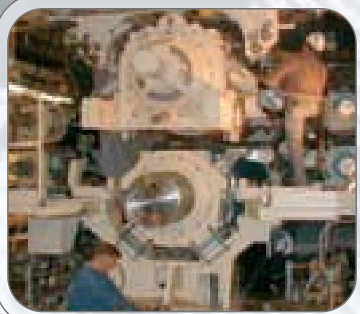


VAAHTO GROUP

Annual Report 2000 - 2001

Vaahto Group

Vaahto Group's mission is to be a globally operating supplier of high-quality technology and consulting services to the process industry in the areas of papermaking technology and process machinery.

Over the past few years the Group has carried through a major strategic restructuring, transforming itself from a subcontracting machinery and equipment manufacturer into a technology and consulting company dedicated to boosting the competitiveness of its customers' business and production processes by developing their core processes through the provision of innovative, added value-generating system solutions, machinery, equipment and services. Investments in product development have provided a whole new base for operations and generated several product innovations and patents.

Under Vaahto Group's corporate strategy, papermaking technology operations focus on the Group's core competence in paper and board machine rebuilds, roll covers and roll servicing, and other servicing, maintenance and spare part services for paper machines. In the area of process machinery, the Group's core competence lies in high-quality agitator technology and demanding pressure vessels.

The quality of our design and output is guaranteed by the Group's ISO 9001 certified quality system, the certified quality systems of our production firms, and our familiarity with the official pressure vessel permits and standards required in the world's main markets.

The Group has two core business areas: Pulp & Paper Machinery and Process Machinery. These two divisions are responsible for system and product design and development, marketing, project management, procurement and quality assurance.

Pulp & Paper Machinery

The Pulp & Paper Machinery division specializes in the manufacture of paper, board and pulp drying machines, machine rebuilds and roll servicing, color coating kitchens, wet end chemical systems, and key formation, dewatering, press and drying technology components such as headboxes, formers, presses and reels.

The division seeks to be one of the leading suppliers of paper and board machine rebuilds. It is developing its paper technology with the aim of offering the high-quality technology customarily associated with large paper machines for small machines as well. The division is putting a major effort into roll covers and servicing. Its customers include leading paper mills and paper industry machinery manufacturers in Scandinavia, continental Europe, North America and China.

Process Machinery

The Process Machinery division is one of Europe's leading suppliers of agitator technology. It specializes in the manufacture and supply of agitators, mixing process equipment, reactors, autoclaves and other pressure vessels, heat exchangers, columns and large storage tanks.

The division seeks to develop its market share in its selected product segments by concentrating on the development of production technology, know-how, new product solutions and increased added value. Its main customers are globally operating companies in the wood processing, pharmaceutical, food-processing, chemical and metallurgy industries.

Annual Report 2000-2001

Table of Contents

Fiscal period in brief

Key figures

M €	2000/2001 18 months	1999/2000 12 months	Change%
Turnover	80,5	44,6	81
Operating profit	2,1	1,1	91
Earnings/share euros	0,27	0,11	145
Return on investment (ROI) %	5,1	5,1	0
Equity ratio %	37,6	35,3	7
Investments	4,0	0,6	523
Total number of personnel (average)	453	407	11

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Vaahto Group Plc Oyj will be held on December 12, 2001 at 1.00 p.m. in Congress Room 5 in the Sibelius Hall, Ankkurikatu 7, Lahti.

The meeting is open to all shareholders entered by November 30, 2001 in the register of the company's shareholders maintained by Finnish Central Securities Depository Ltd. Shareholders whose shares have not been transferred to the book-entry security system may also attend on the condition that they were registered in the company's share register before March 31, 1995. In such a case, the shareholder must present a share certificate or other proof that his holding of the company's shares has not been transferred to a book-entry account.

Shareholders who wish to attend the meeting must register by 4.00 p.m. on December 7, 2001 either in writing to Vaahto Group Plc Oyj, Shareholders' Meeting, P.O. Box 5, FIN-15141 Lahti, or by telephone to Taina Kajander on +358 3 880 5355. Proxies should be enclosed when registering.

Dividends

The Board will propose to the Annual General Meeting a dividend payment of 0.30 euros per share for the fiscal period March 1, 2000 – August 31, 2001. If the meeting approves the Board's proposal, the dividend will be payable to those shareholders entered in the register of the company's shareholders maintained by Finnish Central Securities Depository Ltd on the record date of December 17, 2001. The Board proposes that the dividend be paid on December 27, 2001.

Financial information

During the fiscal period 2001–2002, Vaahto Group Plc Oyj will publish an interim report for the period September 1, 2001 – February 28, 2002. The interim report will be published on April 11, 2002 in both Finnish and English.

Our annual and interim reports can be ordered from:

Vaahto Group Plc Oyj
P.O. Box 5
FIN-15141 Lahti
tel. +358 3 880 511
fax +358 3 880 5301

e-mail: taina.kajander@vaahtogroup.fi

Annual reports, interim reports, stock exchange releases and other information on Vaahto Group Plc Oyj can be found at www.vaahtogroup.fi.

CEO's Review

Throughout the fiscal period Vaahto Group was operating in a fairly challenging economic environment. Growth in the world economy began to slow down towards the end of the period. There was a dramatic drop in the price of pulp and also a weakening market for several grades of paper. Investment activity in the chemical and process industries was still feeling the effects of sectoral restructuring due to the major corporate acquisitions in the sector.

Demand for investment goods picked up early in the period under review, only to fall back later on. Demand was strongest early in the period in the US and Chinese markets, with an increase in sales in both North America and Asia.

As expected, Vaahto Group's turnover rose considerably, almost doubling on the previous fiscal period. This was mainly due to the length of the period (18 months). Comparable growth in turnover was 20%. Exports accounted for almost half of total net sales.

Operating profit for the fiscal period was 2.1 million euros, or 2.6%. This represents only a slight rise on the previous period. Despite the growth in sales, we did not reach our profitability target. The main reasons for this were the Pulp & Paper Machinery division's strong investments in growth and product development, cost overruns in a couple of delivery projects and the stiffer competition in the company's product segments.

Group investments totaled 4.0 million euros. The bulk of the investments in machinery and equipment went for expanding production capacity, improving efficiency and developing our information systems.

The Group's order backlog at the end of the fiscal period stood at an almost record 30.0 million euros. We thus have good reason to expect considerable growth in the new fiscal period, provided the economy does not slide into a serious worldwide recession.

The Group's business operations have progressed in line with our long-term strategic objectives. The past few years have seen a vigorous restructuring from which Vaahto Group has emerged as a high technology company which generates added value for its customers and is constantly developing its services and know-how. In the near future, we shall be concentrating on developing our quality systems, overall operational quality, outsourcing of activities, project control and human resources management. The strong spirit of cooperation and development within Vaahto Group is an excellent factor for achieving results.

In recent years the Pulp & Paper Machinery division has annually launched key products on the market representing cutting-edge technology in the sector. These include such products as dilution-controlled headboxes, formers and presses. There has been a steep rise in the number of patents both applied for and granted. During the period under review, Vaahto Oy of the Pulp & Paper Machinery division became one of the world's leading suppliers of presses for the paper industry with the delivery of its first shoe press, a technologically innovative new development.

Concentration on paper and board machine rebuilds and the development of roll servicing have meant continued growth in the importance of service operations within the Pulp & Paper Machinery division. The technical capacity for roll servicing will grow considerably when AK-Tehdas Oy's unit for the manufacture and grinding of rolls comes on stream as the result of new investment due for completion towards the end of the new fiscal period.

Vaahto Group's Process Machinery division occupies a strong market position within process machinery in continental Europe, especially in Germany. Investments in marketing have paid dividends in an increase in continental European deliveries of process machinery and reactors manufactured from high value-added materials. In addition to marketing, the Process Machinery division is also concentrating on the development of production technology and expertise.

Mixing technology is a knowledge-intensive area which requires expertise in both process technology and mechanical engineering. There was an increase in business volume in this area in the Process Machinery division's units in both Finland and Germany.

In Germany, Stelzer Rührtechnik International GmbH concentrates on customers in the chemical, pharmaceutical and food-processing industries, while in Finland, Japrotek Oy Ab's agitator unit focuses on the forest, metal and environmental technology sectors. Collaboration between the Finnish and German companies is being improved by the development of common product solutions, procurement chains and distribution routes.

The trend in the chemical and process industries is toward the construction of ever more closed and environmentally friendly processes. This is accompanied by growing demand for pressurized process machinery, a production area that calls for the mastery of manufacturing norms and design codes. Vaahto Group can already supply almost all the world's major markets from North America to Europe. During the period under review we further boosted our competitive capacity with the acquisition of new permits, including permits providing access to the Chinese and Russian markets. Our response to increasingly stiff competition is to further raise the efficiency of our production process and the standard and added value content of our products.

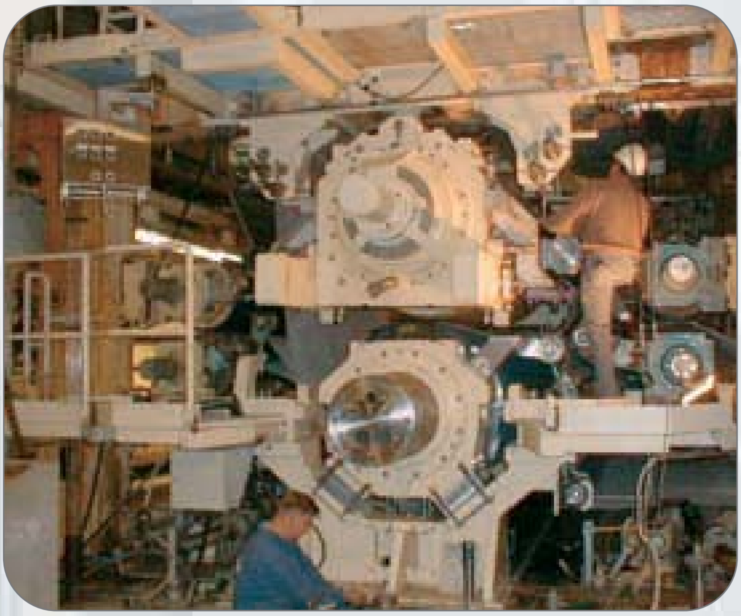
The world economy was already slowing down before the terrorist attack on the USA in September 2001. After the attack, the drop in share prices was followed by a rapid lowering of interest rates, cuts in output and warnings of layoffs.

In the present situation, it is unusually difficult to predict how the economy is going to perform. Our assessment of the near future must rest on the one hand on the general weakening in the world economy, and on the other hand on our strong order backlog. Taken together, these give us good reason to expect continued positive development at Vaahto Group. The normal seasonal variation in orders and the sometimes large fluctuations in sales and profitability caused by our system of income recognition will also continue.

Vaahto Group's most important goal for the new fiscal period is to permanently raise the scope of it's operations to a new, higher level and to employ new operating models and investments to enhance our capacity, productivity and financial performance.

Antti Vaahto
CEO

Pulp & Paper Machinery



The first new shoe press delivered to Stromsdal Oyj awaits final installation.

Vaahto Oy supplied several drying section rebuilds equipped with drying cylinders.

The Pulp & Paper Machinery division develops its customers' production processes by designing and manufacturing machinery and components for the paper, board and pulp industry. It specializes in rebuilds of paper, board and pulp drying machines, roll covers and servicing, and other servicing and maintenance. Its mission in providing these products and services is to raise the volume of output of its customers' paper and board machines, enhance the quality of their products, ensure trouble-free production and boost competitiveness. The division offers its customers comprehensive service including design and development, manufacture, installation and start-up, servicing and spare part services.

Considerable growth in the order backlog

The period under review saw an improvement in the market situation of the division's customer industries. There was considerable growth in the division's order backlog, which rose from a low level at the start of the period to record levels. Most of the orders were for Finland and other Scandinavian countries. The division also made new delivery contracts in other parts of Europe and in North America and Asia, including the rapidly expanding Chinese market. The orders already received will considerably strengthen the Pulp & Paper Machinery division's position particularly as a supplier of machine rebuilds.

The growth in sales during the fiscal period clearly outstripped the growth in deliveries. Besides the healthy market situation and level of investment in the pulp and paper industry, the positive sales development was also influenced by the division's input into product development and new products. In addition to the division's state-of-the-art headbox and former technology, Vaahto Oy moved into the ranks of the world's leading suppliers of presses when it became the third supplier to launch its own shoe press, the first of which was delivered to Stromsdal Oyj in October 2001.

The division's enhanced delivery capacity is shown by its ability to simultaneously handle machine rebuilds for several different customers: a state-of-the-art online flow-regulated headbox, a new former and an extensive drying section rebuild for Stora Enso Laminating Papers Oy's mills in Kotka; drying section rebuilds for a number of customers, including Stromsdal Oyj, Jujo Thermal Oyj, UPM-Kymmene Oyj's mills in Tervasaari and Korsnäs Ab in Sweden; a press section rebuild for Assi Domän in Sweden; several pulpers and other key components and reel rebuilds.

Enhanced servicing capacity

The servicing, modernization and spare parts services increased their share of the Pulp & Paper Machinery division's business, thereby reducing the division's dependence on fluctuations in customers' capital investments. Capacity for roll manufacturing, servicing and repair was expanded by the acquisition in April 2001 of a majority holding in AP-Tela Oy. A decision has also been taken to expand the production premises and increase technical capacity at AK-Tehdas Oy. The factory extension will make it possible in the future to handle the repair of larger rolls. The company has already acquired a new machine – one of the most advanced and largest in the world – which is capable of handling the repair of large precision rolls. During the period under review, AK-Tehdas supplied one of the world's most precisely manufactured backing rolls to UPM-Kymmene Oyj's mill in Rauma to improve the coating quality of an 8.7 meter-wide machine that produces magazine paper at a rate of 1400 m/min.

Improvements in competitiveness

The Pulp & Paper Machinery division seeks to continuous growth in its chosen product, customer and market segments and to reinforce its position as one of the sector's leading technology suppliers. In pursuit of this goal, the division increased its sales, design and other human resources, restructured its output, invested in machinery and other equipment and developed its products, maintenance services and quality systems. These measures depressed its financial performance during the report period, but will considerably raise its competitiveness in the future.

One of the world's most precisely manufactured rolls was supplied to UPM-Kymmene Corporation.

Increased demand for rebuilds and servicing

The pulp and paper industry entered a weakening market situation toward the end of the report period. This has meant the postponement of investment within the industry. Major investments in paper machinery have been delayed, although demand for modernization projects and servicing has remained strong. The division has a healthy order backlog.

Worldwide demand for paper should continue to grow at around 2-3 percent a year. In Asia, and China in particular, growth will nevertheless be faster than in Scandinavia, the rest of Europe and North and South America.

Competition in the paper machine market has changed dramatically as a result of the restructuring in the sector. While concentration among the major producers alters the competitive status quo, it also enhances the opportunities for smaller, more specialized producers to offer the pulp and paper industry competitive alternatives in their own core areas.

Products and services

- paper and board machines
- paper, board and pulp drying machine rebuilds from headbox to reel (incl. dilution-controlled headboxes, formers, shoe presses)
- components for paper machines: stretchers, guides, dewatering elements, etc.
- rolls and roll servicing
- pulpers
- coating color kitchens
- chemical handling and filler stations
- consulting and start-up services
- machine rebuild services

Process Machinery

Heat exchangers and columns delivered to Germany.

Reactors supplied by Stelzer Rührtechnik International GmbH.

The Process Machinery division develops its customers' production processes by designing and manufacturing agitators, pressure vessels such as columns and reactors, and heat exchangers for the process industry. Its customers are companies operating in basic industries such as wood processing, chemicals, food-processing, and pharmaceuticals. The division's mixing technology companies Stelzer Rührtechnik International GmbH and Japrotek Oy Ab represent a strong concentration of expertise which makes a major contribution to the division's operations. The division will continue to expand its share of the continental European market. Its operations cover product design and development, manufacture, installation and start-up, servicing and spare part services.

Slower growth in demand

In the Process Machinery division's customer industries and markets, the reporting period brought a number of sectoral restructurings. The easing in economic growth and the consolidation within basic industry caused a low level of investment demand in the continental European process industry, and the chemical industry in particular. Toward the end of the period there was a falling off in demand across all market areas. The division recorded growth in net sales, but nevertheless fell short of its sales target. Stiffer competition in the sector and the unsuccessful delivery entered in the books during the first half of the fiscal period depressed margins, affecting the financial performance of the division.

Entering new markets with quality products

The division seeks to raise the added value in its products and develop its operations in its own areas of special expertise: the design and manufacture of agitators and demanding pressure vessels. It occupies a strong position in Scandinavia and Germany and is looking to further expand its market area. The incorporation of environmental requirements into production and development in basic industry will boost demand for demanding equipment made from special materials.

The extra effort put into sales and marketing led to a considerable rise in deliveries outside Scandinavia. Large project deliveries increased exports of agitators to the Asian market. The most important reactor technology deliveries went to the German, US, Middle Eastern and Asian markets.

Within metal production there was an increase in the importance of hydrometallurgical production processes, while severe process conditions require the design and manufacture of piping, agitators and pressurized reactors made of special materials such as titanium, titanium compounds and compounds with a high level of nickel. These demanding products, which involve the combination of different metals and the handling of materials joined together by processes such as explosion welding, represent the special expertise of the Process Machinery division. During the fiscal period, Japrotek Oy Ab produced titanium compound autoclaves with titanium agitators for use in zinc production for customers in, for example, Kazakhstan via Samsung Deutschland GmbH. Outokumpu Zinc Oy and OMG Kokkola Chemicals Oy were important customers in the metallurgical industry.

Stelzer Rührtechnik International GmbH supplied over 100 special agitators designed for polymerization applications for an extension project by Formosa Plastics in Taiwan. Early in the fiscal period Japrotek Oy Ab supplied a nitric oxide absorption column over 50 meters in height for an extension project at a nitric oxide plant by Krupp Uhde to DuPont's unit in the USA. Other projects included a UCB Chemie GmbH plant in Germany and the delivery to Jordan of ion-exchange columns made from 254 SMO material.

The wood-processing industry, and particularly the production of wood-processing chemicals, remained an important customer for the Process Machinery division. Deliveries consisted of comprehensive packages of agitators, reactors and tanks such as MoDo Paper Ab's chemical storage plant at Husum in Sweden, the extension to Noviant's Äänekoski plant which produces carboxymethyl cellulose (CMC) for the food processing, pharmaceutical and paper industries, and an extension at Raisio Latex.

With its know-how in mixing technology and demanding constructions, and its expertise in methods of manufacture and design with special materials such as titanium, high-alloy nickel and chrome steels and stainless and acid-resistant special steels, the division is very well placed to increase its sales and improve its profitability.

Improved competitiveness

Investment demand in the process industry is expected to continue at its present satisfactory level. Given the general economic climate, the Process Machinery division's order backlog is also satisfactory. The action initiated during the past fiscal period to improve productivity, exploit synergy benefits and lighten the division's cost structure will be continued. Combined with increased added value, this will improve the division's relative competitiveness in the current fiscal period.

Nutzsch equipment supplied to the pharmaceutical industry in Sweden.

An absorption column delivered to the USA.

Products and services

- agitators and mixing processes
- pressure vessels
- reactors with accessories
- autoclaves
- columns with internal components
- tube and shell heat exchangers
- autoclaves with agitators

Shares and Share Ownership

An extraordinary shareholders' meeting of Vaahto Group Plc Oyj held on December 12, 2000 passed a resolution to change the currency denomination of the company's share capital to euros and at the same time to increase the share capital. The change in the nominal value of the Series A and Series K shares from five (5) Finnish marks to one (1) euro was carried out through a bonus issue. Each Series K share confers twenty (20) votes, and each Series A share one (1) vote at shareholders' meetings.

The paid-up share capital entered in the Trade Register on August 31, 2001, was 2 872 302 euros, representing a total of 2 872 302 shares. According to the company's Articles of Association, the company's minimum share capital is 2 800 000 euros and the maximum share capital 11 200 000 euros, within which limits the company's share capital can be raised or lowered without amending the Articles of Association.

Quotation of shares
Vaahto Group Plc Oyj's shares are quoted on the I list of Helsinki Exchanges.

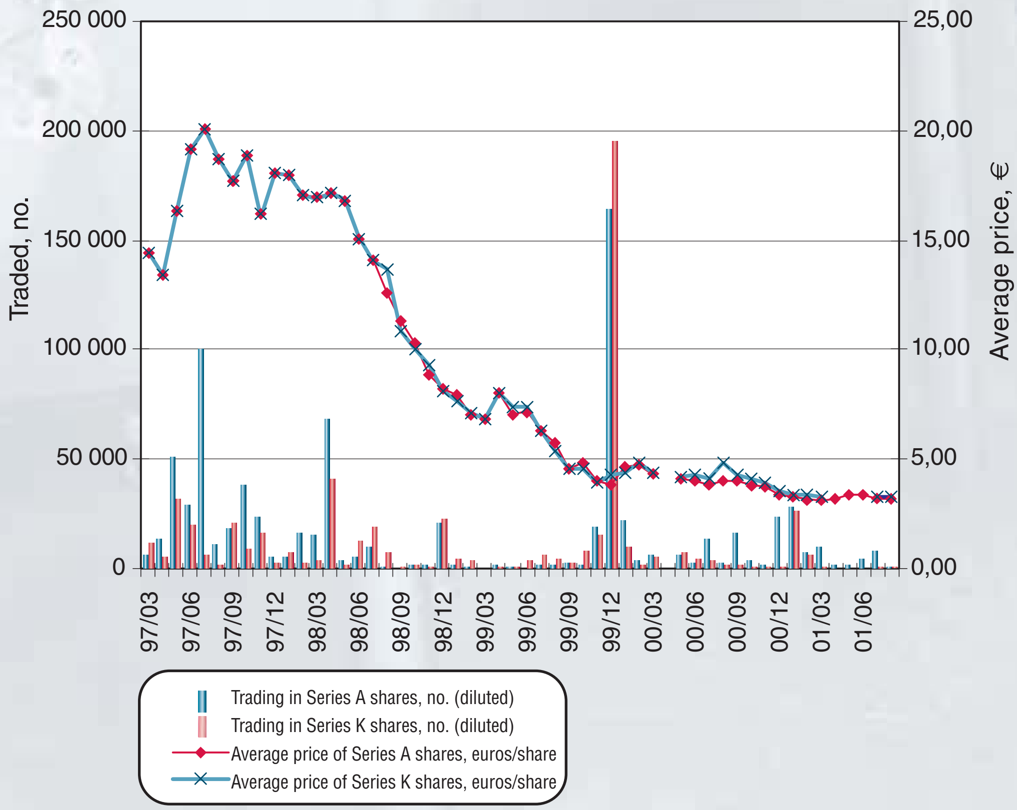
Share price and trading
During the fiscal period, 139 105 (9.6%) of Vaahto Group Plc Oyj's Series A shares and 61 145 (4.3%) Series K shares were traded. The lowest price of the Series A shares was 2.97 euros, the highest 4.70 euros, the mean price 3.56 euros, and the last trading price of the fiscal period 3.20 euros. The lowest price of the Series K shares was 3.30 euros, the highest 5.30 euros, the mean price 3.73 euros, and the last trading price of the fiscal period 3.30 euros. The total market capitalization on August 31, 2001, was 9.3 million euros.

Share issue authorizations
The company has no currently valid share issue authorizations, convertible bond loans or related authorizations.

Dividends
At the shareholders' meeting on December 12, 2001, the Board will propose that the funds at the disposal of the meeting be used to pay a dividend of 0.30 euros per share, or a total of 861 690.60 euros, which is 111% of the Group's annual earnings per share. The Board proposes a record date of December 17, 2001, and payment of the dividend on December 27, 2001.

Shareholders' and board members' share ownership
At the end of the fiscal period on August 31, 2001, Vaahto Group Plc Oyj had 376 registered shareholders. There were altogether 16 300 nominee-registered shares, representing 0.93% of the votes. On August 31, 2001, members of the Board of Directors and the CEO owned a total of 752 633 Series A shares and 752 800 Series K shares, representing 53.0% of the votes.

Diluted share prices and number of shares traded



Main Shareholders on August 31, 2001

	A-shares no.	A-shares %	K-shares no.	K-shares %	Total no.	Total %	Votes %
Vaahto Antti	255 033	17,6	255 200	18,0	510 233	17,8	18,0
Vaahto Mikko	250 600	17,3	250 600	17,7	501 200	17,4	17,6
Vaahto Ilkka	247 000	17,0	247 000	17,4	494 000	17,2	17,4
Vaahto Heikki	0	0,0	384 700	27,1	384 700	13,4	25,8
Mutual Insurance Company Pension-Fennia	54 520	3,8	54 520	3,8	109 040	3,8	3,8
Mutual Pension Insurance Company Ilmarinen	105 100	7,2	0	0,0	105 100	3,7	0,4
Enterprise-Fennia Mutual Insurance Company	35 000	2,4	35 000	2,5	70 000	2,4	2,5
Sampo Life Insurance Company Ltd	66 200	4,6	0	0,0	66 200	2,3	0,2
The Local Governments Pension Institutions	61 500	4,2	0	0,0	61 500	2,1	0,2
Suomi Insurance Company Ltd	50 000	3,4	0	0,0	50 000	1,7	0,2
Total 10 largest	1 124 953	77,7	1 227 020	85,9	2 351 973	81,6	86,0

Breakdown of Share Ownership by Size of Holding at August 31, 2001

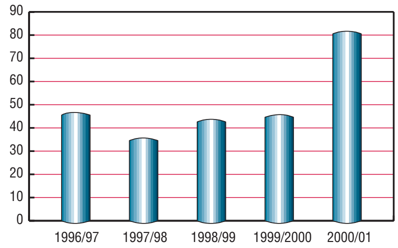
	Shareholders no.	Shareholders %	Shares no.	Shares %	Votes no.	Votes %
1 - 100	111	29,5	6 879	0,2	55 215	0,2
101 - 1 000	186	49,5	86 410	3,0	639 082	2,1
1 001 - 10 000	59	15,7	188 065	6,6	1 858 070	6,2
10 001 - 100 000	14	3,7	483 067	16,8	2 500 867	8,4
100 001 - 1 000 000	6	1,6	2 104 273	73,3	24 752 653	82,9
	376	100,0	2 868 694	99,9	29 805 887	99,9
Outside the book-entry securities system			3 608	0,1	37 884	0,1
			2 872 302	100,0	29 843 771	100,0

Breakdown of Share Ownership by Category of Owner at August 31, 2001

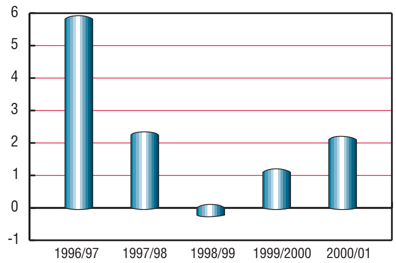
	Shareholders kpl	Shareholders %	Shares kpl	Shares %	Votes kpl	Votes %
Companies	42	11,2	135 854	4,8	1 296 963	4,4
Financial and insurance institutions	6	1,3	247 115	8,6	1 256 870	4,2
Public corporations	4	1,1	292 640	10,2	1 490 020	5,0
Non-profit organizations	3	0,8	5 200	0,2	52 700	0,2
Households	321	85,6	2 187 885	76,2	25 709 334	86,2
	376	100,0	2 868 694	99,9	29 805 887	99,9
Outside the book-entry securities system			3 608	0,1	37 884	0,1
			2 872 302	100,0	29 843 771	100,0

Review by the Board of Directors

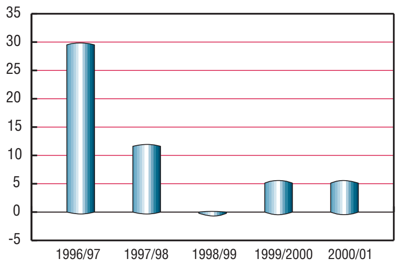
Fiscal period March 1, 2000 – August 31, 2001



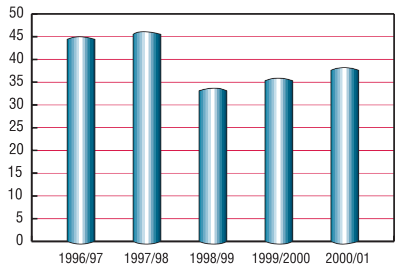
Turnover M€



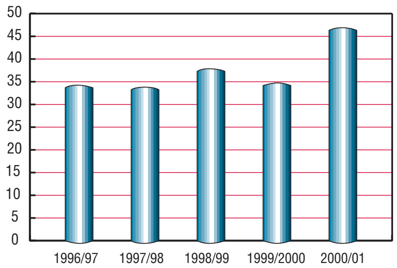
Operating profit M€



Return on investments %



Equity ratio %



Consolidated balance sheet total M€

Corporate Structure

The corporate structure of Vaahto group is largely unchanged. In April 2001, the parent company increased its holding in the affiliated company AP-Tela Oy to 52.08% from the previous 31.25%. AP-Tela thus became a Group subsidiary, strengthening Vaahto Group's position as a manufacturer of paper machine rolls. In July 2001, AK-Tehdas Oy sold its shares in Kiinteistö Oy Tampereen Mäntyhaka.

Business Review

Group turnover for the fiscal period to August 2001 (18 months) was 80.5 million euros. This represents a rise of 80.6% on the previous period. Comparable growth was 20.0%. The increase is mainly attributable to increased deliveries of paper and board machines, the strong demand for servicing of paper machine rolls and the acquisition of AP-Tela Oy as a Group subsidiary.

The improved market situation for our customers brought a noticeable rise in demand for capital investment goods, although demand began to slacken somewhat during the last few months of the fiscal period. This caused a slight drop in the Group's order backlog, which at the end of the period stood at 30.0 million euros. However, this is still more than double the figure at the end of the previous fiscal period.

Pulp & Paper Machinery

Divisional sales outstripped the set targets. As well as the strong market in the pulp and paper industry and strong investment demand, this positive sales development can also be partly attributed to the division's investment in product development and new products. The division also improved its position in its customer industry's modernization projects. Moreover, the servicing and spare parts service increased its share of sales, thus reducing dependence on fluctuations in investment demand.

Most of the division's business was in Finland and other countries in Scandinavia, although it also boosted its market share in other parts of Europe, the USA and China. Its order backlog rose from a low at the beginning of the period to a record high at the end. The Pulp & Paper Machinery division is pursuing further growth and seeking to strengthen its position as one of the sector's leading suppliers. Despite the growth in sales, it did not reach its profitability targets.

Process Machinery

The division retained its strong position in the Finnish and Scandinavian process machinery market. Sectoral restructuring in continental Europe, especially in the process and chemical industries, hampered the sales trend. Weakening demand towards the end of the fiscal period and the scarcity of major deliveries meant the division did not reach its sales targets. Stiffer competition in the sector and lower margins also exerted a drag on the division's financial performance.

In order to strengthen its position and improve profitability, the division is seeking to raise the added value of its products and develop its operations in the design and manufacture of demanding pressure vessels and agitators. The concentration on demanding products was reflected in sales growth and improved profitability towards the end of the fiscal period.

Research and Development

The Group's research and development effort focused mainly on the products of the Pulp & Paper Machinery division. The most important new development product, the shoe press for enhancing the papermaking process, was launched on the market and the first deal was concluded. The shoe press was given its first run just after the end of the fiscal period. The Process Machinery division's research and development effort focused primarily on design and improvements in production technology for demanding products, including various types of pressure vessel. Research and development activities were a little broader in scope compared to the previous fiscal period.

Information Systems

The period under review saw the reorganization of Vaahto Group's corporate information management, with information management functions being centralized within the parent company. Development work and investments focused mainly on construction of the new data network, upgrading of work-stations and servers and the improvement of data security. Adoption of the euro as the Group's accounting currency also necessitated changes in the information systems.

Results

Consolidated operating profit totaled 2.1 million euros, an increase of 1.0 million euros on the previous fiscal period. Operating profit was 2.6% of net sales, against 2.5% in the previous period. Profit before extraordinary items and taxes totaled 1.2 million euros, a rise of 0.8 million euros on the previous period. The return on investment was unchanged at 5.1%.

Profitability fell short of the targets set, despite the improvement toward the end of the fiscal period. Profitability over the fiscal period as a whole was affected by the major inputs into growth and product development in the Pulp & Paper Machinery division, cost overruns in a couple of delivery projects, and stiffer competition, particularly in the Process Machinery division.

Financing

There was a clear improvement in cash flow compared to the previous fiscal period due to the growth in advance payments flowing from successful sales. Net financial expenses were 0.9 million euros. This was a rise of 0.3 million euros on the previous period, but it represents a relatively slight reduction in expenses. Group liquidity improved slightly from the previous period and was satisfactory.

Total assets and liabilities in the consolidated balance sheet stood at 46.3 million euros, an increase of 12.1 million euros since the end of the previous fiscal period. The parent company balance sheet totaled 11.5 million euros. The Group's equity ratio was up 2.3 percentage points to 37.6% at the end of the fiscal period.

Shareholders' Equity

The Board of Directors has no authorization to issue new shares, convertible bonds or bonds with warrants.

During the fiscal period the price of the Series A share has varied between 2.97 euros and 4.70 euros, and the price of the Series K share between 3.30 euros and 5.30 euros. At the end of the period the Series A share was at 3.20 euros and the Series K share at 3.30 euros.

Investments

Investments during the fiscal period totaled 4.0 million euros, a marked increase on the previous period. Most of the spendings were for expanding production capacity, improving production efficiency, and replacing existing machinery and equipment. Investments were also made in information systems, and in developing the data network and its equipment.

Personnel

Group personnel averaged 453 employees over the fiscal period as a whole, against an average of 407 during the previous period. At the end of the period there were 521 employees. The growth in personnel was mainly due to business growth in the Pulp & Paper Machinery division and the acquisition of the new subsidiary AP-Tela Oy.

Group salaries and fringe benefits totaled 22.9 million euros. Salaries and fringe benefits paid to members of the boards and the managing directors of the various Group companies totaled 0.6 million euros. At the end of the fiscal period, the parent company had 8 permanent employees. Salaries and fringe benefits at the parent company totaled 0.3 million euros, of which 0.06 million euros went to the CEO and the other members of the Board of Directors.

Administration

The Annual General Meeting on June 15, 2000, elected the following members to the Board of Vaahto Group Plc Oyj:
Jouko M. Jaakkola, chairman until October 2, 2000,
Seppo Jaatinen, member until October 2, 2000 and chairman from October 2, 2000
Martti Unkuri, member
Antti Vaahto, member
Ilkka Vaahto, member
Mikko Vaahto, member
Antti Vaahto served as CEO throughout the fiscal period.

The Group companies have been audited by Risto Järvinen, CPA, and the certified public auditing firm Tilintarkastajien Oy Ernst & Young, with Pauli Hirviniemi, CPA as chief auditor.

Forecast of Probable Future Development

The slowdown and drift of the world economy into recession, which had already begun before September's terrorist attack on the United States, and the economic effects of the attack itself make it very hard to forecast economic developments in the near future. On the other hand, the monetary and fiscal measures taken in the United States and Europe to stimulate the economy, in tandem with factors such as the fall in the price of oil, mean the economy could perhaps begin to recover as early as the second half of 2002. Despite the poor outlook in the Group's most important markets and product segments, the major capital expenditures already made on development give scope to raise the current level of profitability. Development measures will continue to focus on new products, consolidation and expansion of customer and market areas, and raising the added value of Group products. The normal seasonal variation in orders and the sometimes large fluctuations in turnover and profitability caused by the Group's system of income recognition will continue.

Proposal for Distribution of Profits

Group funds available for distribution of profit total 5,059,280.64 euros. Parent company funds available for distribution of profit total 6,076,252.11 euros, of which 495,392.96 euros represents profit for the fiscal period.

The Board will propose to the Annual General Meeting that a dividend of 0.30 euros per share be paid to those shareholders entered in the register of the company's shareholders maintained by Finnish Central Securities Depository Ltd on the record date of December 17, 2001. The Board proposes the remaining profit on the period be left in the retained earnings account. The dividend will be paid on December 27, 2001.

Board of Directors

Income Statement

1000€	Group 1.3.2000-31.8.2001 18 months	Group 1.3.1999-29.2.2000 12 months	Parent 1.3.2000-31.8.2001 18 months	Parent 1.3.1999-29.2.2000 12 months	Note
TURNOVER	**80 503**	**44 579**	**1 842**	**1 160**	**1**
Change in products and work in progress	7 724	-2 229	0	0	
Production for own use	191	133	0	0	
Share of result in affiliate company	181	-31	0	0	
Other operating income	425	167	16	6	3
Purchases	-32 945	-12 300	0	0	
Increase (-) or decrease (+) in inventories	122	333	0	0	
External services	-12 340	-5 995	0	0	
Personnel expenses	-27 399	-15 129	-464	-399	4
Depreciation	-2 663	-1 720	-136	-87	5
Other operating expenses	-11 703	-6 712	-785	-500	
OPERATING PROFIT	**2 097**	**1 096**	**473**	**180**	**2**
Income from other investments held as non-current assets	0	1	0	53	6
Other interest and financial income	259	89	222	97	6
Interest and other financial expenses	-1 111	-699	-1	-1	6
PROFIT BEFORE EXTRAORDINARY ITEMS	**1 245**	**487**	**694**	**329**	
Extraordinary income	0	0	0	0	
Extraordinary expenses	0	0	0	-168	7
PROFIT BEFORE TAXES	**1 245**	**487**	**694**	**161**	
Increase (-) or decrease (+) in accelerated depreciations	0	0	9	16	
Income taxes	-383	-165	-207	-53	8
MINORITY INTEREST	**93**	**0**	**0**	**0**	
PROFIT FOR THE FISCAL YEAR	**769**	**322**	**495**	**125**	

Balance Sheet

1000€	Group 31.08.2001	Group 29.02.2000	Parent 31.08.2001	Parent 29.02.2000	Note
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	2 560	2 774	0	0	
Group goodwill	203	91	0	0	
Tangible assets	14 491	11 807	258	221	
Investments	73	452	7 576	7 058	
NON-CURRENT ASSETS TOTAL	**17 328**	**15 124**	**7 834**	**7 279**	**10**
CURRENT ASSETS					
Inventories	**14 613**	**5 784**	**0**	**0**	
Long-term receivables	11	11	520	520	
Short-term receivables	7 344	7 173	812	105	
Deferred tax assets	153	87	0	0	15
Receivables total	**7 508**	**7 271**	**1 332**	**625**	
Other securities	**2 455**	**4 131**	**0**	**2 290**	
Cash and bank deposits	**4 401**	**1 844**	**2 293**	**799**	
CURRENT ASSETS TOTAL	**28 977**	**19 029**	**3 625**	**3 713**	**11**
TOTAL ASSETS	**46 304**	**34 153**	**11 459**	**10 992**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital	2 872	2 415	2 872	2 415	
Revaluation reserve	229	229	0	0	
Reserve fund	1 995	2 457	2 228	2 685	
Share premium account	6	0	0	0	
Share from accumulated accelerated depreciation booked to equity	2 057	2 021	0	0	
Retained earnings	4 355	3 912	5 581	5 456	
Profit for the fiscal year	769	322	495	125	
SHAREHOLDERS' EQUITY TOTAL	**12 283**	**11 356**	**11 177**	**10 682**	**12**
MINORITY INTEREST	**951**	**0**	**0**	**0**	
Accumulated accelerated depreciation	0	0	9	17	
APPROPRIATIONS TOTAL	**0**	**0**	**9**	**17**	**13**
OBLIGATORY PROVISIONS TOTAL	**142**	**232**	**0**	**0**	**14**
LIABILITIES					
Long-term liabilities	8 209	8 963	0	0	16
Short-term liabilities	23 967	12 709	274	293	17
Deferred tax liability	752	893	0	0	15
TOTAL LIABILITIES	**32 929**	**22 566**	**274**	**293**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**46 304**	**34 153**	**11 459**	**10 992**	

VAAHTO GROUP

Flow of Funds Statement

1000€	Group 2000/2001 18 months	Group 1999/2000 12 months	Parent 2000/2001 18 months	Parent 1999/2000 12 months
FLOW OF FUNDS FROM OPERATIONS				
Profit before extraordinary items	1 245	487	694	329
Adjustment items:				
Depreciations according to plan	2 663	1 720	134	87
Other income and expenses, no payment related	-90	-76	0	
Financial income and expenses	852	609	-221	-149
Other adjustments / share of result in affiliate company	-181	0	0	0
Flow of funds before the change in working capital	**4 489**	**2 740**	**609**	**267**
Change in working capital:				
Change in short-term receivables	-171	-149	-203	220
Change in inventories	-8 830	1 882	0	0
Change in short-term non-interest bearing creditors	12 826	-2 526	-3	-114
Flow of funds before financial items and taxes	**8 315**	**1 947**	**403**	**373**
Interest and other financial expenses from operations paid	-1 111	-699	-1	-1
Dividends received	0	39	0	53
Interests received	259	89	222	97
Income taxes paid	-605	-204	-56	-53
Flow of funds before the extraordinary items	**6 857**	**1 171**	**568**	**470**
Flow of funds from extraordinary items	0	0	0	-168
FLOW OF FUNDS FROM OPERATIONS	**6 857**	**1 171**	**568**	**302**
FLOW OF FUNDS FROM INVESTMENTS				
Investments in tangible and intangible assets	-3 991	-641	-173	-242
Other investments	0	0	-518	0
Increase caused by the change in Group structure	-1 275	0	0	0
Income from sales of tangible and intangible assets	661	68	0	20
Granted loans	0	0	-505	0
Increase in minority interest	951	0	0	0
Payments of loans receivable	0	68	0	0
FLOW OF FUNDS FROM INVESTMENTS	**-3 655**	**-505**	**-1 196**	**-223**
FLOW OF FUNDS FROM FINANCIAL ITEMS				
Withdrawals of short-term loans	0	1 052	0	168
Payments of short-term loans	-1 568	0	-168	-168
Payments of long-term loans	-754	-1 823	0	0
FLOW OF FUNDS FROM FINANCIAL ITEMS	**-2 322**	**-771**	**-168**	**0**
Change of liquid funds	**881**	**-105**	**-796**	**79**
Liquid assets at the beginning of the fiscal year	5 975	6 080	3 089	3 009
Liquid assets at the end of the fiscal year	6 855	5 975	2 293	3 089
Change in liquid assets according to the balance sheet	881	-105	-796	79

Notes to Financial Statements

Accounting Principles

Group Consolidation

The parent company Vaahto Group Plc Oyj, Vaahto Oy, Japrotek Oy Ab, AK-Tehdas Oy, Jipka Oy, AP-Tela Oy, Stelzer Rührtechnik International GmbH and Profitus Oy form the group for which the consolidated financial statements have been drawn up. Profitus Oy had no business activity during the fiscal period. During the fiscal period, Group ownership of AP-Tela Oy rose from 31.25% to 52.08%. AP-Tela Oy has been incorporated as a Group subsidiary as of March 1, 2001. The Group's share of the company's profits during the first 12 months of the fiscal period is presented in the income statement under the item 'Share in affiliated company profits'. This item also includes the Group's share (based on proportional ownership) of AP-Tela Oy's accumulated depreciation difference at the original time of acquisition. This item had not been consolidated in the Group's accounts in previous years. During the fiscal period, AK-Tehdas Oy sold its shares in Kiinteistö Oy Tampereen Mäntyhaka.

Accounting Principles of Consolidated Financial Statements

Fiscal Period
The Extraordinary General Meeting on December 12, 2000, passed a resolution to extend the fiscal period for Group companies to 18 months, through to August 31, 2001.

Accounting Currency
During the fiscal period the Group adopted the euro as its accounting currency. The accounts have been drawn up in euros and the figures from earlier fiscal periods adjusted accordingly.

Share Capital
As decided by the Extraordinary General Meeting on December 12, 2000, the currency denomination of the parent company's share capital has been changed into euros and the capital raised by a share issue to 2,872,302 euros.

Internal Shareholding
The consolidated balance sheet was drawn up using the acquisition cost method. The difference between the purchase price and the equity of the subsidiaries at the time of acquisition is presented as goodwill to be amortized in line with earnings expectations using straight-line amortization over a period of ten years.

Internal Transactions and Profits
Internal Group transactions, unrealized profits from internal deliveries, Group receivables and debts and internal dividend distribution have all been eliminated.

Valuation of Fixed Assets
Fixed assets are valued at their direct acquisition cost. The planned depreciation periods are presented below under 'Depreciation'. The depreciation recorded in Stelzer Rührtechnik International GmbH's official financial statements comes to 252 thousand euros (previous fiscal period: 191 thousand euros) more than the depreciation entered in the consolidated financial statements in line with the consolidated accounting policy.

Revaluations
All revaluations were carried out in 1988 or earlier according to external assessments.

Appropriations
The difference between planned and book depreciation is divided in the consolidated financial statements between deferred taxes and shareholders' equity. The deferred taxes are calculated at 29%.

Inventory Valuation
Inventories have been valued using the first-in, first-out method or entered at acquisition cost or at the expected sale value, if lower. In-house production included in the inventory is valued according to the direct acquisition cost.

Entering Ongoing Project Results in the Accounts
Long-term projects have been entered in the income statement as before only on completion of the project.

Assets and Liabilities in Foreign Currencies
In accordance with the principles of currency risk management, currency forward agreements are as a rule used to hedge against significant exchange rate risks.

Assets and debts denominated in foreign currencies have been converted into euros at the Bank of Finland's exchange rate on the day of the closing of the accounts. An exception is made for those receivables and debts that are hedged by forward agreements, which have been valued at the appropriate contract rates.

Expenditure on Research and Development
During the fiscal period, research and development expenditure has not been capitalized. The item 'Other tangible assets' includes testing equipment to the value of 65 thousand euros from development work in earlier fiscal periods. Other research and development expenditure has been entered under costs.

Pension Liabilities
Pension liabilities for Group personnel have been covered through an insurance company. Pension security at foreign subsidiaries has been provided according to local practices.

Taxes
The consolidated financial statements include direct taxes based on the taxable income of the Group companies for the fiscal period, and they have been calculated according to local tax laws.

In addition to this, the consolidated financial statements also take account of the imputed tax claim and deferred taxes arising from appropriations, periodization differences, temporary differences and Group consolidation measures. More detailed information is presented in item 15 of the Notes.

VAAHTO GROUP

Appendix to Income Statement

Appendix to Income Statement 1000€	Group 2000/2001 18 months	Group 1999/2000 12 months	Parent 2000/2001 18 months	Parent 1999/2000 12 months
1. TURNOVER BY BUSINESSES AND MARKET AREAS				
By businesses				
Manufactoring	80 503	44 579	0	0
Administration	0	0	1 842	1 160
Total	**80 503**	**44 579**	**1 842**	**1 160**
By market areas				
Domestic	43 280	16 992	1 842	1 160
Other Europe	26 771	26 268	0	0
North-America	1 796	27	0	0
Other	8 656	1 292	0	0
Total	**80 503**	**44 579**	**1 842**	**1 160**
2. OPERATING PROFIT BY BUSINESSES				
Manufactoring	2 097	1 096	0	0
Administration	0	0	473	180
Total	**2 097**	**1 096**	**473**	**180**
3. OTHER OPERATING INCOME				
Profit from sales of fixed assets	57	30	16	3
Tekes subvention	206	0	0	0
Other	162	138	0	3
Total	**425**	**167**	**16**	**6**
4. PERSONNEL				
Average number of personnel				
Office staff	165	147	8	12
Workers	288	269	0	0
Total	**453**	**416**	**8**	**12**
Personnel expenses				
Wages and salaries	22 865	11 975	340	293
Pension costs	2 905	1 577	58	55
Other personnel expenses	1 629	1 578	66	51
Total	**27 399**	**15 129**	**464**	**399**
Management's salaries and benefits				
Presidents	589	323		
Board members and substitute members	51	36		
Total	**639**	**359**	**62**	**46**

1000€	Group 2000/2001 18 months	Group 1999/2000 12 months	Parent 2000/2001 18 months	Parent 1999/2000 12 months
5. DEPRECIATIONS AND DECREASED VALUES				
Fixed assets have been depreciated according to plan. Depreciation according to plan is calculated based on straight line depreciation, the economic life and the original purchase value of assets.				
The estimated economiv lives (years)				
Other long-term assets	5-10	5-10	5-10	5-10
Buildings	35-40	35-40	35-40	35-40
Machinery and equipment	5-25	5-25	5-25	5-25
Group goodwill	10	10		
Goodwill	15	15		
Depreciations				
Depreciations from tangible and intangible assets	2 663	1 720	136	87
Total	**2 663**	**1 720**	**136**	**87**
6. FINANCIAL INCOME AND EXPENSES				
Income from other investments held as non-current assets				
From affiliate companies	0	0	0	53
Other	0	1	0	0
Total	**0**	**1**	**0**	**53**
Interest income from long-term investments				
From Group companies	0	0	39	18
Other	3	0	3	1
Total	**3**	**0**	**42**	**19**
Other interest and financial income				
From Group companies	0	0	4	0
Other	256	89	176	79
Total	**256**	**89**	**180**	**79**
Interest and other financial expenses				
To Group companies	0	0	1	1
Other	1 111	699	0	0
Total	**1 111**	**699**	**1**	**1**
Financial income and expenses total	**-852**	**-609**	**221**	**149**
Currency gains included in financial income and expenses	**-49**	**-18**	**0**	**0**
7. EXTRAORDINARY ITEMS				
Extraordinary income	0	0	0	0
Exraordinary expenses/Group transfers	0	0	0	168
Total	**0**	**0**	**0**	**168**
8. INCOME TAXES				
Income taxes from extraordinary items	0	0	0	-49
Income taxes from operations	605	204	207	101
Change in deferred tax liabilities	-222	-39		
Total	**383**	**165**	**207**	**53**

9. SHAREHOLDINGS

Group companies

Company	Registered Office	Number of Shares	Group Ownership, %
AK-Tehdas Oy	Tampere	2 900	100,00
AP-Tela Oy	Kokkola	250	52,08
Japrotek Oy Ab	Pietarsaari	100 000	100,00
Jipka Oy	Joutseno	190	100,00
Profitus Oy	Hollola	1 600	100,00
Vaahto Oy	Hollola	2 700	100,00
Stelzer Rührtechnik International GmbH	Warburg, Germany		100,00

All Group companies have been consolidated to financial statements.

Appendix to Balance Sheet 1000€	Group 2000/2001	Group 1999/2000	Parent 2000/2001	Parent 1999/2000
10. NON-CURRENT ASSETS				
Intangible assets				
Intangible rights				
Acquisition cost at the beginning of the fiscal year	317	242		
Increase	167	78		
Accumulated depreciations at the beginning of the fiscal year	100	39		
Depreciation of the fiscal year	143	63		
Book value at the end of the fiscal year	**242**	**218**		
Goodwill				
Acquisition cost at the beginning of the fiscal year	2 668	2 668		
Accumulated depreciations at the beginning of the fiscal year	285	104		
Depreciation of the fiscal year	267	181		
Book value at the end of the fiscal year	**2 116**	**2 383**		
Other long-term assets				
Acquisition cost at the beginning of the fiscal year	289	224		
Increase	53	104		
Accumulated depreciations at the beginning of the fiscal year	116	125		
Depreciation of the fiscal year	24	30		
Book value at the end of the fiscal year	**202**	**173**		
Intangible rights total	**2 560**	**2 774**		
Group goodwill				
Acquisition cost at the beginning of the fiscal year	138	134		
Increase	140	3		
Accumulated depreciations at the beginning of the fiscal year	46	29		
Depreciation of the fiscal year	28	17		
Book value at the end of the fiscal year	**203**	**91**		

	Group		Parent	
1000€	2000/2001	1999/2000	2000/2001	1999/2000
Tangible assets				
Land				
Acquisition cost at the beginning of the fiscal year	714	367		
Increase	290	0		
Increase caused by the change in Group stucture	107	0		
Allocation of Group goodwill	0	347		
Decrease	-50	0		
Decrease caused by the change in Group structure	-347	0		
Revaluations	30	30		
Book value at the end of the fiscal year	**744**	**745**		
Buildings				
Acquisition cost at the beginning of the fiscal year	6 887	6 687		
Increase	40	17		
Increase caused by the change in Group stucture	629	0		
Accumulated depreciations at the beginning of the fiscal year	1 439	1 028		
Depreciation of the fiscal year	295	228		
Revaluations	335	335		
Book value at the end of the fiscal year	**6 156**	**5 782**		
Machinery and equipments				
Acquisition cost at the beginning of the fiscal year	9 316	8 880	393	408
Increase	1 731	287	158	5
Increase caused by the change in Group stucture	1 055	0	0	0
Decrease	-96	-21	0	-20
Transfers between items	2	0	2	0
Accumulated depreciations at the beginning of the fiscal year	4 995	3 841	233	170
Depreciations of transfers' and decrease items	-25	0	0	0
Depreciation of the fiscal year	1 521	984	96	64
Book value at the end of the fiscal year	**5 517**	**4 321**	**223**	**159**
Other tangible assets				
Acquisition cost at the beginning of the fiscal year	1 272	1 256	118	89
Increase	279	69	15	29
Increase caused by the change in Group structure	44	0	0	0
Decrease	-39	-16	0	0
Transfers between items	4	-21	0	0
Accumulated depreciations at the beginning of the fiscal year	417	222	59	35
Depreciations of transfers' and decrease items	-10	-5	0	0
Depreciation of the fiscal year	386	216	40	24
Book value at the end of the fiscal year	**766**	**855**	**35**	**60**
Advance payments and unfinished investments				
Acquisition cost at the beginning of the fiscal year	104	0	2	0
Increase	1 291	83	0	2
Decrease	-81	0	0	0
Transfers between items	-6	21	-2	0
Book value at the end of the fiscal year	**1 308**	**104**	**0**	**2**
Tangible assets total	**14 491**	**11 807**	**258**	**221**

VAAHTO GROUP

Notes to Financial Statements

1000€	Group 2000/2001	Group 1999/2000	Parent 2000/2001	Parent 1999/2000
Revaluations				
Land				
Value at the beginning of the fiscal year	30	30		
Value at the end of the fiscal year	**30**	**30**		
Buildings				
Value at the beginning of the fiscal year	335	335		
Value at the end of the fiscal year	**335**	**335**		
Investments				
Shares in Group companies				
Acquisition cost at the beginning of the fiscal year			7 010	6 802
Increase			518	208
Transfers between items			25	0
Book value at the end of the fiscal year			**7 553**	**7 010**
Shares in affiliate companies				
Acquisition cost at the beginning of the fiscal year	25	25	25	0
Transfers into the item shares in Group companies	-25	0	-25	0
Transfers between items	0	0	0	25
Share from retained earnings and profit	0	353	0	0
Book value at the end of the fiscal year	**0**	**378**	**0**	**25**
Other shares				
Acquisition cost at the beginning of the fiscal year	73	104	23	49
Decrease	0	-31	0	-2
Transfers between items	0	0	0	-25
Book value at the end of the fiscal year	**73**	**73**	**23**	**23**
Investments total	**73**	**452**	**7 576**	**7 058**
11.CURRENT ASSETS				
External short-term receivables				
Trade receivables	5 956	6 073	0	2
Other receivables	627	224	1	0
Prepaid expenses and accrued income	760	875	40	37
Total	**7 344**	**7 173**	**41**	**38**
Prepaid expenses and accrued income consist of income from delivered contracts 170 t €, prepaid social security costs 253 t € and insurance premiums 61 t € as well as Tekes subvention 182 t € and interest receivables 34 t € and other items 60 t €. 1)				
Short-term receivables from Group companies				
Trade receivables			263	25
Loan receivables			505	0
Prepaid expenses and accrued income			4	41
Total			**771**	**66**
Short-term receivables total	**7 344**	**7 173**	**812**	**105**

1) t € = 1000 €

1000€	Group 2000/2001	Group 1999/2000	Parent 2000/2001	Parent 1999/2000
External long-term receivables				
Loan receivables	11	11	0	0
Other receivables	0	0	8	8
Total	**11**	**11**	**8**	**8**
Long-term receivables from Group companies				
Loan receivables			511	511
Total			**511**	**511**
Long-term receivables total	**11**	**11**	**520**	**520**
Receivables total	**7 355**	**7 184**	**1 332**	**625**
12. SHAREHOLDERS' EQUITY				
Share capital at the beginning of the fiscal year	2 415	2 415	2 415	2 415
Capitalization issue	457	0	457	0
Share capital at the end of the fiscal year	**2 872**	**2 415**	**2 872**	**2 415**
Reserve fund at the beginning of the fiscal year	2 457	2 457	2 685	2 685
Capitalization issue	-457	0	-457	0
Change in Group structure	-5	0		
Reserve fund at the end of the fiscal year	**1 995**	**2 457**	**2 228**	**2 685**
Share premium account at the beginning of the fiscal year	0	0		
Change in Group structure	6	0		
Share premium account at the end of the fiscal year	**6**	**0**		
Revaluation fund at the beginning of the fiscal year	229	229		
Revaluation fund at the end of the fiscal year	**229**	**229**		
Retained earnings at the beginning of the fiscal year	6 255	5 957	5 581	5 456
Decrease of deferred tax liability from the depreciations not deducted in the taxation in the previous years	158	0		
Change in Group structure	-1	0		
Item caused by the change in income tax rate	0	-24		
Retained earnings in the end of the fiscal year	**6 413**	**5 933**	**5 581**	**5 456**
Profit for the fiscal year	**769**	**322**	**495**	**125**
Shareholders' equity	**12 283**	**11 356**	**11 177**	**10 682**
Calculation on distributable assets				
Retained earnings	6 413	5 933	5 581	5 456
Profit for the fiscal year	769	322	495	125
Capitalized R&D expenses, other than stated in Accounting Act 5:8	-65	-125	0	0
Share from accumulated accelerated depreciation and voluntary provisions booked to equity	-2 057	-2 021	0	0
Distributable assets total	**5 059**	**4 109**	**6 076**	**5 581**
The distribution of shareholders' equity by series	**no.**	**€**	**no.**	**€**
A-share (1 vote/share)	1 452 751	1 452 751	1 452 751	1 452 751
K-shares (20 votes/share)	1 419 551	1 419 551	1 419 551	1 419 551
Total	**2 872 302**	**2 872 302**	**2 872 302**	**2 872 302**

Notes to Financial Statements

1000€	Group 2000/2001	Group 1999/2000	Parent 2000/2001	Parent 1999/2000
13. APPROPRIATIONS				
Accumulated accelerated depreciation			9	17
Total			**9**	**17**
14. OBLIGATORY PROVISIONS				
Other obligatory provisions (Warranty provisions made by Stelzer Rührtehnik International GmbH)	142	232		
Total	**142**	**232**		
15. DEFERRED TAX LIABILITIES AND ASSETS				
Deferred tax assets				
Consolidation differences	153	3		
Allocation differences	0	84		
Total	**153**	**87**		
Deferred tax liabilities				
Appropriations	655	786		
Provisional differences	97	97		
Consolidation differences	0	10		
Total	**752**	**893**		
16. LONG-TERM LIABILITIES				
External long-term loans				
Loans from financial institutions	6 405	7 183		
Pension loans	1 804	1 780		
Long-term liabilities total	**8 209**	**8 963**		
17. SHORT-TERM LIABILITIES TOTAL				
External short-term liabilities				
Loans from financial institutions	2 150	3 764	0	0
Pension loans	280	234	0	0
Advance payments received	11 118	1 999	0	0
Accounts payable	4 641	2 672	23	25
Other liabilities	858	681	71	44
Accrued liabilities and deferred income	4 920	3 360	179	56
Total	**23 967**	**12 709**	**274**	**125**
Accrued liabilities and deferred income consist of deferred social security costs 2076 t€, insurance costs 33 t€, interest expenses 46 t€, income taxes 412 t€, expenses from delivered contracts 545 t€, purchases not invoiced 637 t€ and other items 1171 t€. [1]				
Short-term liabilities to Group companies				
Other liabilities			0	168
Total			**0**	**168**
Short-term liabilities total	**23 967**	**12 709**	**274**	**293**

1) t€ = 1000 €

Other Information 1000€	Group 2000/2001	Group 1999/2000	Parent 2000/2001	Parent 1999/2000
18. CONTINGENT LIABILITIES				
Debts that have been granted mortgages as security				
Pension loans	1 306	2 014		
Granted mortgages	1 177	1 054		
Loans from financial institutions	7 445	9 938		
Granted mortgages	6 775	7 466		
Granted mortgages total	**7 952**	**8 520**		
Other securities				
Other mortgages	4 357	5 379		
Pledged deposits	511	0		
Total	**4 868**	**5 379**		
For the contracts delivered by August 31, 2001 the Group companies have warranty liabilities.				
Granted securities by Group companies				
Pledged deposits			511	0
Total			**511**	**0**
19. LEASE COMMITMENTS				
Leasing commitments to be paid				
To be paid during fiscal year 2001 - 2002	143	80	18	9
Later	205	115	18	16
Total	**348**	**194**	**36**	**25**
20. DERIVATIVE AGREEMENTS				
Currency forward agreements				
Agreement value	595	378		
Market value at the end of the fiscal year	590	404		
Interest rate forward agreements				
Imputed value	0	1 571		
21. ORDER BACKLOG				
Order backlog at the end of the fiscal year external	30 042	13 919		
Order backlog at the end of the fiscal year internal	1 382	386		
22. ACCOUNTING MATERIAL AND VOUCHERS				
List of accounting books, list of the types of vouchers and information of retaining the vouchers are included in the balance sheet book.				

Board of Directors' Proposal

Group funds available for distribution of profit total 5,059,280.64 euros. Parent company funds available for distribution of profit total 6,076,252.11 euros, of which 495,392.96 euros represents profit for the fiscal period.

The Board will propose to the Annual General Meeting that a dividend of 0.30 euros per share be paid to those shareholders entered in the register of the company's shareholders maintained by Finnish Central Securities Depository Ltd on the record date of December 17, 2001. The Board proposes the remaining profit of the period to be left in the retained earnings account. The dividend will be paid on December 27, 2001.

Lahti, November 9, 2001

Seppo Jaatinen
Chairman of the Board

Martti Unkuri

Ilkka Vaahto

Mikko Vaahto

Antti Vaahto
CEO

Auditors' Report

To the shareholders of Vaahto Group Plc Oyj

We have audited the accounting, the financial statements and the corporate governance of Vaahto Group Plc Oyj for the period March 1, 2000 – August 31, 2001. The financial statements prepared by the Board of Directors and the CEO include the report of the Board of Directors and the consolidated and parent company income statements, balance sheets and notes to the financial statements. Based on our audit we express our opinion on the financial statements and on corporate governance.

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

In our opinion, the financial statements, which for the parent company indicate a profit of 495,392.96 euros, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's operating result and financial position. The financial statements, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Lahti, November 9, 2001

Risto Järvinen
CPA

Tilintarkastajien Oy - Ernst & Young
CPA Corporation
Pauli Hirviniemi
CPA

Key Figures

Key Figures

1000€	2000/2001 18 months	1999/2000 12 months	1998/1999 12 months	1997/1998 12 months	1996/1997 12 months
Turnover	80 503	44 579	42 571	34 523	45 508
Change, %	80.6	4.7	23.3	-24.1	64,1
Operating profit	2 097	1 096	-223	2 235	5 817
% of turnover	2.6	2.5	-0.5	6.5	12.8
Profit before extraordinary items	1 245	487	-763	1 986	5 536
% of turnover	1.5	1.1	-1.8	5.8	12.2
Profit before taxes	1 245	487	-763	1 966	5 208
% of turnover	1.5	1.1	-1.8	5.7	11.4
Return on equity (ROE) %	7.0	2,9	-4.9	11.1	34.3
Return on investment (ROI) %	5.1	5.1	-0.2	11.6	29.8
Equity ratio, %	37.6	35,3	33.1	45.5	44.4
Current ratio	1.2	1.5	1.5	2.1	2.0
Gross investments in fixed assets	3 991	641	8 270	700	4 745
% of turnover	5.0	1.4	19.4	2.0	10.4
Order backlog	30 042	13 918	16 219	16 944	12 027
Consolidated balance sheet total	46 304	34 159	37 270	33 217	33 654
Total number of personnel (average)	453	407	405	341	340

Per Share Items

	2000/2001	1999/2000	1998/1999	1997/1998	1996/1997
Earning/share (EPS), € (diluted)	0.27	0.11	-0.21	0.51	1.40
Shareholders' equity/share, € (diluted)	4.28	3.95	3.85	4.54	4.56
Dividend/share, €	0.30 1)	0.00	0.00	0.50	1.01
Dividend/share, € (diluted)	0.30	0.00	0.00	0.50	0.50
Dividend payout, % (diluted)	112.0	0.0	0.0	99.3	36.1
Effective dividend return, % (diluted)	9.3	0.0	0.0	3.0	3.4
Price earnings ratio (P/E)	12.1	42.4	-33.0	33.3	10.6
Number of shares outstanding at the end of period (thousand)	2 872	2 872	2 872	2 872	2 872
Number of shares outstanding (diluted), average (thousand)	2 872	2 872	2 872	2 872	2 872
Number of shares outstanding (diluted) at the end of period (thousand)	2 872	2 872	2 872	2 872	2 872

1) Proposal by the Board

VAAHTO GROUP

Key Figures

SHARE PRICES

€	2000/2001 18 months	1999/2000 12 months	1998/1999 12 months	1997/1998 12 months	1996/1997 12 months
A-share					
- high	4.70	8.70	18.16	21.02	14.97
- low	2.97	3.10	7.00	12.28	5.05
- average	3.56	4.08	14.90	18.16	8.76
- share price at the end of the fiscal year 2)	3.20	4.50	7.00	16.90	14.97
K-share					
- high	5.30	9.00	18.16	21.02	13.62
- low	3.30	3.50	6.75	11.44	11.27
- average	3.73	4.47	13.69	16.51	12.76
- share price at the end of the fiscal year 2)	3.30	4.81	6.75	17.15	13.46
Total market value , M €					
A-share	4.6	6.5	10.2	24.6	21.5
K-share	4.7	6.8	9.6	24.3	19.3
Total	9.3	13.4	19.7	48.9	40.8
Number of shares traded during the fiscal year					
A-share	139 105	220 700	131 296	318 751	1 039 828
K-share	61 145	251 010	119 074	136 370	85 170
Number of shares traded, %					
A-share	9.6	15.2	9.0	22.0	38.9
K-share	4.3	17.7	8.4	9.6	43.3
Number of shareholders	376	415	373	378	413

2) Fiscal year 96/97 and 97/98 share price at the end of the fiscal year (average).

Formulas for the Key Figures and Financial Ratios

Return on equity % (ROE) = $\frac{\text{Profit or loss before extraordinary items - income taxes}}{\text{Shareholders' equity + minority interest (average)}} \times 100$

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

Equity ratio % = $\frac{\text{Shareholders' equity + minority interest}}{\text{Total assets - advances received}} \times 100$

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

Formulas for Per Share Items

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

Shareholders' equity/share, € = $\frac{\text{Shareholders' equity}}{\text{Number of shares outstanding issue adjusted, at the end of the fiscal year}}$

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

Dividend/share, % = $\frac{\text{Dividend for the fiscal year/share}}{\text{Earnings/share}} \times 100$

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

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

Average share price = $\frac{\text{Total value of shares traded during the fiscal year}}{\text{Total number of shares traded during the fiscal year}}$

Total market value = Total number of shares at the end of the fiscal year x share price at the end of the fiscal year

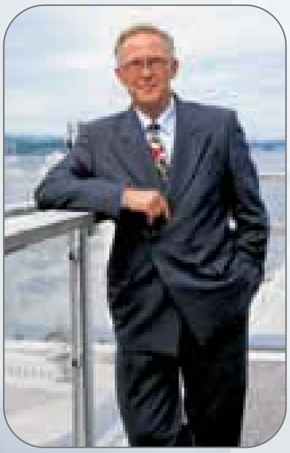
Development of shares traded = Total number of shares traded during the fiscal year and its percentual share of the total number of series' shares

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

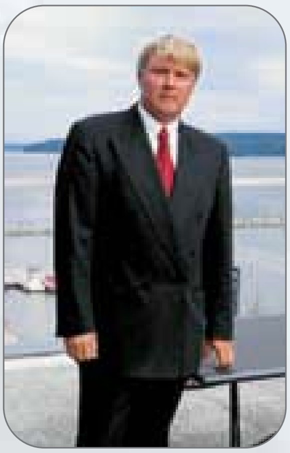
Board of Directors

Seppo Jaatinen
M. Sc. (Econ.)
Born 1948
Member of the Board 2000 –
Chairman 2000 –

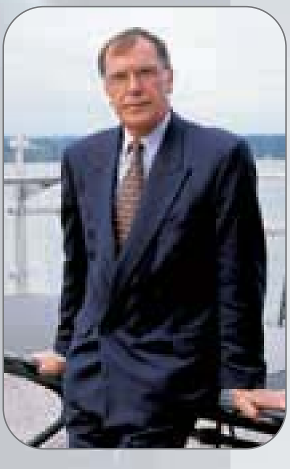
Antti Vaahto
M. Sc. (Econ.), M. Sc. (Eng.), MBA
Born 1947
Member of the Board 1984 –



Ilkka Vaahto
Director
Born 1953
Member of the Board 1984 –
Vice-Chairman 1999 –



Mikko Vaahto
Business college graduate
Born 1963
Member of the Board 1994 –



Martti Unkuri
M. Sc. (Eng.)
Born 1936
Member of the Board 2000 –

Chief Executive Officer

Antti Vaahto
CEO 1984 –

Vice President, Finance

Vesa Hopia
M. Sc. (Econ.)
Secretary to the Board of Directors 2001 –

Subsidiaries

Vaahto Oy
President
Olavi Rahkonen
M. Sc. (Eng.)

AK-Tehdas Oy
President
Hannu Partala
M. Sc. (Econ.)

AP-Tela Oy
President
Pekka Viitasalo
Technician

Japrotek Oy Ab
President
Hari Paattimäki
M. Sc. (Eng.)

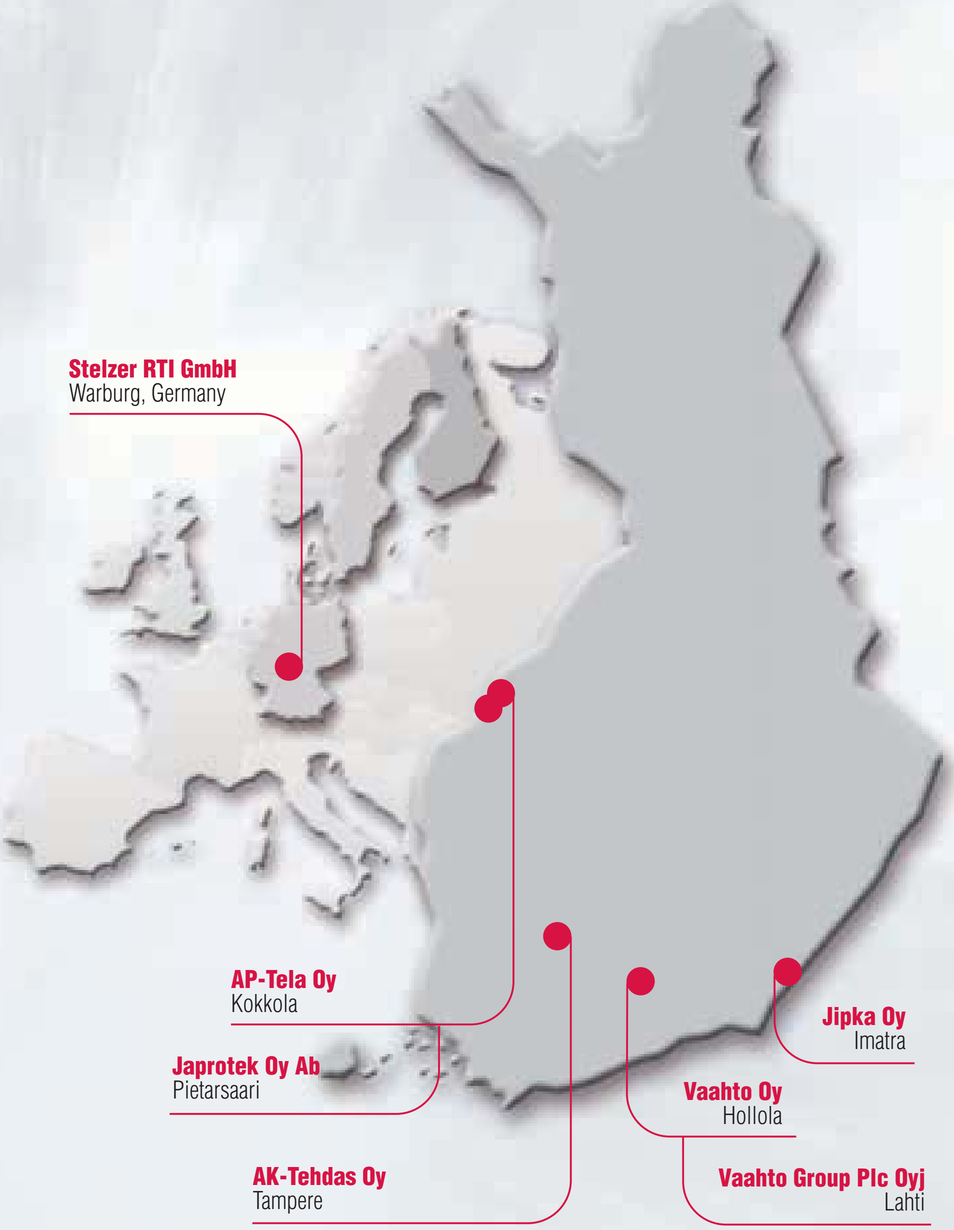
Jipka Oy
President
Seppo Kettunen
Engineer

Stelzer Rührtechnik International GmbH
President
Hans-Uwe Müller
M.Sc. (Eng.)

Auditors

Risto Järvinen, CPA

Tilintarkastajien Oy Ernst & Young
Chief auditor
Pauli Hirviniemi CPA



VAAHTO GROUP PLC OYJ
Laiturikatu 2
P.O.Box 5
FIN-15141 LAHTI
FINLAND
Tel. +358 3 880 511
Fax +358 3 880 5301

E-mail
firstname.surname@vaahtogroup.fi
www.vaahtogroup.fi

VAAHTO OY
Vanha Messiläntie 6
P.O.Box 1000
FIN-15861 HOLLOLA
FINLAND
Tel. +358 3 880 512
Fax +358 3 880 5501

AK-TEHDAS OY
P.O.Box 838
FIN-33101 TAMPERE
FINLAND
Tel. +358 3 270 0700
Fax +358 3 270 0701

AP-TELA OY
Ahertajantie 18
FIN-67800 KOKKOLA
FINLAND
Tel. +358 6 822 7222
Fax +358 6 822 7597

JAPROTEK OY AB
P.O.Box 12
FIN-68601 PIETARSAARI
FINLAND
Tel. +358 6 781 2100
Fax +358 6 724 5474

JIPKA OY
Jänhiäläntie 25
FIN-55300 RAUHA (Imatra)
FINLAND
Tel. +358 5 432 8111
Fax +358 5 432 8291

STELZER RÜHRTECHNIK INTERNATIONAL GMBH
Speckgraben 20
D-34414 WARBURG
DEUTSCHLAND
Tel. (999) 49 5641 9030
Fax (999) 49 5641 903 50

VAAHTO GROUP

VAAHTO GROUP PLC OYJ
Laiturikatu 2
P.O. Box 5
FIN-15141 LAHTI, FINLAND
Tel. +358 3 880 511
Fax +358 3 880 5301

www.vaahtogroup.fi