland in August.

Investments in standardizing the conditions for belt production, together with successful process improvements, doubled delivery volumes in 2001. Tamfelt has excellent references from demanding shoe belt applications, and growth is believed to continue at a high rate.

The Filter Fabric Division launched several new product applications. The development of fabrics for twin-wire press was completed, and the sales started briskly. Cooperation with other leading experts has been intensified to boost project cycles.

The cost of R&D was 4.6 % of the Group's net sales.

PERSONNEL

Tamfelt Group employment averaged 1362 people, of which an average of 1078 were in the parent company. In 2000, Tamfelt averaged 1324 employees and parent company 1023. On the last day of the year, 1360 and 1365 people were on the Group's payroll in 2001 and 2000, respectively. The parent company's employment was 1109 and 1049, respectively. The Group employment was decreased by the rundown of the U.S. plant at Canton. The parent company's main growth areas were production, sales and technical customer service.

The labor turnover at the Group level was up at 12.9 %, following the closedown of the U.S. plant. In the parent company it was 5.4 %. The corresponding percentages for 2000 were 7.5 and 6.2. The average length of employment in the Group was 13 (13) years. At the end of the year the average employment age was 40 (41) years.

Cooperation with schools continued in the form of internships, working life orientation periods, degree projects and mill visits. The parent company recruited about 200 students for the summer.

Personnel development schemes focused on information systems knowhow. Almost 400 employees participated in user training for the new enterprise research planning project in the parent company. Training in working community strategies continued on a team-specific or function-specific basis in Tampere and Juankoski.

The parent company invested in maintaining the personnel's working ability by means of good ergonomics at work and by offering employees a range of opportunities to take charge of their well-being. Working capability was monitored with the help of a working capability index. In spite of these efforts, absenteeism increased

from 5.4 % to 6.1 %. On the other hand, the level of disablement pensions is low, and with the mean retirement age at 64, the parent company definitely exceeds industrial average.

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. The company's manufacturing process does not discharge significant amounts of pollutants to air or water. The key objectives of Tamfelt's environmental management program are to cut back the amounts of raw material and slow-decaying landfill waste and to avoid unnecessary use of water and energy.

Following active building and investment projects, the Tampere plant failed to reach the targeted cuts in the amount of landfill waste. In Juankoski, the amount of waste sent to landfill was significantly reduced.

A life-cycle analysis of Tamfelt's products was made in cooperation with a paper machine manufacturer and a customer. The results showed that the environmental burden of PMC products is small. Most of the impact comes from the production and transports of raw material. Minor impacts from product manufacture come from cloth waste sent to landfill and energy consumption.

DIVISIONS

Tamfelts Group's organization was streamlined in early 2002 by separating the operations into PMC Division and Filter Fabric Division. The PMC Division consists of the Finnish PMC unit, Tamfelt's North American companies and the Chinese joint venture. The Filter Fabric Division comprises the Finnish unit, Fanafel Lda. in Portugal, and the Brazilian unit.

In the reorganization of North American activities, the Group founded Tamfelt PMC, Inc., which is in charge of all the operative functions in the region.

PMC DIVISION

PMC UNIT

The product range consists of forming fabrics, press felts, dryer fabrics and shoe press belts for the paper, board and chemical pulp industries. High-quality technical and laboratory services back up the supplies.

Consolidation continued further in the customer bases. Forest industry companies have grown into increasingly global units. Corporate agreements are commonplace and, together with the introduction of the euro, they have led to increasing price harmonization. There were no price cuts for paper machine clothing, however, because company acquisitions of the late 1990s reduced capacity.

In the fallout from global recession, paper consumption declined, notably in North America and other western markets. This led to lower output and slackening demand for paper machine clothing. Tamfelt's sustained efforts in R&D and quality improvement, however, bore fruit and resulted in a 10-% increase in PMC net sales. Press felts were the fastest growing product group; exports grew to the North American, South European, Chinese and Korean markets.

Domestic delivery volumes remained high. Certain customers moved from local warehousing to direct shipments, which contributed to a growth in net sales. Higher sales volume and better productivity secured by new investments, together with strict cost control, increased PMC's bottom line much in excess of the growth of net sales. Despite the recession, the Division received a higher number of new orders, and Tamfelt has continued to gain market share as a supplier of paper machine clothing.

Higher delivery volumes were mainly secured by means of new investments and better productivity. In forming fabrics, investments continued to improve the seaming process of triple-layer applications and to increase weaving capacity. The closedown of the Canton facility imposed a huge overload on press felt production, which lasted throughout the year, though new weaving capacity was introduced and existing machinery was modernized. The pressure will ease off as the new heat setting unit and needling machine come on stream in 2002. In dryer fabric production, seaming capacity was increased and working procedures were upgraded. Improvements made in the shoe press belt line at the end of 2000 proved successful in raising product quality to an excellent level.

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

For Tamfelt's joint venture in China, 2001 was the first full year in operation. The initial performance has met with expectations. Chinese customers have been satisfied with the product quality, and the first repeat orders have come in. The facility now has dozens of customers in the segment of modern paper machines, and the volume is steadily growing. The most important orders were for four new start-ups. While the company's net sales were short of budgets, net income was at the

planned level, that is at a slight loss. Further training to the Chinese personnel was given in Tampere and Juankoski in the fall. As the sales grew, the joint venture hired new employees. At the end of the year, the company employed 28 people. The biggest investment was in the company's first automatic seaming machines.

TAMFELT PMC, INC.

The closedown of Tamfelt, Inc. went smoothly. Production came to an end in late June, and the machines were either recommissioned in Tamfelt's other plants, sold out of the Group, or scrapped. Despite the closedown, Tamfelt's sales increased and market presence was unaffected, notably in the chosen segment of big and high-speed paper machines. Operating income from the North American market was also up from the previous year.

Tamfelt PMC, Inc. will carry on the sales of Finnish-made products in the USA and Canada. The remaining personnel continue as old employees.

FILTER FABRIC DIVISION

FINNISH UNIT

The facility 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.

The market overall has been hit by a downturn. Demand for the Division's products fell from the previous year. A similar slump was last experienced in 1998. Competition tightened, and in some cases the price level was unsatisfactory.

While the unit's net sales rose, profitability deteriorated. Supplies to the pulp and paper industry increased, whereas shipments to the mining industry declined. Exports accounted for 78 % of the unit's net sales.

The unit has invested in looms, and the much-needed premises vacated by the dyehouse Pirkanmaan Uusi Värjäämö will be occupied by the unit in early 2002.

The outlook for 2002 is insecure. Supplies to the pulp and paper industry are expected to grow, whereas shipments to the mining industry may continue to decline owing to the industry's lingering downswing and smaller usage of filter fabrics.

FANAFEL LDA.

Fanafel is the leading manufacturer and supplier of felts for commercial laundries worldwide. Its best performing production line makes dry filtration fabrics for applications in environmental protection and processing industries. The company also distributes Finnish-made PMC products in the Portuguese market.

Fanafel's net sales and operating income were up, with the biggest increase in the sales of dry filtration fabrics. 75 % of the sales is exported and the main export markets are Spain, France and Germany.

Fanafel's investment program continued with the upgrading of key machinery for the laundry felt line. Investments are carried on in 2002 and they will provide a good basis for sustained and profitable sales growth.

TAMFELT TECNOLOGIA EM FILTRAÇÃO LTDA

Operating in Brazil since early 1999, the company continued to grow and exceeded the sales targets for the year. While the deterioration of the local currency affected the result, the unit managed a satisfactory bottom line.

The company is mainly engaged in the processing of the parent company's filter fabrics. The customer base is in mining, one of the country's major industries. In future, the company will serve even other industries and other South American markets. The forest industry, and mining in particular, are growing faster than average in this market area, which provides a good opportunity for future expansion in South America.

OUTLOOK

Trends for both forest and the mining industry took a downswing in 2001. New papermaking capacity in Tamfelt's key market segment, however, boosts the demand for paper machine clothing. In the mining industry, the prices of color metals and iron have dropped and demand has declined. The market situation is unstable, and no marked recovery is expected in the next few months.

Although no major upturn is anticipated in the trend for the forest and mining industries anytime soon, Tamfelt's net sales are expected to grow and operating income is expected to remain good thanks to a high backlog of orders.

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

	2001	%	2000	%
	1 000 €		1 000 €	
NET SALES	130 525	100	123 910	100
Change in finished goods inventory and work in progress +/-	856		-1 329	
Other operating income	716		1 796	
Materials and services	25 717		23 647	
Personnel expenses	53 218		48 292	
Depreciation and write downs	6 787		6 380	
Other operating expenses	<u>23 667</u>		<u>23 697</u>	
	-109 389		-102 016	
OPERATING INCOME	22 708	17	22 361	18
Financial income and expenses	1 356		1 188	
INCOME BEFORE EXTRAORDINARY ITEMS	24 064	18	23 549	19
Extraordinary items	-4 184		0	
INCOME BEFORE TAXES	19 880	15	23 549	19
Direct taxes	-7 145		-6 764	
Minority interest	70		63	
NET INCOME FOR THE YEAR	<u>12 805</u>	10	<u>16 848</u>	14

CONSOLIDATED BALANCE SHEET DEC. 31

	2001	%	2000	%
	1 000 €		1 000 €	
ASSETS				
FIXED AND OTHER LONG-TERM ASSETS				
Intangible assets	4 439		1 313	
Tangible assets	62 926		56 003	
Long-term investments	220		220	
	<u>67 585</u>	45	<u>57 536</u>	40
INVENTORIES AND CURRENT ASSETS				
Inventories	35 639		33 636	
Long-term receivables	412		408	
Short-term receivables	31 094		25 956	
Short-term investments	4 993		7 516	
Cash and bank	<u>11 363</u>		<u>18 597</u>	
	83 501	55	86 113	60
	<u>151 086</u>	100	<u>143 649</u>	100
STOCKHOLDERS' EQUITY AND LIABILITIES				
STOCKHOLDERS' EQUITY				
Capital stock	14 901		14 901	
Contingency reserve	2 217		2 217	
Retained earnings	84 311		79 533	
Net income for the year	<u>12 805</u>		<u>16 848</u>	
	114 234	76	113 499	79
Minority interest	631	0	767	0
LIABILITIES				
Imputed tax liability	9 356		6 671	
Long-term liabilities	1 528		1 958	
Short-term liabilities	<u>25 337</u>		<u>20 754</u>	
	36 221	24	29 383	21
	<u>151 086</u>	100	<u>143 649</u>	100

CONSOLIDATED STATEMENT OF CASH FLOWS

	2001 1 000 €	2000 1 000 €
CASH FLOW FROM OPERATING ACTIVITIES		
Cash from sales	124 526	121 644
Cash from other operating income	785	2 092
Operating expenses	<u>-100 699</u>	<u>-96 042</u>
Cash before financing activities and taxes	24 612	27 694
Financing activities	1 598	940
Taxes	<u>-5 320</u>	<u>-7 112</u>
Cash flow from operating activities before extraordinary items	20 890	21 522
Extraordinary items	<u>-2 048</u>	<u> </u>
Net cash from operating activities	18 842	<u>21 522</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in tangible and intangible assets	<u>-16 866</u>	<u>-12 384</u>
Net cash used in investing activities	-16 866	-12 384
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term receivables increase -/decrease +	70	-104
Withdrawal of long-term loans	125	500
Repayment of long-term loans	-63	-63
Withdrawal of short-term loans	346	
Repayment of short-term loans	-346	
Change of minority share	-136	748
Dividends paid	<u>-11 383</u>	<u>-8 725</u>
Net cash used in financing activities	-11 733	-7 298
Net increase (+)/decrease (-) in cash	<u>-9 757</u>	<u>1 840</u>
Cash at beginning of year	26 113	24 273
Cash at end of year	<u>16 356</u>	<u>26 133</u>

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

	2001	%	2000	%
	1 000 €		1 000 €	
NET SALES	109 454	100	101 883	100
Increase (+) or decrease (-) in finished goods inventories	1 330		-1 773	
Other operating income	795		1 000	
Materials and services	19 146		16 482	
Personnel expenses	46 514		40 268	
Depreciation and write downs	5 622		4 890	
Other expenses	22 244		21 837	
	<u>-93 526</u>		<u>-83 477</u>	
OPERATING INCOME	18 053	16	17 633	17
Financial income and expenses	1 162		691	
INCOME BEFORE EXTRAORDINARY ITEMS	19 215	18	18 325	18
Extraordinary items	-9 150		2 708	
INCOME BEFORE APPROPRIATIONS AND TAXES	10 065	9	21 032	21
Appropriations	-2 130		-1 187	
Direct taxes	-6 067		-5 635	
NET INCOME FOR THE YEAR	<u>1 868</u>	2	<u>14 211</u>	14

PARENT COMPANY BALANCE SHEET DEC. 31

	2001	%	2000	%
	1 000 €		1 000 €	
ASSETS				
FIXED AND OTHER LONG-TERM ASSETS				
Intangible assets	4 191		1 168	
Tangible assets	51 949		44 776	
Long-term investments	<u>36 551</u>		<u>47 690</u>	
	92 691	62	93 634	65
INVENTORIES AND CURRENT ASSETS				
Inventories	27 966		24 709	
Long-term receivables	412		408	
Short-term receivables	26 792		21 812	
Short-term investments	3 375			
Cash and bank	<u>1 397</u>		<u>678</u>	
	56 567	38	50 982	35
	<u>149 258</u>	100	<u>144 616</u>	100
STOCKHOLDERS' EQUITY AND LIABILITIES				
STOCKHOLDERS' EQUITY				
Capital stock	14 901		14 901	
Contingency reserve	2 217		2 217	
Retained earnings	67 966		65 138	
Net income for the year	<u>1 868</u>		<u>14 211</u>	
	86 952	58	96 467	67
APPROPRIATIONS	26 262	18	24 132	17
LIABILITIES				
Long-term liabilities	231		126	
Short-term liabilities	<u>35 813</u>		<u>23 891</u>	
	36 044	24	24 017	17
	<u>149 258</u>	100	<u>144 616</u>	100

PARENT COMPANY STATEMENT OF CASH FLOWS

	2001 1 000 €	2000 1 000 €
CASH FLOW FROM OPERATING ACTIVITIES		
Cash from sales	104 082	100 444
Cash from other operating income	610	898
Operating expenses	<u>-83 882</u>	<u>-77 589</u>
Cash before financing activities and taxes	20 810	23 753
Financing activities	2 082	132
Taxes	<u>-3 146</u>	<u>-5 455</u>
Cash flow from operating activities before extraordinary items	19 746	18 429
Extraordinary items	<u>-899</u>	<u> </u>
Net cash from operating activities	<u>18 847</u>	<u>18 429</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in tangible and intangible assets	16 072	11 685
Investment in other assets	<u>207</u>	<u>1 140</u>
Net cash used in investing activities	<u>-16 279</u>	<u>-12 824</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term receivables increase -/decrease +	-2 036	
Withdrawal of long-term loans	168	
Repayment of long-term loans	-63	-63
Withdrawal +/repayment - of short-term loans	6 054	
Group contributions received		2 708
Dividends paid and distribution of other profits	<u>-11 383</u>	<u>-8 725</u>
Net cash used in financing activities	<u>-5 224</u>	<u>-8 117</u>
Net increase (+)/decrease (-) in cash	<u><u>-2 656</u></u>	<u><u>-2 512</u></u>
Cash at beginning of year	4 053	6 565
Cash at end of year	<u><u>1 397</u></u>	<u><u>4 053</u></u>

SIGNIFICANT ACCOUNTING POLICIES

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 shares in the 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 inter-group 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 translated into euro 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 has

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 40 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.

SHORT-TERM INVESTMENTS

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 it 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 stated as imputed tax liability. Change in imputed tax liability comprises entries which relate to internal integration or incompatible periods of accounting and taxation.

The imputed tax liability entered in the balance sheet includes such imputed tax liability as is unrelated to internal integration, reperiodization, or appropriations.

OPTION SCHEMES

Option rights are valued at the difference between the market value of the preferred share at the balance sheet date and the subscription price of the preferred share at the balance sheet date. A social security tax is entered on the portion of this taxable benefit which entitles to subscription at the balance sheet date.

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 (1000 €)

NET SALES

Tamfelt's line of business is technical textiles.

NET SALES IN THE VARIOUS MARKET AREAS

	Consolidated				Parent company			
	2001	%	2000	%	2001	%	2000	%
Nordic countries	62 618	48	59 825	48	58 655	54	55 971	55
Other Europe	36 352	28	33 988	27	27 540	25	26 523	26
North America	15 905	12	15 086	12	8 327	8	5 968	6
Far East	12 620	10	10 915	9	11 056	10	10 539	10
Other countries	3 030	2	4 096	3	3 876	3	2 882	3
Total	130 525	100	123 910	100	109 454	100	101 883	100

OTHER OPERATING INCOME

Gains on the disposal of fixed assets	185	1 114	185	102
Rental income	99	212	181	212
Other	432	470	429	686
Total	716	1 796	795	1 000

MATERIALS AND SERVICES

Purchases during the year	27 901	23 502	20 019	15 966
Change in inventories	-3 052	-855	-1 927	-470
Outsourced and subcontracted services	868	1 000	1 054	985
Total	25 717	23 647	19 146	16 482

PERSONNEL EXPENSES

Remunerations to directors and presidents	591	586	305	293
Other remunerations	41 763	38 891	36 602	32 483
Pension expenses	5 826	4 468	5 315	3 894
Other social expenses	5 038	4 347	4 292	3 598
Total	53 218	48 292	46 514	40 268

EMPLOYMENT

Average	1362	1324	1078	1023
Year-end	1360	1365	1109	1049

PLANNED DEPRECIATION	Consolidated		Parent company	
	2001	2000	2001	2000
Intangible rights	239	190	239	190
Consolidated goodwill	20			
Other long-term expenditure	155	134	89	89
Buildings	537	484	125	112
Machinery, equipment and furniture	5 736	5 537	5 142	4 482
Other tangible assets	100	35	27	17
Total	<u>6 787</u>	<u>6 380</u>	<u>5 622</u>	<u>4 890</u>

FINANCIAL INCOME AND EXPENSES

Dividend income	131	57	220	20
Interest income from long-term investments	163	209	163	209
Other interest and financial income				
From Group companies				
From others	1 108	1 101	1 721	1 038
Impairment of investment				
Impairment of financial instruments	46	-129		
Interest expenses and other financial expenses				
To Group companies			-858	-528
To others	-92	-49	-84	-47
Total	<u>1 356</u>	<u>1 188</u>	<u>1 162</u>	<u>691</u>

EXTRAORDINARY ITEMS

Group subsidies				2 708
Composition granted			-12 887	
Tax impact			<u>3 737</u>	
			-9 150	
Discontinued U.S. operation	-5 893			
Tax impact	<u>1 709</u>			
	-4 184			

DIRECT TAXES

Taxes for the year	4 372	6 729	5 893	5 635
Taxes for previous years	173	-70	174	
Taxes for extraordinary items				
Change in imputed tax liability *	2 600	105		
Total	<u>7 145</u>	<u>6 764</u>	<u>6 067</u>	<u>5 635</u>

* Change in imputed tax liability

Reperiodizing	2 108	-145		
Integration	-323	-76		
Appropriations	815	326		

BALANCE SHEET (1000 €)

FIXED AND OTHER LONG-TERM ASSETS 2001

	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
CONSOLIDATED							
<u>Intangible assets</u>							
Intangible rights	3 463	3 350			6 813	-3 052	3 761
Consolidated goodwill	959	100			1 059	-979	80
Other long-term expenditure	1 216	91		8	1 315	-717	598
<u>Tangible assets</u>							
Land and water	942				942		942
Buildings	18 635	242			18 877	-8 352	10 525
Machinery, equipment and furniture	118 757	12 345	-10 466	592	121 228	-73 961	47 267
Other tangible assets	375	83			458	-106	352
Advance payments and construction in progress	2 363	3 840	-2 363		3 840		3 840
<u>Investments</u>							
Shares and holdings	219				219		219
Shares and holdings in associated companies	1				1		1
Total	146 928	20 051	-12 829	600	154 750	-87 167	67 585
Machinery and equipment							39 466
PARENT COMPANY							
<u>Intangible assets</u>							
Intangible rights	4 147	3 350			7 497	-3 736	3 761
Other long-term expenditure	890				890	-460	430
<u>Tangible assets</u>							
Land and water	767				767		767
Buildings	4 888				4 888	-485	4 403
Machinery, equipment and furniture	95 187	11 011	-809		105 390	-62 757	42 633
Other tangible assets	375	83			458	-106	352
Advance payments and construction in progress	2 349	3 794	-2 349		3 794		3 794
<u>Investments</u>							
Shares and holdings in Group companies	35 435	206			35 641		35 641
Shares and holdings in associated companies	1				1		1
Other shares and holdings	217				217		217
Other receivables from Group companies	12 037	899	-12 887	643	692		692
Total	156 293	19 343	-16 045	643	160 235	-67 544	92 691
Machinery and equipment							39 217

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
CONSOLIDATED							
<u>Intangible assets</u>							
Intangible rights	3 265	198			3 463	-2 814	649
Consolidated goodwill	959				959	-959	0
Other long-term expenditure	1 042	173			1 216	-552	664
<u>Tangible assets</u>							
Land and water	997		-55		942		942
Buildings	18 394	720	-480		18 635	-7 787	10 848
Machinery, equipment and furniture	107 303	10 904	-193	743	118 757	-77 201	41 556
Other tangible assets	264	112			375	-80	296
Advance payments and construction in progress	1 631	2 361	-1 634	5	2 363		2 363
<u>Investments</u>							
Shares and holdings	235		-17		219		219
Shares and holdings in associated companies	1				1		1
Total	134 091	14 467	-2 379	748	146 928	-89 392	57 536
Machinery and equipment							37 777
PARENT COMPANY							
<u>Intangible assets</u>							
Intangible rights	3 949	198			4 147	-3 498	649
Other long-term expenditure	890				890	-371	519
<u>Tangible assets</u>							
Land and water	767				767		767
Buildings	4 218	670			4 888	-361	4 527
Machinery, equipment and furniture	85 569	9 651	-32		95 187	-58 350	36 838
Other tangible assets	264	112			375	-80	296
Advance payments and construction in progress	1 408	2 347	-1 406		2 349		2 349
<u>Investments</u>							
Shares and holdings in Group companies	34 314	1 121			35 435		35 435
Shares and holdings in associated companies	1				1		1
Other shares and holdings	235		-18		217		217
Other receivables from Group companies	9 252	2 154		631	12 037		12 037
Total	140 867	16 252	-1 457	631	156 293	-62 659	93 633
Machinery and equipment							33 613

	Consolidated		Parent company	
	2001	2000	2001	2000
INVENTORIES				
Raw materials and consumables	8 388	6 038	6 205	4 278
Work in progress	11 205	12 491	10 837	10 329
Finished products	16 046	15 107	10 924	10 102
Total	35 639	33 636	27 966	24 709
LONG-TERM RECEIVABLES				
Loans receivable from associated companies	131	196	131	196
Other loans receivable	281	212	281	212
Total	412	408	412	408
SHORT-TERM RECEIVABLES				
Accounts receivable	27 166	21 939	23 727	18 660
Loans receivable from associated companies	65	65	65	65
Other loans receivable	193	127	165	113
Prepaid expenses and accrued income *	3 670	3 825	2 835	2 974
Total	31 094	25 956	26 792	21 812
Receivables from Group companies				
Accounts receivable			2 607	1 798
* Material items of short-term prepaid expenses and accrued income				
Periodization of personnel expenses	521	1 156	519	1 152
Periodization of interest income	130	1 247		1 072
Periodization of taxes	1 973	18	1 654	18
Other periodization	1 046	1 404	662	732
Total	3 670	3 825	2 835	2 974
SHORT-TERM INVESTMENTS				
Other shares	680	750		11
Other securities	4 314	6 766		3 364
Total	4 994	7 516		3 375
Replacement price of short-term investment	5 107	7 643		3 400
Book value of short-term investment	4 994	7 516		3 375
Difference	113	127		26

	Consolidated		Parent company	
	2001	2000	2001	2000
STOCKHOLDERS' EQUITY				
Capital stock Jan. 1	14 901	14 901	14 901	14 901
Capital stock Dec. 31	14 901	14 901	14 901	14 901
Contingency reserve Jan. 1	2 217	2 217	2 217	2 217
Contingency reserve Dec. 31	2 217	2 217	2 217	2 217
Retained earnings from previous years Jan. 1	96 381	87 734	79 349	73 863
Dividend	-11 383	-8 725	-11 383	-8 725
Change in translation adjustment	-687	524		
Retained earnings from previous years Dec. 31	84 311	79 533	67 966	65 138
Net income for the year	12 805	16 848	1 868	14 211
Total stockholders' equity	114 233	113 499	86 952	96 467

**STATEMENT OF DISTRIBUTABLE
EARNINGS DEC. 31**

Contingency reserve	2 217	2 217	2 217	2 217
Profit for previous years	84 311	79 533	67 966	65 138
Net profit for the year	12 805	16 848	1 868	14 211
- Portion of accumulated depreciation entered in stockholders' equity	-19 935	-17 756		
Total	79 398	80 842	72 051	81 566

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

	2001		2000	
	Number of shares	€	Number of shares	€
Common stock (20 votes/share)	3 373 066	5 673 090	3 373 066	5 673 090
Preferred stock (1 vote/share)	5 486 934	9 228 361	5 486 934	9 228 361
Total	8 860 000	14 901 450	8 860 000	14 901 450

	Consolidated		Parent company	
	2001	2000	2001	2000
IMPUTED TAX LIABILITY				
For appropriations	9 356	7 270		
For reperiodizations		-598		
Total	9 356	7 270		
LONG-TERM CREDITORS				
Other long-term liabilities	1 528	1 958	231	126
Instalment plan for 2003-2006 (2002-2005)	1 425	1 958	128	126
SHORT-TERM CREDITORS				
Loans from financial institutions	595	576	63	63
Advance received	56	10	56	10
Accounts payable	7 832	6 262	7 041	5 847
Other liabilities	3 638	3 903	15 358	9 524
Accrued liabilities and deferred income *	13 216	10 005	13 295	8 447
	25 337	20 755	35 813	23 891
Liabilities to Group companies				
Accounts payable			3	180
Other liabilities			12 782	6 728
Accrued liabilities and deferred income			1 940	
			14 725	6 908
* Material items of short-term accrued liabilities and deferred income				
Periodization of personnel expenses	8 381	6 474	8 190	6 305
Other periodizations	4 835	3 531	5 105	2 142
	13 216	10 005	13 295	8 447
Liabilities with and without interest				
Long-term				
Without interest	9 356	6 671		
With interest	1 528	1 958	231	126
Total	10 884	8 629	231	126
Short-term				
Without interest	24 742	20 179	22 968	17 101
With interest	595	576	12 845	6 791
Total	25 337	20 754	35 813	23 891

	Consolidated		Parent company	
	2001	2000	2001	2000
CONTINGENT LIABILITIES				
a) Other securities given				
Mortgages in real estate	84	84	84	84
b) Consolidated debt				
Guarantees				346
c) For others				
Guarantees	34	34	34	34
d) Other own liabilities				
Bill liabilities	6	11		
Leasing liabilities	209	189	209	189
Total	333	318	327	653

DERIVATIVE CONTRACTS

Currency terms		
Current value	9 077	11 822

SHARES AND HOLDINGS OWNED BY THE GROUP AND THE PARENT COMPANY

	Percentage of Group ownership	Percentage of parent company ownership
GROUP COMPANIES		
Fanafel - Fábrica Nacional de Feltros Industriais Lda.	100	73.8
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 PMC, Inc.	100	100
Tamfelt Properties	100	100
Tamfelt Tecnologia em Filtração Ltda.	99.99	99.99
Tampereen Verkatehdas Oy	100	100
ASSOCIATED COMPANIES		
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 within 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 exchange rate differences related to hedging are presented in financial items.

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 €)

	1997	1998	1999	2000	2001
Net sales	102 143	103 479	109 801	123 910	130 525
Change %	14.2	1.3	6.1	12.9	5.3
Exports and foreign subsidiaries	61 554	61 435	68 487	79 331	82 231
% of sales	60.3	59.4	62.4	64.0	63.0
Operating income	20 796	19 031	19 970	22 361	22 708
% of sales	20.4	18.4	18.2	18.0	17.4
Net income before extraordinary items, taxes and minority interest	23 065	20 877	21 151	23 549	24 064
% of sales	22.6	20.2	19.3	19.0	18.4
Net income before taxes and minority interest	23 065	20 877	21 511	23 549	19 880
% of sales	22.6	20.2	19.6	19.0	15.2
Return on equity %	20.1	16.3	15.2	15.3	14.8
Return on net assets %	27.5	22.6	20.9	21.1	20.7
Equity/assets ratio %	76,6	78.3	79.0	79.6	76.1
Gearing %	-33.4	-22.3	-21.3	-20.6	-12.5
Gross investment	10 100	17 428	9 389	12 833	17 355
% of sales	9.9	16.9	8.6	10.4	13.3
R&D expenditure	5 056	5 277	5 270	5 576	5 940
% of sales	5.0	5.1	4.8	4.5	4.6
Average employment during the period	1 202	1 291	1 288	1 324	1 362

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.

1,541 common shares and 292 preferred shares, which remained untransferred to the book-entry securities system, were sold on the Helsinki Exchanges in July 2001 in the name of their holders. The funds received were deposited in the State Provincial Office of Western Finland. A stockholder or an assignee shall present a claim for the funds and deliver his or her stock certificate and proofs of title to the State Provincial Office of Western Finland direct or through Nordea Bank Finland. The claim shall reach the State Provincial Office by August 9, 2011 without fail.

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 can 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 on December 31, 2001 was 23.15 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 is from November 1, 2002 through March 31, 2004, and the price will be determined as for option A. Subscription under the 2000 option C begins on November 1, 2002 and option D on November 1, 2004, and both expire on March 31, 2006. The subscription price in the year 2000 option scheme was 24.80 euro on December 31, 2001, 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 32.4 % and the HEX portfolio index fell 22.3 % in 2001. Tamfelt common share rose 42.5 % and preferred share 47.4 %.

Trading in Tamfelt common shares on the Helsinki Exchanges amounted to 2.1 million euro (3.2 million in 2000) and preferred shares to 16.4 million euro (7.4 million in 2000). The numbers traded were 102,248 (153,000) common shares and 825,915 (357,155) preferred shares.

Turnover in common shares was 3.0 % (4.5) of the company's total common stock. Turnover in preferred shares was 15.1 % (6.5) of the total preferred stock.

The highest quotation for a common share in 2001 was 26.00 euro and the lowest 17.50 euro. The highest quotation for a preferred share was 26.50 euro and the lowest 17.51 euro.

The closing rate for the common share at the year-end was 26.00 euro and for the preferred share 26.50 euro. The market value of the company's total stock at the end of 2001 was 233,103.467 euro.

CAPITAL STOCK OWNERSHIP

At the end of 2001 (2000) the company had 1,857 (1,836) stockholders and one (one) ownership registration in the name of a nominee. The number of shares registered in the name of a nominee was 17,733 (17,470). The number of shares yet to be transferred to the book-entry securities system was 1,796 (3,689), or 0.02 % (0.04). The company's Directors, President & CEO and Deputy to the CEO held a total of 190,016 (176,439) common and 78,884 (76,387) preferred shares corresponding to 3.0 % (2.9) of the capital stock and a 5.3 % (4.9) voting power. The number of options held by the President & CEO and his Deputy 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 275,843 (259,248) shares, corresponding to 3.1 % (2.9) of the capital stock and a 5.4 % (5.0) voting power, as well as 108,600 (116,700) options, which entitle them to subscribe for 136,800 (147,600) 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, 2001

Category	Ownerships	%	Shares	%	Votes	%
100 Corporations	143	7.7	746 082	8.4	7 174 979	9.8
200* Financial and insurance institutions	24	1.3	2 221 033	25.1	12 760 808	17.5
300** General government	12	0.7	1 210 780	13.7	9 319 391	12.8
400 Non-profit institutions	86	4.6	1 317 185	14.8	12 112 605	16.6
500 Households	1 570	84.5	3 241 581	36.6	30 456 782	41.8
600 Rest of the world	22	1.2	121 543	1.4	1 112 222	1.5
Total	1 857	100.0	8 858 204	100.0	72 936 787	100.0

Shares not transferred to book-entry system			1 796	0.0	11 467	0.0
Issued number			8 860 000	100.0	72 948 254	100.0
Ownerships registered in the name of a nominee	1		17 733	0.2	44 580	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, 2001

Number of shares	Ownerships	%	Shares	%	Votes	%
1 - 500	1 074	57.8	203 569	2.3	1 092 997	1.5
501 - 5 000	599	32.2	937 490	10.6	6 530 311	9.0
5 001 - 10 000	65	3.5	471 078	5.3	3 786 331	5.2
10 001 - 50 000	85	4.6	1 887 472	21.3	16 291 866	22.3
50 001 - 100 000	16	0.9	1 143 045	12.9	9 958 285	13.6
100 001 - 999 000	19	1.0	4 215 550	47.6	35 276 997	48.4
Total	1 858	100.0	8 858 204	100.0	72 936 787	100.0

Shares not transferred to book-entry system			1 796	0.0	11 467	0.0
Issued number			8 860 000	100.0	72 948 254	100.0

**LARGEST OWNERSHIP REGISTRATIONS BY VOTING POWER
ON DEC. 31, 2001 (DEC. 31, 2000)**

1	(1)	Varma-Sampo Mutual Pension Insurance Company	9.1	%	(9.1)
2	(2)	Sampo Life Insurance Company Limited	5.3	%	(5.3)
3	(4)	Metso Corporation.....	4.5	%	(4.5)
4	(5)	Waldemar von Frenckell Foundation.....	4.0	%	(4.0)
5	(6)	Cedercreutz, Axel	3.7	%	(3.6)
6	(-)	Sampo Insurance Company Ltd	3.4	%	(-)
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	(3)	Sampo Industrial Insurance Company Ltd (Industrial Insurance Company Ltd).....	1.8	%	(5.1)
		TOTAL	38.3	%	(38.1)

**LARGEST OWNERSHIP REGISTRATIONS BY NUMBER OF SHARES
ON DEC. 31, 2001 (DEC. 31, 2000)**

1	(1)	Varma-Sampo Mutual Pension Insurance Company.....	6.1	%	(6.1)
2	(-)	Kaleva Mutual Insurance Company.....	4.7	%	(-)
3	(3)	Sampo Life Insurance Company Limited.....	3.5	%	(3.5)
4	(-)	Sampo Insurance Company Ltd.....	3.3	%	(-)
5	(5)	Suomi Mutual Life Assurance Company.....	3.0	%	(3.0)
6	(13)	Ilmarinen Mutual Pension Insurance Company.....	2.9	%	(1.5)
7	(6)	Metso Corporation.....	2.7	%	(2.7)
8	(7)	Waldemar von Frenckell Foundation.....	2.7	%	(2.7)
9	(8)	Tapiola General Mutual Insurance Company.....	2.3	%	(2.3)
10	(9)	Samfundet Folkhälsan i Svenska Finland r.f.	2.3	%	(2.3)
		TOTAL	33.5	%	(24.1)

Sampo plc disclosed on April 12, 2001 restructurations, as a result of which Industrial Insurance Company Ltd's ownership of Tamfelt Corp. was transferred to Sampo Insurance Company Ltd and Sampo Industrial Insurance Company Ltd. Neither ownership exceeded 5%. The Group's portion of Tamfelt Corp.'s voting power still exceeded 10%.

After the financial period 2001 Sampo plc disclosed on January 2, 2002 the signing of an agreement that will lead to decreased ownership by Group Sampo plc in Tamfelt Corp. Group Sampo plc's portion of Tamfelt Corp.'s voting power will fall below 10% and the portion of capital stock below 5%.

After the financial period 2001 If Skadeförsäkring Holding Ab (publ.) disclosed on January 3, 2002 the signing of an agreement that will lead to increased ownership by Group If Skadeförsäkring Holding Ab (publ.) in Tamfelt Corp. The Group's portion of Tamfelt Corp.'s voting power will exceed 5%.

STOCK SUMMARY

	1997	1998	1999	2000	2001
Earnings/share, € ²⁾	1.88	1.69	1.72	1.90	1.92
Equity/share Dec. 31, € ²⁾	9.92	10.76	11.84	12.78	12.89
DIVIDEND					
Dividend, M€ ¹⁾	7.07	7.56	8.73	11.4	16.7
Dividend/share, € ¹⁾					
common	1.04	0.83	0.96	1.26	1.86
preferred	1.08	0.87	1.00	1.30	1.90
Adjusted dividend/share, € ²⁾					
common	0.78	0.83	0.96	1.26	1.86
preferred	0.81	0.87	1.00	1.30	1.90
Dividend/earnings % ¹⁾	42.6	50.4	57.3	67.6	98.3
Effective dividend yield Dec. 31, % ¹⁾					
common	3.1	4.0	4.2	6.9	7.2
preferred	3.3	4.1	4.4	7.2	7.2
P/E ratio Dec. 31					
common	13.3	12.3	13.4	9.6	13.6
preferred	13.0	12.4	13.1	9.5	13.8
TRENDS AND TRADING					
Unadjusted trading price at year-end					
common	33.1	20.9	23.0	18.25	26.00
preferred	32.5	21.0	22.5	17.98	26.50
Adjusted trading price at year-end ²⁾					
common	24.8	20.9	23.0	18.25	26.00
preferred	24.3	21.0	22.5	17.98	26.50
Change of adjusted trading price, %					
common	57.6	-16.1	10.3	-20.65	42.47
preferred	59.5	-13.6	7.0	-20.08	42.39
Highest trading price, € ²⁾					
common	26.5	33.6	24.0	22.90	26.00
preferred	27.1	33.6	24.0	23.50	26.50
Lowest trading price, € ²⁾					
common	15.9	20.4	20.0	18.00	17.50
preferred	15.5	20.7	18.5	17.30	17.51
Trading volume, M€					
common	2.2	12.9	1.4	3.2	2.1
preferred	24.2	26.3	6.5	7.4	16.4
Trading volume (number of shares) ³⁾					
common	78 552	454 212	64 922	153 000	102 248
preferred	789 600	906 418	309 650	357 155	825 915
Trading volume/total stock, %					
common	3.0	13.4	1.9	4.5	3.0
preferred	19.5	16.5	5.6	6.5	15.1

¹⁾ 2001 Board of Directors' proposal

²⁾ Adjusted for share issue

³⁾ Trading volume made commensurable with current par value.

	1997	1998	1999	2000	2001
CAPITAL STOCK AND NUMBER OF SHARES					
Capital stock Dec. 31, M€	11.2	14.9	14.9	14.9	14.9
common	4.4	5.7	5.7	5.7	5.7
preferred	6.8	9.2	9.2	9.2	9.2
Market capitalization Dec. 31, M€	217.5	185.7	201.0	160.2	233.1
Number of shares Dec. 31 (1 000)	6 645	8 860	8 860	8 860	8 860
common	2 599	3 378	3 373	3 373	3 373
preferred	4 046	5 482	5 487	5 487	5 487
Average number of shares (1 000) ²⁾	8 860	8 860	8 860	8 860	8 860
Adjusted number of shares Dec. 31 (1 000) ²⁾	8 860	8 860	8 860	8 860	8 860
Number of shareholders Dec. 31	1 653	1 769	1 788	1 836	1 857
Nominee-registered ownerships Dec. 31	2	3	2	1	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)

²⁾ Adjusted for share issue

BOARD OF DIRECTORS' PROPOSAL TO ANNUAL GENERAL MEETING

Consolidated distributable earnings total	79 397 097.09 €
Parent company's distributable earnings	
Contingency reserve	2 216 526.53 €
Retained earnings from previous years	67 965 926.39 €
Net income for the year	<u>1 868 338.74 €</u>
	<u>72 050 791.66 €</u>

The Board proposes that this sum be appropriated as follows:

- a dividend of 1.36 euro a share paid on 3,373,066 common shares, totaling	4 587 369.76 €
- a dividend of 1.40 euro a share paid on 5,486,934 preferred shares, totaling	7 681 707.60 €
- a bonus dividend of 0.50 €/share for both preferred and common stock, totaling	4 430 000.00 €
- to be kept in contingency reserve	2 216 526.53 €
- to be retained	<u>53 135 187.77 €</u>
	<u>72 050 791.66 €</u>

Helsinki, February 12, 2002

Mikael von Frenckell
Martin Lilius
Martti Karttunen

Axel Cedercreutz
Jouko Oksanen

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 2001. 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 12, 2002

Jari Paloniemi
Authorized Public Accountant

Veikko Terho
Authorized Public Accountant

PARENT COMPANY PERSONNEL REPORT 2001

At the end of the year the parent company employed 1109 people, of whom 753 in Tampere and 356 in Juankoski. The external turnover, bringing new intellectual capital to the company, was 5.4 %. The parent company hired 120 new employees, of whom 92 were wage earners and 28 salaried employees. 58 employments terminated over the year. The rate of internal turnover, which helps diversify competence, was 6.9 %. More fresh approaches were brought by students: 160 trainees and 30 young people in working life orientation as well as undergraduates preparing their degree papers contributed at the Tampere and Juankoski mills.

As provided by our HR rules, we employ mainly people with professional skills. The percentage of employees with vocational qualifications is currently almost 60. Nearly 60 % of our salaried employees hold either a university degree or college-level engineering diplomas and a third are graduates from post-secondary engineering or business schools. Our employees have been with Tamfelt for an average of 13 years and their average age is 40. Their training, experience and age structure are on a healthy basis with a view to our resource needs for the coming years.

The focus of personnel development needs was on information systems knowhow. The challenge was to model and apply the company's activities to our new enterprise resource planning project, including commissioning of the system and learning of the basic functions. Almost 400 employees participated in the user training, organized by the company's own efforts at Tampere and Juankoski. The challenges to be tackled this year

include advanced-level studies of the system and the reaping of benefits to our business.

Training in working community strategies continued on a team-specific or function-specific basis at Tampere and Juankoski.

Further investments were made in an effort to maintain the personnel's working ability. Employee health and well-being at work were monitored in cooperation between occupational health care, superiors and the entire personnel. Previously conducted working capability index measurements were used as a basis for intensified activity in physical examination programs, anticipation of environment-related and health risks, monitoring of disabilities and redeployment. Workplace ergonomics have improved with investments in new machinery and equipment, improved safety, joint efforts and suggestion schemes. The personnel of the Juankoski plant now have an access to a private physiotherapist.

Employees were encouraged to take charge of their own and their fellow workers' well-being. The company sponsored various types of clubs and provided training, campaigns, and opportunities for employees to acquaint themselves with new forms of physical exercise, from joga to deep stretching techniques. Conditioning courses were organized in cooperation with the Social Insurance Institution. In addition, the different product groups have set up their own special projects in an effort to improve well-being at work.

Absenteeism through sickness was 6.1 %, slightly ahead of the year before. Musculoskeletal disorders continue as the largest single reason, accounting for about 30 % of absenteeism through sickness. The average retirement age was 64.5 years, while the industrial average of recent years has been close to 59.

PERSONNEL STRUCTURE, PARENT COMPANY

	2001	2000
	Number	Number
Wage-earners	792	749
Salaried employees	317	300
Total	1109	1049
	%	%
Wage-earners	71	71
Salaried employees	29	29
Men	47	49
Women	53	51
Permanently employed	90	93
Fixed-term	10	7
Full-time employees	96	97
Part-time employees	4	3
Absenteeism through sickness	6,1	5,4
Labour turnover	5,4	6,2
	Years	Years
Average age	40	41
Average employment	13	13
Average retirement age	64,5	57

Personal development reviews were conducted throughout the organization. The discussions dealt with development needs and expectations concerning the employees' job, competence and cooperation and an assessment of the results and benefits of the procedure.

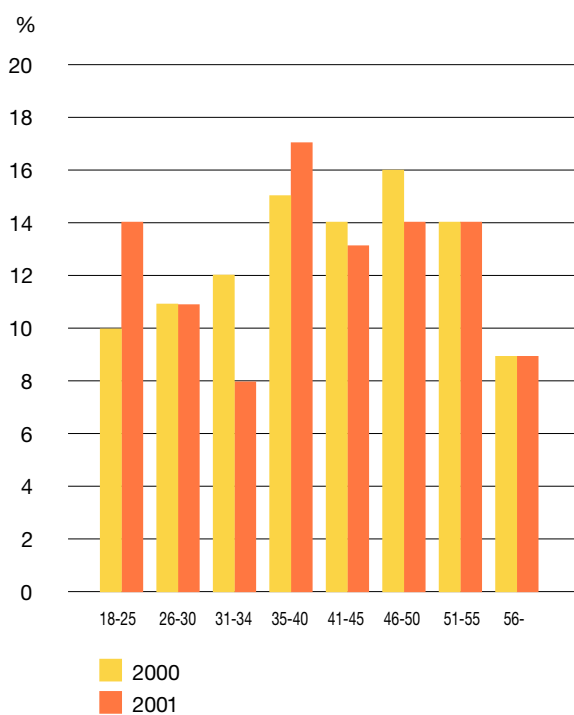
An SFS follow-up assessment at the end of the year focused on leadership, personnel development, working ability, motivation, workplace climate, and occupational health and safety. All these factors were found to fulfil the requirements of the quality standard.

HUMAN RESOURCES ACCOUNT

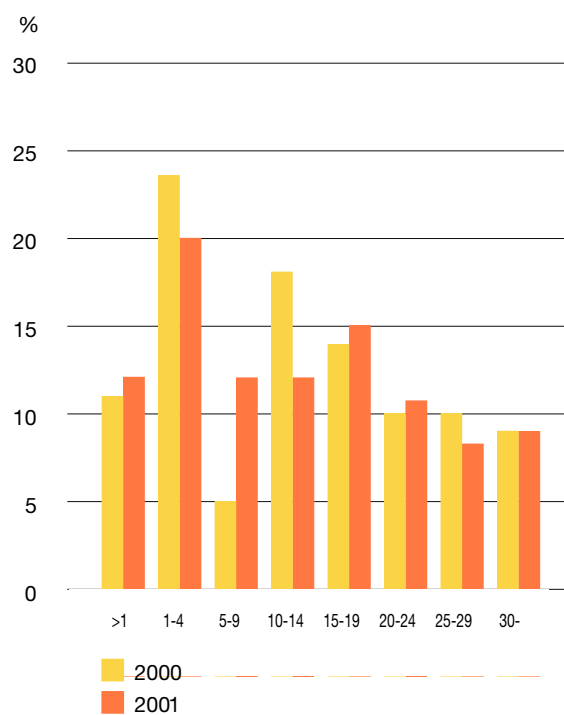
Parent company (1000 €)

	2001		2000	
	1.1 - 31.12.	%	1.1 - 31.12.	%
NET SALES	109 454	100	101 883	100
Personnel expenses	49 590	45	40 736	40
Payroll for regular worktime	32 632	30	28 635	29
Payments by results	2 729	2	1 573	1
Payments for overtime	1 802	2	1 563	1
Personnel renewal				
Recruiting and job orientation	984	1	778	1
Vacation payments	6 395	6	5 190	5
Other holiday payments	2 343	2	1 665	2
Personnel development				
Training	448	.	563	.
Other measures to maintain and improve working ability	386	.	258	.
Sick payments	775	1	637	1
Disability pension expenses	666	.	-136	.
Other personnel expenses	431	.	457	.
Outsourced services	1286	1	1 219	1
Other costs and expenses	56 710	52	45 716	45
NET INCOME FOR THE YEAR	<u>1 868</u>	2	<u>14 211</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 and to step up the reuse of materials. Waste hazardous to the environment or human health is transported to the plant specializing in the treatment of such 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.

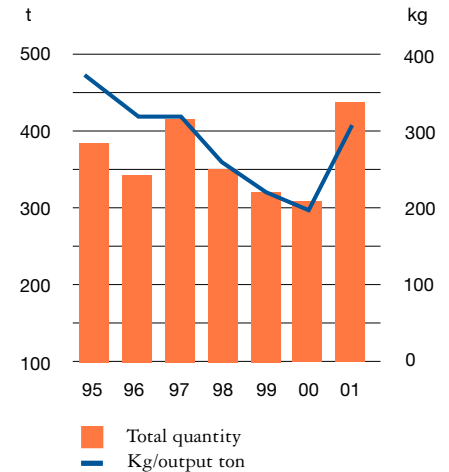
ENVIRONMENTAL RISKS

Environmental risks from Tamfelt's activities are low. The hot oil system and the location of the plant in a watershed area provide potential risks at the Tampere plant. At the Juankoski plant, environmental risks are very low.

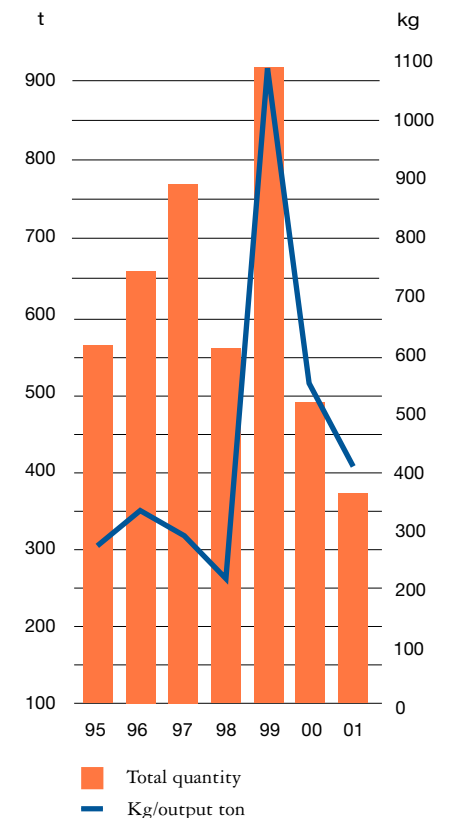
A small amount of oil escaped in cooling water from the hot oil system to Pyhäoja water body in Tampere, causing no actual environmental damage. To eliminate the possibility of similar incidents, however, oil sensors were installed in the cooling water system. This was the only environment-related accident of the year.

Investigations made together with the regional environment center revealed that the sediment deposited at the bottom of the Tampere plant's equalizing basin contained a slight amount of substances, which require the sediment to be treated before the basin is covered.

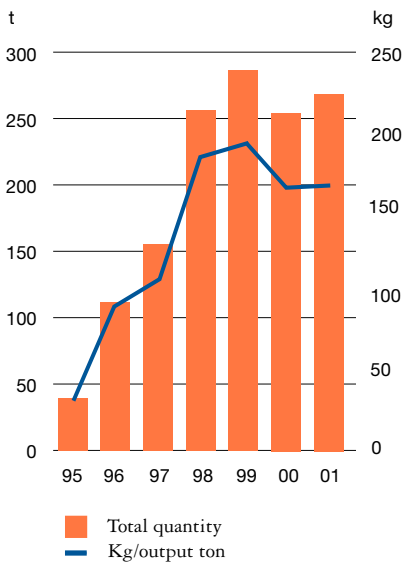
LANDFILL WASTE, TAMPERE PLANT



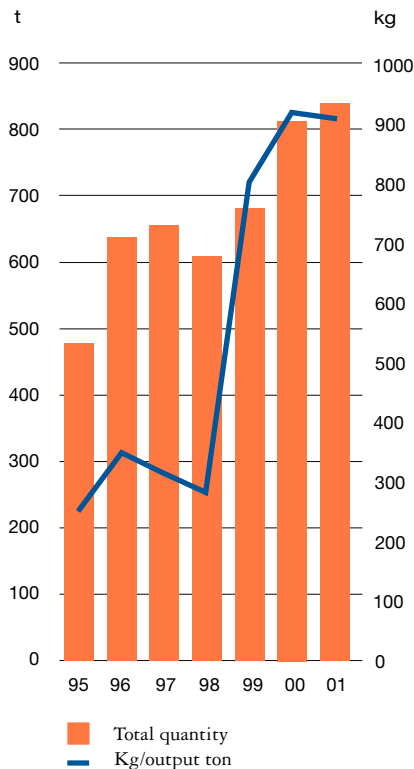
LANDFILL WASTE, JUANKOSKI PLANT



RECOVERED MATERIAL, TAMPERE PLANT



RECOVERED MATERIAL, JUANKOSKI PLANT



MAJOR ENVIRONMENTAL IMPACTS AND THEIR TREND

The Tampere plant takes in its service water from the nearby Kaukajärvi lake. A sufficient amount of rains ensured that no problems occurred. The contents and amounts of waste water discharged into the municipal sewerage system through the equalizing tank were below the licensed rates.

The boiler plant of the Tampere facility is fueled by natural gas. The consumption of natural gas per output ton grew owing to an unusually cold heating season and a higher need for heating over weekends. Thus even nitrogen oxide and carbon dioxide emissions from the combustion increased per output ton. Tamfelt was a party in an air-quality monitoring program run by the city of Tampere.

While it grew slightly at the Tampere plant, the total consumption of electricity per output ton remained at the level of the previous years.

At the two plants, more than half of the waste consists of raw material residue. For the first time during the existence of the environmental management system, the Tampere plant failed in curtailing the amount of waste sent to landfill. Even the total amount of waste per output ton was on the increase. This was attributed to a higher percentage of cloth waste and heavy investments, which involved an exceptional quantity of building waste and scrapped machinery.

The Juankoski plant continued to reduce the amount of landfill waste and boost recycling. The targeted reduction was exceeded and 67 % of waste was recovered.

Both plants sent all hazardous waste to the appropriate disposal plant.

The amount of hazardous waste per output ton remained at the level of the previous years.

All product groups failed to reach their targets for raw material reuse, as they did last year. The recycling of cloth waste at the Tampere plant stayed at the level of 2000, whereas the Juankoski facility achieved the 80 % set as target in the environmental program.

90 % of packing supplied by Tamfelt is reused. The amount of packing material is 280 kg per product ton. Further measures were introduced to extend the reuse of packing cases.

LIFE-CYCLE ANALYSIS OF TAMFELT'S PRODUCTS

An LCA project was completed to evaluate the environmental burdens of PMC products through their entire existence. The life cycle assessment was made of products supplied to Rauma's paper machine 4. The LCA complied with the requirements of the SFS EN-ISO 14040 set of standards and has been critically audited by a third party.

The completed assessment covered the raw material manufacturing process, transport of materials to Tamfelt, manufacturing at Tamfelt's plants in Tampere and Juankoski including energy consumption, transports of finished products to Rauma, as well as packing materials and their manufacturing chains. The other parties of the project assessed the environmental impacts of the product during and following its use.

The environmental impacts of paper machine clothing are mainly from the manufacturing chains of raw materials and energy usage at Tamfelt's plant.

Packing materials and transports

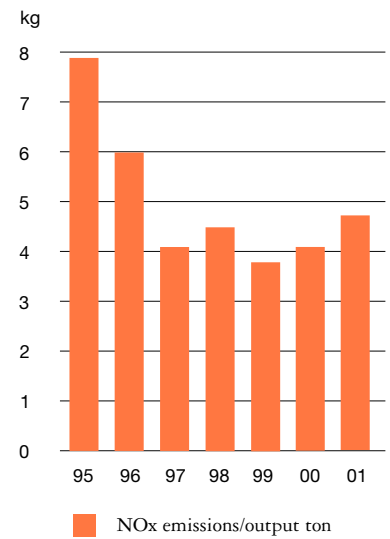
play a minor role. Most of the packing material used by Tamfelt is recycled. Cloth waste from different stages of Tamfelt's manufacturing process slightly increases the impact of raw material manufacturing chains. Used paper machine clothing can be put into service in soil improvement or other secondary applications, or it can be burnt or disposed of in a landfill site. The substantiality of the various stages of life cycle varies to some extent from a product group to another, depending on raw materials, production site, and the mass ratio of product and package.

The average product-specific results of the PMC life-cycle analysis have been incorporated into the life-cycle computing model of the paper machine, whereby their share of the environmental impact can be compared with other factors of a paper machine's life cycle.

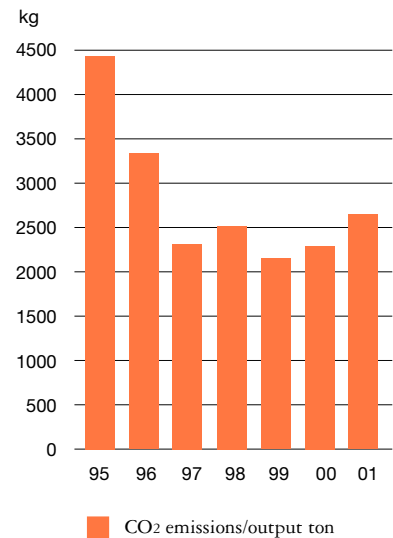
STAKEHOLDER RELATIONS

Government officials had no objections to Tamfelt's environmental performance in 2001. No changes were made in the existing licenses of the Tampere plant. The company's employees have actively contributed to upgrading 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.

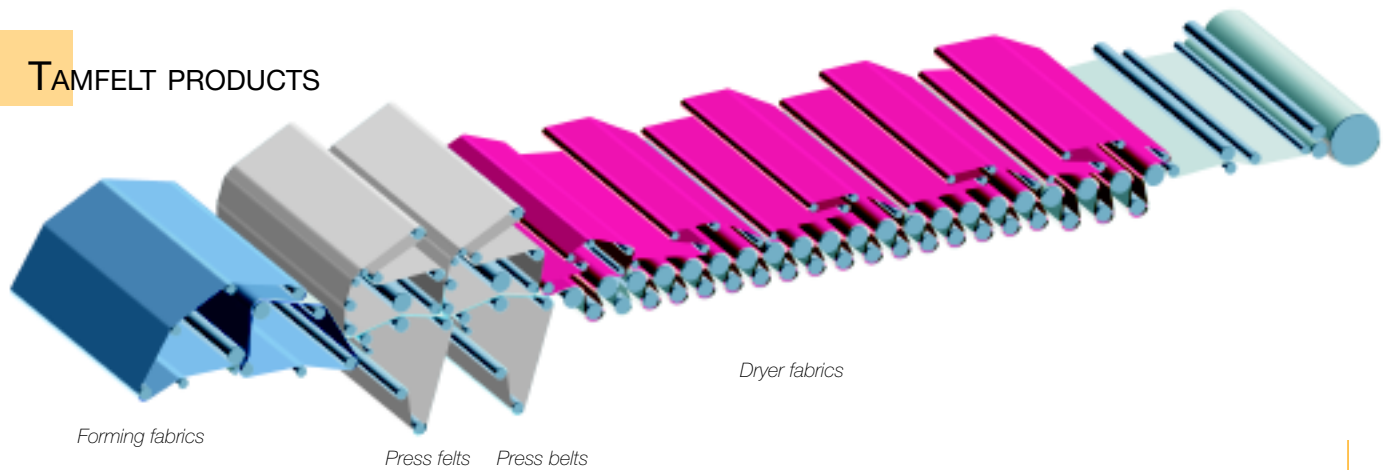
NITROGEN OXIDE EMISSIONS



CARBON DIOXIDE EMISSIONS



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.



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 FOREST 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 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

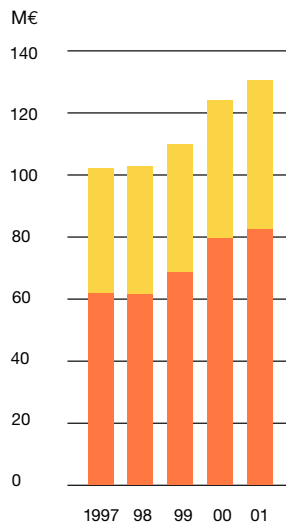
DRY FILTRATION PRODUCTS

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

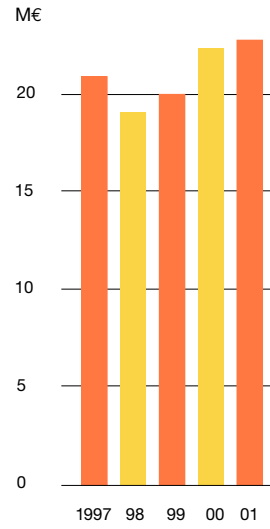
Commercial and institutional laundries provide their customers with clean and dry textiles. The dryers use ironer felts, which are installed around rotating rolls. They give the fabric smoothness and a pleasant feel. Besides, the felt absorbs moisture from the fabric. Ironer felts are produced in various 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 meter. Ironer felts must be highly resistant to abrasion, heat and moisture.

NET SALES, CONSOLIDATED

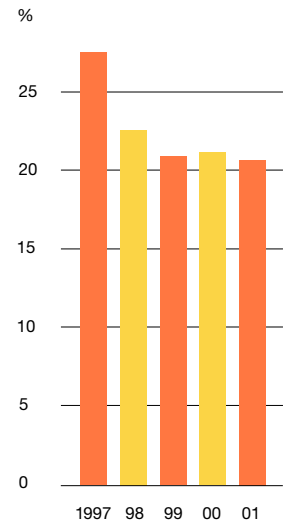


Exports and foreign subsidiaries

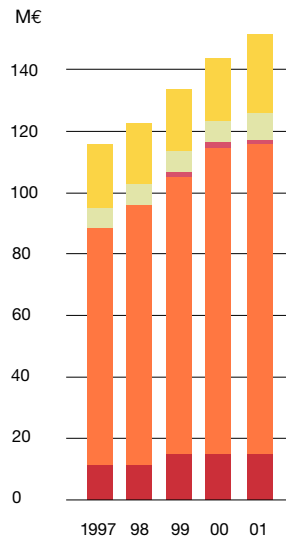
OPERATING INCOME, CONSOLIDATED



RETURN ON NET ASSETS, CONSOLIDATED

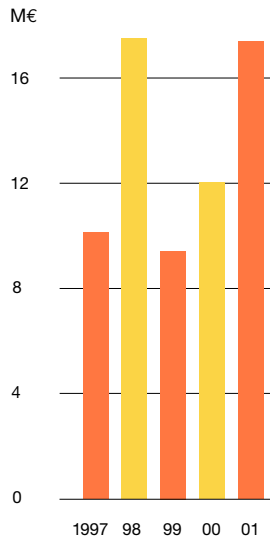


FINANCING, CONSOLIDATED

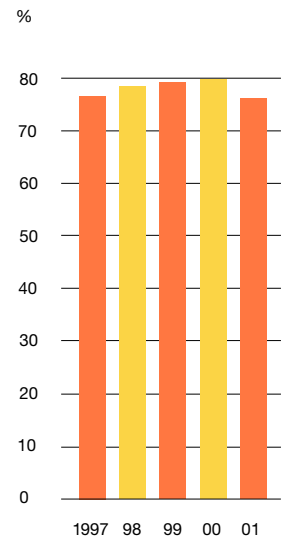


Capital stock
Other equity
Long-term debt
Deferred tax liability
Short-term debt

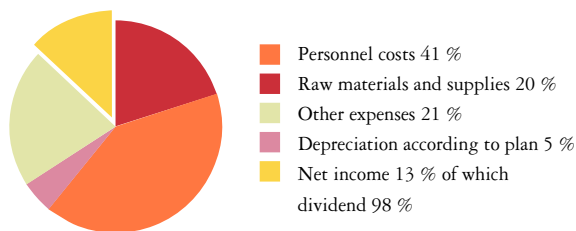
NET INVESTMENTS, CONSOLIDATED



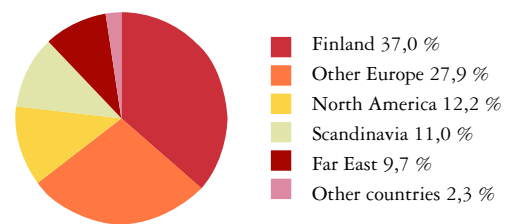
EQUITY/ASSETS RATIO, CONSOLIDATED



DISTRIBUTION OF INCOME 2001, CONSOLIDATED



NET SALES IN VARIOUS MARKET AREAS 2001, CONSOLIDATED





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