

Annual Report 2002





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.

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

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

STOCKHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting of Tamfelt Corp. will be held at 4.00 p.m. on Wednesday, March 12, 2003 at Group Headquarters, Yrittäjänkatu 21, Tampere, Finland.

The right to attend the Annual General Meeting is held by stockholders entered in the register of stockholders kept by the Finnish Central Securities Depository on February 28, 2003 at the latest. A stockholder wishing to attend the Annual General Meeting should notify the company by 4.00 p.m. on Monday, March 10, 2003. The notifications are requested either by letter addressed to Tamfelt Corp., Stockholder Register, P.O. Box 427, 33101 Tampere, Finland, by telephone +358 3 363 9111/347, or by e-mail: anu.kuukkanen@tamfelt.fi. Proxies, if any, should be mailed at the same time.

The financial records are available at the company premises for inspection for a week before the Annual General Meeting.

DIVIDENDS

The 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, and a bonus dividend of 0.50 euro per share for both preferred and common stock for the fiscal year 2002. The dividend record date is March 17 and the dividends are paid, as an exception to the normal payment date, on Tuesday, March 25, 2003, as proposed by the Board of Directors.

FINANCIAL REPORTS IN 2003

In addition to Financial Account Statement Bulletin and Annual Report, Tamfelt Corp. will release three Interim Reports in 2003:

Interim Report Jan. - March 2003
April 24, 2003
Interim Report Jan. - June 2003
August 7, 2003
Interim Report Jan. - Sept. 2003
October 23, 2003

AVAILABILITY OF FINANCIAL REPORTS

The financial reports will be published in Finnish, Swedish and English. They will also be available on Tamfelt's website at <http://www.tamfelt.com> in Finnish and English.

A copy of the printed Annual Report will be sent to each stockholder. The Interim Reports will be available in photocopies. All financial reports can be ordered from:

Tamfelt Corp./ Anu Kuukkanen
P.O. Box 427, 33101 Tampere, Finland
Tel +358 3 363 9111/347
Fax : +358 3 356 0120
E-mail: anu.kuukkanen@tamfelt.fi

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

YEAR 2002 IN BRIEF

NET SALES AND OPERATING INCOME

Tamfelt's consolidated net sales were 126.2 million euro, 3% down from the previous year. Operating income was 16.1 million euro, or 12.7% of the net sales. The Group's financial performance was affected by lower sales volumes and a weaker dollar.

BUSINESS ENVIRONMENT

Tamfelt's biggest customer segment, the forest industry, continues to face a difficult market situation. Mining, the other important customer industry, operated in an irregular business environment, in which the trends of key metal prices and output volumes were diverged.

120 YEARS OF PRESS FELTS

Tamfelt received its first order for press felts 120 years ago.

INCIDENTS OCCURRED AFTER THE REPORT PERIOD

On February 3, 2003 joint consultations were opened at Tamfelt's forming fabrics plant in Juankoski in an effort to accommodate production to demand. On February 14, the decision was made to temporarily lay off the personnel of Juankoski plant for a short period. In addition, 10 people will be reduced from the workforce.

On February 13, 2003, Tamfelt's Board of Directors decided to propose to the Annual General Meeting of March 12, 2003 that the company's capital stock be raised through a bonus issue, that the number of shares be increased without raising the capital stock, and that Section 3 of the Articles of Association be amended accordingly.

KEY FIGURES

		2002	2001	Change %
Net sales	M €	126	131	-3.8
Income before taxes	M €	17	20	-15
Net income for the year	M €	12.7	12.8	-0.8
Gross investments	M €	16	17	-5.9
Earnings/share, €		1.43	1.92	-25
Equity/share, €		12.31	12.89	-4.5
Dividend/share				
common, €		1.86	1.86	-
preferred, €		1.90	1.90	-
Return on net assets, %		14.8	20.7	
Equity/Asset ratio, %		74.3	76.1	
Personnel, Dec. 31		1 388	1 360	2.1



1. SATISFIED CUSTOMERS

We supply our customers with competitive products and services and are a reliable supplier in every situation. The quality of our products, services and operations meets the needs and expectations of our customers, including internal customers.

2. GOOD PROFITABILITY

Only a profitable company can develop and meet the expectations of its customers, personnel, owners and other interest groups. To be profitable, we need to use our resources efficiently and in a meaningful way.

3. OPENNESS AND FAIRNESS

We will abide by the regulations and agreements concerning our operations, as well as internally agreed rules.

We will be open and fair in giving out information and in our internal communication – giving and receiving feedback. We have common goals. We respect and honor each other as equal partners. We will be fair in all our operations.

4. COMPETENCE AND WORKING ABILITY

We recognize our core competences and maintain and strengthen them continually. We will take care of that the overall atmosphere of the organization motivates us to learn more, cooperate, and increase versatility. Everyone has the responsibility to maintain their professional skills and the opportunity to develop and widen their scope of know-how. We will create a safe working environment. We will support our personnel in maintaining and improving their physical and mental condition throughout their employment.

5. SUSTAINABLE DEVELOPMENT

We will make sure that our operation meets the principles for sustainable development.

VISION, BUSINESS IDEA, STRATEGIC TARGET, SUCCESS FACTORS, DIVIDEND POLICY

VISION

Tamfelt is known globally as a reliable, innovative, and competent supplier of technical textiles. The company's vision will be realized by investing in customer service, personnel, quality, efficient machinery, and productivity.

BUSINESS IDEA

Tamfelt Group's business is to manufacture and market paper machine clothing, filter fabrics and other industrial textiles and related products and services. They ensure improved competitiveness for the customer and profitable operation for Tamfelt Group.

STRATEGIC TARGET

The business is mainly focused on market leaders in the paper, board, pulp, and mining industries.

Tamfelt's target is an annual internal growth in excess of 7%, at the same time maintaining good profitability and a high equity/assets ratio.

The target is pursued through improved customer service and investments in new machinery, equipment, and technologies. The additional capacity will be used to strengthen the company's position in the domestic European market, in particular, but also increasingly in North America and Asia.

By implementing the strategic target, Tamfelt will consolidate its footing as a major supplier to its key customers.

SUCCESS FACTORS

Tamfelt's success factors are:

- Tamfelt is a part of the highly appreciated Finnish forest cluster
- cooperation with customers, machine manufacturers, research institutes, and universities
- comprehensive technical customer service
- competent personnel
- active product development
- modern machinery.

DIVIDEND POLICY

At least 40% of Tamfelt's earnings per share are distributed as dividends provided that this will not jeopardize the company's financial position or development. Tamfelt has followed an active dividend policy in the past few years.



BOARD OF DIRECTORS



Mikael von Frenckell,
Chairman, born 1947.
Term expiring 2003.
Holds 100,000 shares in
Tamfelt Corp.
Member since 1979.
Chairman since 1995.



Axel Cedercreutz,
Deputy Chairman, born 1939.
Term expiring 2003.
Holds 169,054 shares in
Tamfelt Corp.
Member since 1995.



Martin Lilius,
born 1947.
Term expiring 2004.
Holds 1,404 shares in
Tamfelt Corp.
Member since 1986.



Jouko Oksanen,
born 1951.
Term expiring 2004.
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.

AUDITORS

Authorized Public Accountants:

Jari Paloniemi

Veikko Terho

Deputies:

Jukka Lahdenpää

Moore Stephens Rewinet Oy Ab,
Authorized Public Accountant

REVIEW BY THE PRESIDENT

Dear Reader,

Tamfelt's net sales have been growing year by year for seven years in a row, in compliance with our strategic targets. In 2002, the growth was interrupted, and our net sales turned to a slight decline of 3%. The market remained dull for the products of our key customer industries forestry and mining, affecting the demand for our technical textiles.

Tamfelt's net sales in 2002 were 126.2 million euro. Our operating income, 16.1 million euro, was 29% down from the record year 2001. Earnings per share were 1.43 euro, indicating a lower operating income. Our net income at 12.7 million euro was at the level of the previous year. In the unfavorable market situation we can be satisfied with our financial indicators.

The recession is well into its second year. Together with declining profitability in Tamfelt's customer industries, it has led to cost-cutting and an increasingly economical use of technical textiles. When, at the same time, the products of the new generation boast a higher wear resistance, the need for replacements has become less frequent. The downward trend of the U.S. dollar is reflected in the profitability figures for the financial year; one-third of our business is done in this currency.

DEVELOPING BUSINESS FURTHER IN NORTH AMERICA AND ASIA

The closing down of Tamfelt's Canton operation in the United States in 2001 was well-timed in view of subsequent economic trends. In 2002, all paper machine clothing to North America was supplied from our Finnish plants. In accordance with our strategy, sales were focused on wide and high-speed paper machines. I think the success of this work should be measured by the amount of net sales, which was only slightly down from the previous year. Thus our sales and customer service performed well. Delivery times, however, grew considerably longer, and our urgent logistic challenge must be to move our products to the customer as promptly as the local competitor moves his.

Our exports to Asia's rapidly growing markets were satisfactory. Recent investments by the forest industry have



Risto Hautamäki, President

largely concentrated on the Chinese market. The demand for clothing grew clearly for new paper and board machines. While capacity utilization improved at Tamfelt's joint venture in Tianjin, the plant's financial performance was unsatisfactory. Our biggest challenge in the near future is to develop the business concept to a profitable level by making use of the opportunities of the rapidly expanding market.

OUTLOOK IN THE NEAR FUTURE

Market conditions hit by an unusually long-drawn recession have tested Tamfelt's performance. Our successful star products such as the Gapmaster forming fabrics, TMO products, Tambelts, and Tamstar dryer fabrics, helped us to lessen the impact of the adverse trend. The market for forest industry products is expected to be back on a 3-% growth track by the latter half of 2003, which should boost the demand for paper machine clothing and filter fabrics in proportion. The expected enlargement of the European Union to Eastern Europe will also offer our company new opportunities for growth. In Asia, forest industry has grown at a satisfactory rate throughout the European recession and is expected to gear up as the economy turns to an upswing. We have every confidence in the future, even if it is difficult to forecast the time of the upturn at the moment.

The development and diversification of Tamfelt's "star product range" continues. Cooperation with customers will be intensified, notably in projects

applying new production technology. It is also necessary to be closely involved in development projects with machine manufacturers in order to win time for new technological solutions and their conversion into new generations of products.

Tamfelt's solidity and cash flow rest on a sound basis. Our completed investments will do into the next upswing and increasing demand. At the moment, we are focusing our efforts on productivity and profitability. In the recession after a long boom, improvements in productivity and cost-efficiency will be the most important mission of the next few years.

Tamfelt's stock price has departed from the general trend of the Helsinki Exchanges. While the HEX all-share index fell more than 30% over the year, the rates for our common and preferred shares have continued to rise. As attractive as they should be as an investment, their turnover has hardly increased from the previous year.

I believe that if the proposal of an increase in capital stock and the doubling of the number of shares is put into practice, it will affect the turnover favorably.

THANKS TO STAKEHOLDERS

I would like to thank our partners and stockholders for good cooperation and confidence, which have made it possible for us to build up our company. My warmest thanks go to all our employees for their good and goal-oriented contribution for our customers' benefit. The results of your work are a proof of your strong will and commitment to develop the company and enhance your own skills.

For the success of 2002 we are obliged to our faithful customers, who have continued to show confidence in the quality of our products and services. I thank you for your close cooperation and feedback, which has helped us to upgrade our activities to measure up to challenges ahead. And special thanks to new customers, who have turned to us in the unfavorable market situation.

A handwritten signature in blue ink, which appears to read "Risto Hautamäki".

A FINNISH INDUSTRY PIONEER LOOKS AHEAD CONFIDENTLY

Tamfelt's performance in 2002 was fairly good, though forest industry, the customers' main line of business, was living through a depression. Tamfelt has invested heavily over the past few years and is currently focusing on efforts to improve profitability. Chairman Mikael von Frenckell and President & CEO Risto Hautamäki shed light on the outlook for Tamfelt and the industry in general.

Risto Hautamäki: "Spring 2002 was good for Tamfelt in spite of economic stagnation in the United States. In summer, the declining dollar began to bear down on the market in general, affecting the demand for pulp and paper. By fall, the signs of a slowdown were obvious, and there was no improvement by the end of the year."

"On balance I think 2002 was a good year, even though the decline was visible in our order backlog. Our good performance was made possible by our marketing efforts and growing exports."

Mikael von Frenckell: "The year showed that it takes relatively long before Tamfelt is affected by an ongoing economic trend. And cyclical fluctuations hit us less hard; both upswings and downswings are gentler. This is because, even in a depression, capacity utilization remains high in the pulp and paper industries - at about 80 per cent - and this, of course, keeps up demand for technical textiles."

SUCCESSFUL CHOICE OF STRATEGY

Mikael von Frenckell: "Wood is the most important renewable resource in Finland, and our country is a natural environment for forest industry to operate in. Tamfelt is a pioneer of Finnish industry, and we have followed the growth of Finnish forest industry, always trying to meet the needs of pulp and paper companies. This is why we once chose to specialize in supplying to large and high-speed paper machines. We saw it as the future trend of the industry in Finland and believed the development would follow the same lines elsewhere as well. Tamfelt was one of the first companies to choose this strategy."

"Looking back you can see it was a good choice. The forest cluster has developed in the way we then expected, and even faster than we anticipated. If the conditions are safeguarded, I do not see a need for any major revisions of our strategy."



Risto Hautamäki and Mikael von Frenckell discuss Tamfelt's future.

"Instead of seeking growth through acquisitions, we have chosen the way of organic growth and invested in our own plants. Of course, we have looked at a few companies on sale, but their market shares have not been in the correct segment. The plants have been less modern, and we have been unwilling to buy outdated machinery at a premium."

Risto Hautamäki: "At the moment, growth is hampered by a worldwide stagnation. The consumption of paper and board fell about 2 per cent in 2001 and remained more or less unchanged in 2002. In spring 2003 the level is likely to stay the same, but we can see some positive signals of an upturn by fall. In the United States, the production of paper and board exceeded the levels of 2001 by summer 2002."

"With the expansion of the European Union eastwards, the consumption of paper and board will increase. The economy of the new member countries will grow faster than the E.U. average. This will lead to a rapid growth of the European market for a number of years and offer new opportunities for Tamfelt."

Mikael von Frenckell: "The geographical emphasis of paper consumption will be shifted. As living standards rise, paper consumption will grow. In countries of a high living standard, the consumption is tens of times higher than in poorer countries."

Risto Hautamäki: "Market situations follow economic trends. As the market

slows down for the forest industry, competition is bound to tighten in technical textiles. In the long term, we find the market situation favorable in view of growth potential and expectations."

Mikael von Frenckell: "Globally, the forest industry is still a fragmented industry; restructuring continues. Finnish and other Nordic pulp and paper companies are all leading-edge plants, which we think is a benefit for us. In Tamfelt's own line of business, restructuring has advanced rapidly. The number of companies in the field has declined."

"Better performance has lowered the real prices of products. At the same time product quality has improved and product life has grown longer. And the industry is becoming increasingly capital-intensive. Our margins should be high enough to allow investments in both product development and production capacity. This is vital for the competitiveness of the entire forest cluster."

EVERYTHING IN PLACE FOR CONTINUED SUCCESS

Risto Hautamäki: "We intend to grow faster than our market. The annual consumption of paper and board will increase by about 3 per cent. Tamfelt strives to a stronger growth of net sales, even knowing that the use of our products grows slightly slower than the use of paper and board."

"We have been trying to visualize Tamfelt as it will be in five years' time. What kind of action should be taken

to provide the company with the best possible resources for the future? Efficient production machinery is necessary to meet the ever-growing customer requirements. To maintain profitability and cash flow, productivity and product quality must be high on the agenda. Today's skills will not guarantee a leading edge in five years' time."

Mikael von Frenckell: "I am looking forward to Tamfelt's future with confidence. This is a good company with competent people and competitive products, and also our plants and balance sheets are in order. We are working in an exciting business with good long-run prospects. Tamfelt has everything in place for continued success."

"People have a natural urge to do things better and more efficiently – also our competitors have that. That is why Tamfelt needs higher and higher competence and increasingly well-trained people."

Risto Hautamäki: "But also internal marketing is important when we continue to improve our personnel's skills. By discussing Tamfelt's development, future, and the required measures we can commit our employees to our goals. Everyone in the company should be able to perceive and understand the system called Tamfelt."

"When it comes to improving profitability, productivity factors are key. And we should not forget the need for daily improvements within the company. The people should be committed to this work. This is important – high investments alone will not do the trick."

Mikael von Frenckell: "In an open economy where information is transmitted with lightning speed and is available to all, a change may be unexpectedly quick and strong, whether it is a boom or a slump. Rigid structures are harmful and flexibility is vital. To maintain its positions, a company must operate with ever-increasing efficiency."

NECESSARY INVESTMENTS COMPLETED

Risto Hautamäki: "Most of the investments made in 2002 had to do with our vision – the goal of fulfilling our targets for volume and quality. Production was moved from Canton U.S. to Tampere at a high cost. And some rearrangements were made in the press felt production at the Tampere plant."

"Thanks to the efficient new machinery and equipment Tamfelt now has enough capacity in place for the next upswing. This means that we will invest less in 2003. We will now focus on improving our production and efficiency and capitalizing on our qualitative potential."

Mikael von Frenckell: "Tamfelt has invested a lot in the past three to four years. All the necessary investments have been completed, and we should now be able to use them for the highest possible return."

Risto Hautamäki: "Rapid development in the forest industry has required us to work closely with paper machine engineers and customers. It is important for us to win contracts to supply clothing for high-speed paper machine start-ups and after that to get in close cooperation with the customers. This is and will be the frame of our R&D and engineering applications. Our products must function properly on modern paper machines."

Mikael von Frenckell: "A 10-meter wide paper machine produces 1,800 meters paper per minute. If there is a malfunction, it will turn out almost 20,000 square meters of faulty paper in one minute. This is costly and this is why requirements for the durability and reliability of paper machine clothing are so high."

Risto Hautamäki: "Our PMC unit supplies a range of products which are well established for high-speed paper machines. We have contributed to many world-record speeds on a number of machines."

"In filter fabrics, Tamfelt has two main lines: applications for the mining industry and applications for the forest industry. We are working closely with pulp machinery manufacturers – in pulp processes we are one of the main suppliers of filter fabrics."

"For the mining industry we are the globally leading supplier of Larox fabrics. Although the the volumes of filter fabrics cannot be compared to those of paper machine clothing, the activities are truly international. Also in ironer felts, we are the world leader."

Mikael von Frenckell: "All these products are used for filtering. In future, the market for different filters will expand, for example the filtration of air and water will increase. So the future looks bright even for filter fabrics."

LONG HISTORY OFFERS PERSPECTIVE

Risto Hautamäki: "Tamfelt's history of over 200 years shows in continuity. We have grown along with the Finnish forest cluster – we have been manufacturing press felts for 120 years. We have been able to adapt and comply with the needs of the forest industry."

Mikael von Frenckell: "Long history gives a wider perspective to business; we have lived through both uphills and downhills. Our culture is driven by established values and traditions."

Risto Hautamäki: "Tamfelt's history is also reflected in our way of thinking economy – we are careful with our money and particular about our investments."

Mikael von Frenckell: "In spite of our long history we do not own any property unrelated to business. It is all about culture – our executives never even propose any such investments."

"Tamfelt's stock has always been mostly held by private persons, and the company is still almost entirely in domestic hands. It is important that our national capital taxation should continue to ensure that domestic ownership will not be threatened in our listed companies. The introduction of double taxation of dividends would affect these relations. As far as the share of domestic shareholding would diminish, the exertion of Finnish influence would be lost. Such a legislation does not seem to serve a good purpose."

Risto Hautamäki: "The paramount idea of business should be responsibility towards all interest groups. Our way of manifesting such responsibility, as a company, is to be a good citizen. Responsibility should also come through in recruitment decisions; we try to be as careful as we can."

"We appreciate education and competence and do our best to keep offering our employees new challenges throughout their careers. We wish to help them see the career opportunities they have within their own company."

GROUP EXECUTIVE BOARD



Risto Hautamäki,
President & CEO
Born 1945



Jyrki Nuutila,
Executive Vice President and
Deputy to the CEO
Born 1948



Hannu Laine,
Executive Vice President,
Corporate Planning
Born 1947



Seppo Holkko,
Executive Vice President,
PMC Division
Born 1950



Esko Pessi,
Executive Vice President,
Filter Fabric Division
Born 1946



Jukka Huhtiniemi,
Technical Director
Born 1954



Jaakko Räsänen*
Born 1947



Kaarina Tasanen*
Born 1940



Jarmo Järviö*
Born 1955

* Personnel representatives

Tamfelt's corporate governance is based on the Companies Act, Securities Market Act, and the company's Articles of Association. Tamfelt's statutory governing bodies consist of the Annual General Meeting, Board of Directors, and President. In addition to the President, the company's operations are run by an Executive Board.

ANNUAL GENERAL MEETING

Tamfelt's Annual General Meeting is the highest decision-making body of the Group. The Annual General Meeting shall be held before the end of each May and it shall be convened by the Board of Directors. The Annual General Meeting shall discuss the matters prescribed by the Companies Act and the Articles of Association.

BOARD OF DIRECTORS

The Board of Directors of Tamfelt Corp. consists of five to nine ordinary members and a maximum of three deputy members. They are elected by the Annual General Meeting. The term of the members expires at the closing of the second Annual General Meeting following their election. A person turned 70 is not eligible for the Board.

The Board constitutes a quorum whenever more than half of the ordinary members – of whom one shall be the Chairman or, if the Chairman is prevented from attending, the Deputy Chairman – are present.

The Board of Directors elects a Chairman and a Deputy Chairman among its members. The President & CEO is not a member of the Board, but serves as presenter in Board meetings. His Deputy keeps the minutes in the meetings.

The members of the Board are presented on page 8 of the Annual Report. In 2002 the Board met eight times.

DUTIES OF THE BOARD OF DIRECTORS

The Board decides on matters of far-reaching consequence to the Group's activities and on issues of principal importance. Such matters and issues include Group strategy, action plan, powers, long-term agreements, budgets, and major investments. The Board nominates the President & CEO, Deputy to CEO, and other Group executives and determines their remuneration.

PRESIDENT & CEO

The President & CEO is in charge of the day-to-day management of the company in accordance with the instructions and orders of the Board of Directors. The President & CEO has a Deputy.

AUDITORS

The company has two auditors and two deputy auditors. All of them shall be authorized public accountants or public accountant companies. Their term expires at the closing of the next Annual General Meeting following their election. The company's auditors are presented on page 8 of the Annual Report.

EXECUTIVE BOARD

The Group's Executive Board consists of the President & CEO, his Deputy, the Executive Vice Presidents of Corporate Planning, PMC Division and Filter Fabric Division, the Technical Director, and three personnel representatives. The Executive Board is presented on page 12 of the Annual Report.

The Executive Board is chaired by the President & CEO. In 2002 the Executive Board met 14 times.

INSIDERS

Tamfelt applies the Guidelines for Insiders by Helsinki Exchanges. A list of the company's insiders is available on Tamfelt's website at [www.tamfelt.com/Investor Relations](http://www.tamfelt.com/Investor%20Relations).

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MARKET SITUATION AND CHANGES IN BUSINESS ENVIRONMENT

Tamfelt Group's main products are paper machine clothing and filter fabrics 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 as well as commercial laundries.

The forest industry is Tamfelt's most important customer segment. Capacity utilization rates were low in Europe and North America in early 2002, increasing slowly towards the end of the year. Growth continued in Asia; in China at a robust rate.

The price of pulp took a slight upturn in early 2002, but declined towards the end of the year affecting the prices for pulp-based paper grades. The price levels of other paper and board grades declined as well. The mining industry faced an irregular business environment, and the trends of key metal prices and output volumes diverged.

The forest industry has consolidated into increasingly large groups, and global corporate agreements are a necessary requirement for major suppliers. Following a restructuring of the technical textile industry, suppliers have continued to streamline their operations.

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

PMC's shipments to the forest industry increased and market shares grew slight-

ly. Domestic clothing supplies declined in volume because of curtailed production in the paper industry, though market shares remained at a good level. 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. Tamfelt's presence in North America remained almost unchanged despite the closing down of the Canton operation. Tamfelt's Chinese joint venture won several contracts for paper machine start-ups and also repeat orders proving customer 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 and dry filtration are growing market segments. The Division is the world's number one supplier of filter fabrics to the forest industry, with a market share exceeding 20%. In the declining market for the pulp industry, deliveries of filter fabrics were reduced to this customer segment. Shipments to the mining industry, apart from nickel industry, stood at a record level.

Fanafel's net sales grew slightly. The company is the world market leader in ironer felts. Sales volumes of dry filtration fabrics were up from the previous year.

SALES AND EARNINGS

Consolidated net sales were 126.2 million euro, down from 130.5 million euro in 2001. The 3-% dip was not in line with the company's long-term growth targets. Despite the difficult market situation, the PMC Division succeeded in achieving higher net sales. The net sales of the Filter Fabric Division fell short of the previous year's figure. The biggest gap was in the Finnish unit; the sales lagged behind the budgeted targets both to the forest and the mining industry.

The Group's operating income was 16.1 million euro (22.7 in 2001), representing 12.7% (17.4) of net sales. Consolidated income before extraordinary items was 17.0 million euro (24.1). The fall by a quarter is mainly attributable to the adverse market situation. The figure of the year of comparison was the best ever in the 200 years of the company's existence. Net income was 12.7 million euro (12.8). Return on net assets was 14.8% (20.7), return on equity 11.2% (14.8), and equity/assets ratio 74.3% (76.1). Earnings per share were 1.43 euro (1.92).

Group liquidity remained good throughout the year. High investments were funded with Tamfelt's own cash flow. On the balance-sheet date, interest-bearing loans amounted to 6.9 million euro (2.1) and the book value of liquid assets to 10.1 million euro (16.4).

The Group's net financial income totaled 0.9 million euro (1.4). Tamfelt invests mainly in interest-bearing instruments.

Tamfelt was able to expand its market presence and capitalize on the increasing consolidation of both customer base and the industry itself in a situation where paper output volumes remained unchanged for a second successive year. A weaker dollar had a major impact on the company's export prices and profitability towards the end of the year. The price trend of forming fabrics has not developed in proportion to higher production costs of the new generation of triple-layer applications. Shoe press belts continued to grow briskly ensuring improved profitability of the line.

In early 2002, long delivery times impeded sales growth in some PMC product groups. Investments in higher capacity combined with lower consumption of paper machine clothing balanced the demand in the late months of the year. Prompter deliveries made it possible to widen the customer base and increase sales volumes.

The forest industry consumed markedly less filter fabrics, and their sales remained below the targeted levels. Deliveries to the nickel industry declined from the previous year, whereas other sectors of the mining industry purchased increasing volumes of filtration media. Lower sales volumes and changes in the product range led to lower profitability of the Filter Fabric Division.

Order backlog diminished but, apart from forming fabrics, remains at a fairly good level. Joint consultations were opened at the forming fabric plant in February 2003 in order to accommodate production to demand.

Tamfelt has a number of spearhead articles, and production capacity has been increased to allow improved profitability as the economy starts to recover.

The parent company's net sales were 107.5 million euro, down 2% from 109.5 million in the previous year. Operating income was 10.0 million euro (18.1) and net income before extraordinary items 17.9 million euro (19.2). The parent company's financial items include dividend income from Tamfelt Kiinteistöt Oy (Tamfelt Properties) and extraordinary items include group contribution from the same company.

In Tamfelt's subsidiaries, sales volumes grew as scheduled. In the second year of its activities, the Chinese joint venture increased net sales by one third, though the operation was not yet profitable. The net sales of the North American subsidiaries were slightly down, while supplies from Finland grew to a select segment of customers. The reduction resulted from a strategic narrowing of the North American customer base after the Canton operation was discontinued. While the Brazilian filter fabric plant increased its sales volume, the weak national currency undermined its profitability. In Portugal, investments in Fanafel's facilities secured further volume growth and effective and profitable performance.

Exports accounted for 55% (56) of the parent company's net sales. Foreign activities totaled 62% (63) of the consolidated net sales.

STOCK

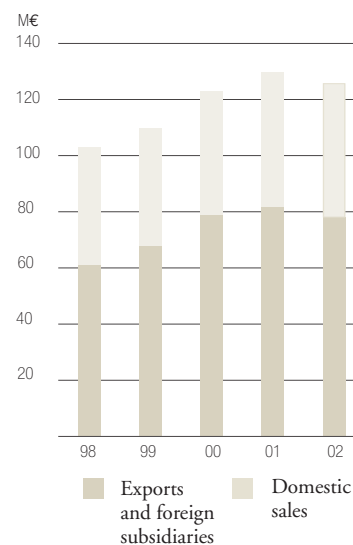
Average all-share index prices fell 34.4% on the Helsinki Exchanges. The HEX portfolio index fell 16.7%. Tamfelt's common share rose 5.4% from 26.00 to 27.40 euro, and preferred share 9.4% from 26.50 to 29.00 euro. Trading in Tamfelt stock on the Helsinki Exchanges amounted to 20.6 million euro (18.5 million in 2001). Turnover in common shares was 3.5% (3.0) of the company's total common stock. Turnover in preferred shares was 11.7% (15.1) of the total preferred stock. The numbers of shares remained unchanged and no conversions were made from common to preferred shares.

As previously announced, Tamfelt's Board of Directors has decided to pursue active dividend policy. It will propose to the 2003 Annual General Meeting a dividend payout of 1.36 euro on a common share and 1.40 euro on a preferred share, and a bonus dividend of 0.50 euro per share of each class. The proposed total dividend amounts to 16.7 million euro (16.7 in 2001), or 131.0% of the earnings.

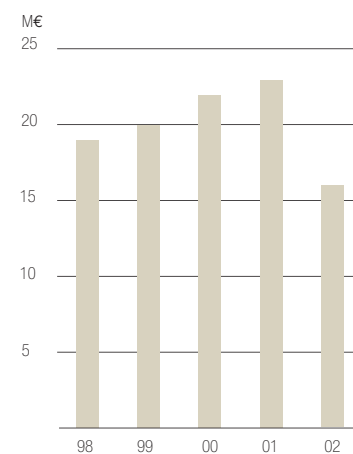
Options granted in 1998 and 2000 give subscription rights for a maximum of 328,000 preferred shares. The options exercised can increase the company's capital stock by a maximum amount of 551,656 euro. Subscription under the 1998 option A began on November 1, 2000 and B on November 1, 2002. Subscription under the 2000 option C began on November 1, 2002 and subscription under option D will begin on November 1, 2004. The maximum dilution effect of this option scheme is 3.6%.

The company also operates an incentive plan for a phantom stock program.

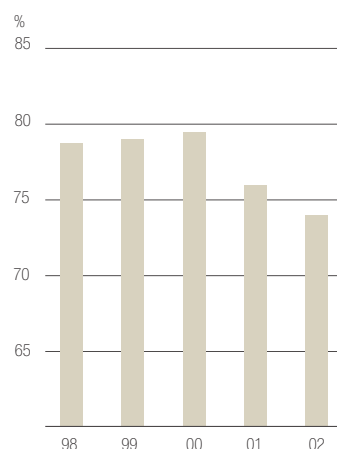
NET SALES, CONSOLIDATED



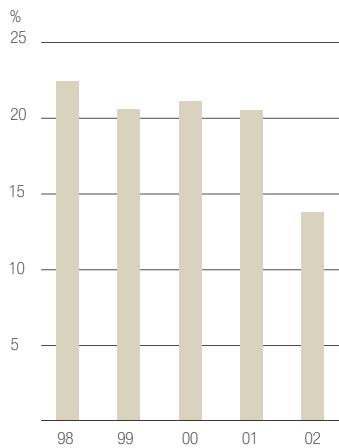
OPERATING INCOME, CONSOLIDATED



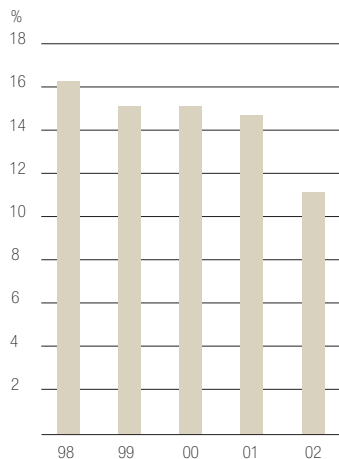
EQUITY/ASSETS RATIO, CONSOLIDATED



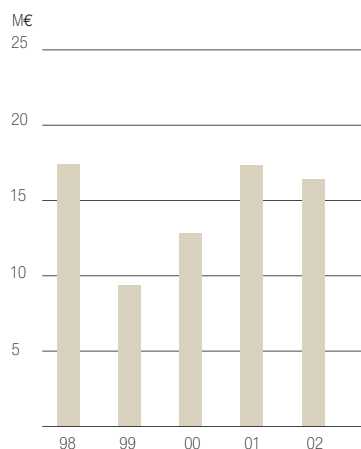
RETURN ON NET ASSETS, CONSOLIDATED



RETURN ON EQUITY, CONSOLIDATED



INVESTMENTS, CONSOLIDATED



INVESTMENTS

The Group's gross investment of 16.4 million euro (17.4 in 2001) was much in excess of the planned depreciation of 7.8 million euro. For several years in a row, Tamfelt's investment outlay has exceeded the average rate of the industry.

The largest single investment in 2002 was a new heat-setting unit for press felts including an extension of the plant. The press felt weaving was refurbished, and the needling machine from Canton came on stream in Tampere. The dryer fabric weaving was upgraded and seaming capacity was increased. A new loom for forming fabrics was commissioned at the Juankoski plant. In the Filter Fabric Division, investments focused on the weaving in the Finnish unit. In Portugal, needling capacity was increased at Fanafel Lda's plant.

RESEARCH AND DEVELOPMENT

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

For quality improvement, the company focused on upgrading the SFS-EN ISO 9001 quality system. It will be externally audited in 2003.

The cost of R&D was 4.7% (4.6) of the Group's net sales.

PERSONNEL

Tamfelt Group employment averaged 1384 people, of whom 1130 in the parent company. In 2001, Tamfelt Group averaged 1362 employees and parent company 1078. On the last day of the year, 1388 and 1360 people were on the Group's payroll in 2002 and 2001, respectively. The parent

company's employment was 1134 and 1109, respectively. The growth was mainly required by the need for additional workforce in the press felt production at the Tampere plant.

Labor turnover at the Group level was 6.7% (12.9% in 2001). In the parent company it was 6.8% (5.4). The average length of employment in the Group was 13 (13) years. At the end of the year the average age of personnel was 41 (40) years.

Personnel development schemes in the parent company continued to focus on information systems knowhow and working community strategies. An extensive training course in risk analysis was provided as a part of developing the working environment. Training programs for production supervisors (Specialist qualification in leadership) and work instructors were launched in fall 2002.

Absenteeism decreased in the parent company to 5.7% (6.1). The average retirement age was 59 (64) years. With just a few annual retirements, the average may vary greatly from year to year.

Working climate was monitored by a survey including the entire parent company personnel. The results show that Tamfelt is regarded as a professionally managed, competitive and innovative organization, willing to promote the skills and well-being of its people. The issues in need of improvement are superior role in the developing working community and equal opportunities. A project was launched to improve superior performance, and the planning began of concrete measures to improve equal opportunities in the workplace.

ENVIRONMENT

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

The goals and targets to support sustainable development have been published in Tamfelt's environmental policy. The company's manufacturing processes do not discharge any 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.

A special environmental initiative of 2002 was to investigate possibilities to use slowly-decaying landfill waste for energy production. A suitable crushing and incinerator plant was found close to the Tampere plant, and the reorganization of waste disposal for energy purposes will begin in early 2003. The reduction of the company's load to landfill in compliance with Tamfelt's environmental program is expected to be completed by the end of 2003.

DIVISIONS

Tamfelt's operations has been separated into two divisions. The PMC Division (Paper Machine Clothing) consists of the Finnish PMC unit, Tamfelt's North American operations, and the Chinese joint venture. The Filter Fabric Division comprises the Finnish unit, Fanafel Lda. in Portugal, and the Brazilian unit.

PMC DIVISION

Finnish PMC unit

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

In the fallout of the unexpectedly long-running recession, the operating rate of paper and board machines remained low throughout the year in many parts of the world. This, together with the long life of modern paper machine clothing, slackened the demand. In forming fabrics, the introduction of the SSB-type triple-layer applications, in particular, has reduced consumption. In the tight market situation, however, Tamfelt was able to increase the sales volumes of other PMC products. While steep decline of the U.S. dollar in the latter half of the year affected profitability, the company succeeded in maintaining a fairly stable average price level with the exception of forming fabrics.

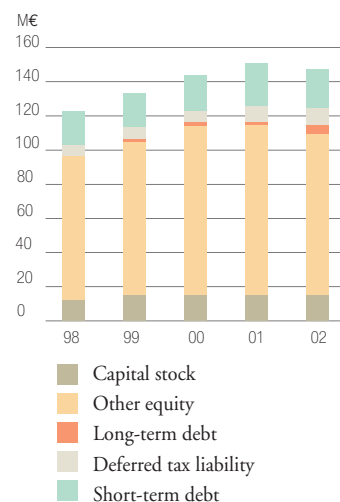
The PMC unit's net sales were slightly up from the previous year. Press felts, dryer fabrics, and belts were the fastest growing lines. Exports grew by over 10 %, notably in Asia, North America, and Scandinavia. Domestic market shares remained almost unchanged, whereas delivery volumes were affected by lower consumption. In this business scene, the volumes of incoming orders fell behind the record level of the previous year. Major orders for new start-ups and rebuilds came in from Finland, China, Western Europe, and the United States.

Having lasted for several years, the unit's extensive investment program was completed in 2002. Efforts will continue to focus on improving productivity. The growth of delivery volumes was achieved mainly through new investments and better productivity. The company hired a number of new employees.

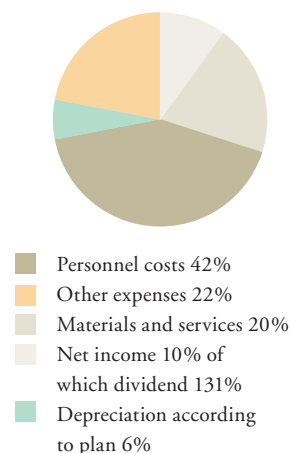
Tamfelt – GMCC (Tianjin) Paper Machine Clothing Co, Ltd.

For Tamfelt's Chinese joint venture in Tianjin, 2002 was the second full year in operation. On the whole, the unit's performance has met with expectations. Net sales grew by 30% in 2002, but the bottom line was negative. New export customers were found in Indonesia,

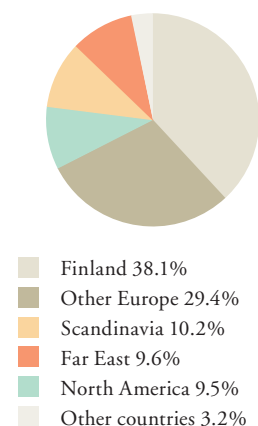
CAPITAL, CONSOLIDATED



DISTRIBUTION OF INCOME 2002, CONSOLIDATED



NET SALES IN VARIOUS MARKET AREAS 2002, CONSOLIDATED



India, and Korea. The most important contracts were for start-up clothing for four new paper and board machines.

Tamfelt PMC, Inc.

The U.S. sales company reached close to its budgeted net sales and exceeded its targeted earnings. It managed to expand its customer base and increase its share in the select market of large and high-speed paper machines. Customer service was strengthened and the personnel was trained in the capability to satisfy increasing market requirements.

FILTER FABRIC DIVISION

Finnish Filter Fabric unit

The plant produces filter fabrics 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.

A downturn set in in the customer industries in late 2001 and continued in 2002. Fabric shipments to the forest industry were down from the record level of the previous year. Even supplies to the mining industry were reduced, though deliveries of certain products were bigger than ever. Declining consumption of filter fabrics tightened the competition and added pressure on price levels.

The unit's net sales and profitability decreased. Exports accounted for 80% of the net sales. Over a half of the exports went to countries outside Europe.

The unit has modernized its looms and invested in improved efficiency.

Fanafel Lda.

Fanafel is the leading manufacturer and supplier of felts for commercial laundries worldwide. Its fastest growing production line makes dry filtration fabrics for applications in environ-

mental protection and processing industries. The company is a major supplier to this customer segment in Portugal and the near markets. The company is also a distributor of Finnish-made PMC products in the Portuguese market.

In the difficult market situation the company succeeded in increasing its net sales slightly and in maintaining good profitability. Exports accounted for 78% of the sales.

Fanafel's comprehensive investment program was completed. Higher capacity provides a good basis for a profitable sales growth.

Tamfelt Tecnologia em Filtração Ltda.

Operating in Brazil since 1999, the company reached close to its sales targets. The collapse of the local currency in late 2002, however, turned the earnings to a slight loss. Towards the end of the year, the country's export-oriented mining industry gained momentum, and this accelerated the demand for filter fabrics.

The Brazilian operation processes filter fabrics made by the parent company. Gradually, the use of local raw materials will increase.

The sales are focused on the country's big and growing mining industry. In future, the unit will also serve the rapidly expanding Brazilian forest industry, and increasingly other South American markets.

OUTLOOK

Difficult market situation continues in the forest industry. New papermaking capacity in Tamfelt's key market segment, however, has slightly increased deliveries of paper machine clothing. In the mining industry, the demand is good for iron and stainless steel, whereas color metals are expected to face adverse market conditions through the next few months at least.

No major recovery is anticipated in the market for the forest and mining industries anytime soon. In the latter half of 2003, however, the trend is expected to improve and push the demand for paper machine clothing and filter fabrics. Tamfelt's net sales and profitability are expected to remain at the level of 2002 and cash flow is expected to remain positive. The present global economic situation makes it difficult to make any reliable projections.

CONSOLIDATED STATEMENT OF INCOME JAN. 1 - DEC. 31 (1 000 €)

	Note	Consolidated				Parent company			
		2002	%	2001	%	2002	%	2001	%
NET SALES	1.	126 206	100	130 525	100	107 500	100	109 454	100
Change in finished goods inventory and work in progress +/-		-967		856		-1 402		1 330	
Other operating income	2.	456		716		234		795	
Materials and services	3.	25 902		25 717		18 132		19 146	
Personnel expenses	4.	53 199		53 218		48 463		46 514	
Depreciation and write-downs	5.	7 826		6 787		6 739		5 622	
Other operating expenses		22 692		23 667		22 980		22 244	
		-109 619		-109 389		-96 314		-93 526	
OPERATING INCOME		16 076	13	22 708	17	10 018	9	18 053	16
Financial income and expenses	6.	929		1 356		7 915		1 162	
INCOME BEFORE EXTRAORDINARY ITEMS		17 005	13	24 064	18	17 933	17	19 215	18
Extraordinary items	7.	-		-4 184		2 114		-9 150	
INCOME BEFORE APPROPRIATIONS AND TAXES		17 005	13	19 880	15	20 047	19	10 065	9
Appropriations		-		-		-3 062		-2 130	
Direct taxes	8.	-4 455		-7 145		-5 064		-6 067	
Minority interest		198		70		-		-	
NET INCOME FOR THE YEAR		12 748	10	12 805	10	11 921	11	1 868	2

BALANCE SHEET DEC. 31 (1 000 €)

	Note	Consolidated				Parent company			
		2002	%	2001	%	2002	%	2001	%
ASSETS									
FIXED AND OTHER LONG-TERM ASSETS									
	9.								
Intangible assets		4 480		4 439		4 301		4 191	
Tangible assets		71 321		62 926		59 003		51 949	
Long-term investments		220		220		36 551		36 551	
		<u>76 021</u>	52	<u>67 585</u>	45	<u>99 855</u>	67	<u>92 691</u>	62
INVENTORIES AND CURRENT ASSETS									
Inventories	10.	34 407		35 639		26 759		27 966	
Long-term receivables	11.	303		412		303		412	
Short-term receivables	12.	26 694		31 094		22 185		26 792	
Short-term investments	13.	621		4 993		–		–	
Cash and bank		9 456		11 363		195		1 397	
		<u>71 481</u>	48	<u>83 501</u>	55	<u>49 442</u>	33	<u>56 567</u>	38
		<u>147 502</u>	100	<u>151 086</u>	100	<u>149 297</u>	100	<u>149 258</u>	100
STOCKHOLDERS' EQUITY AND LIABILITIES									
STOCKHOLDERS' EQUITY									
	14.								
Capital stock		14 901		14 901		14 901		14 901	
Contingency reserve		2 217		2 217		2 217		2 217	
Retained earnings		79 227		84 311		53 135		67 966	
Net income for the year		12 748		12 805		11 921		1 868	
		<u>109 093</u>	74	<u>114 234</u>	76	<u>82 174</u>	55	<u>86 952</u>	58
Minority interest		334		631		–		–	
APPROPRIATIONS		–		–		29 324	20	26 262	18
LIABILITIES									
Imputed tax liability	15.	10 082		9 356		–		–	
Long-term liabilities	16.	4 928		1 528		4 027		231	
Short-term liabilities	17.	23 065		25 337		33 772		35 813	
		<u>38 075</u>	26	<u>36 221</u>	24	<u>37 799</u>	25	<u>36 044</u>	24
		<u>147 502</u>	100	<u>151 086</u>	100	<u>149 297</u>	100	<u>149 258</u>	100

CONSOLIDATED STATEMENT OF CASH FLOWS JAN. 1 - DEC. 31 (1 000 €)

	Consolidated		Parent company	
	2002	2001	2002	2001
CASH FLOW FROM OPERATING ACTIVITIES				
Cash from sales	130 994	124 526	113 152	104 082
Cash from other operating income	95	785	232	610
Operating expenses	<u>-104 570</u>	<u>-100 699</u>	<u>-90 608</u>	<u>-83 882</u>
Cash before financing activities and taxes	26 519	24 612	22 776	20 810
Financing activities	791	1 598	5 633	2 082
Taxes	<u>-4 802</u>	<u>-5 320</u>	<u>-4 118</u>	<u>-3 146</u>
Cash flow from operating activities before extraordinary items	22 508	20 890	24 291	19 746
Extraordinary items	–	-2 048	2 114	-899
Net cash from operating activities	<u>22 508</u>	<u>18 842</u>	<u>26 405</u>	<u>18 847</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Investment in tangible and intangible assets	-16 718	-16 726	-13 903	-16 072
Other investments	<u>176</u>	<u>-70</u>	<u>148</u>	<u>-207</u>
Net cash used in investing activities	-16 542	-16 796	-13 755	-16 279
CASH FLOW FROM FINANCING ACTIVITIES				
Withdrawal of long-term loans	5 627	125	5 109	168
Repayment of long-term loans	-876	-63	-480	-63
Net change in short-term loans	–	-346	-1 782	6 054
Change of minority interest	-297	-136	–	–
Dividends paid	<u>-16 699</u>	<u>-11 383</u>	<u>-16 699</u>	<u>-11 383</u>
Net cash used in financing activities	-12 245	-11 803	-13 852	-5 224
Net increase (+)/decrease (-) in cash	<u>-6 279</u>	<u>-9 757</u>	<u>-1 202</u>	<u>-2 656</u>
Cash at beginning of year	16 356	26 113	1 397	4 053
Cash at end of year	<u>10 077</u>	<u>16 356</u>	<u>195</u>	<u>1 397</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 a pension insurance corporation. The parent company is responsible for voluntary, unregistered old age pensions. Liability for these pensions is entered as expenses.

STATEMENT OF INCOME (1 000 €)

1. NET SALES

(Tamfelt's line of business is technical textiles.)

NET SALES IN THE VARIOUS MARKET AREAS

	Consolidated				Parent company			
	2002	%	2001	%	2002	%	2001	%
Nordic countries	60 897	48	62 618	48	60 170	56	58 655	54
Other Europe	37 100	29	36 352	28	24 896	23	27 540	25
North America	12 027	10	15 905	12	8 367	8	8 327	8
Far East	12 162	10	12 620	10	11 353	11	11 056	10
Other countries	4 020	3	3 030	2	2 714	2	3 876	3
Total	126 206	100	130 525	100	107 500	100	109 454	100

2. OTHER OPERATING INCOME

Gains on the disposal of fixed assets	–	185	–	185
Rental income	23	99	106	181
Other	433	432	128	429
Total	456	716	234	795

3. MATERIALS AND SERVICES

Purchases during the year	26 124	27 901	17 802	20 019
Change in inventories	-630	-3 052	-195	-1 927
Outsourced and subcontracted services	408	868	525	1 054
Total	25 902	25 717	18 132	19 146

4. PERSONNEL EXPENSES

Remunerations to directors and presidents	597	591	317	305
Other remunerations	41 868	41 763	38 232	36 602
Pension expenses	6 629	5 826	6 140	5 315
Other social expenses	4 105	5 038	3 774	4 292
Total	53 199	53 218	48 463	46 514

NUMBER OF EMPLOYEES

Average	1 384	1 362	1 130	1 078
Year-end	1 388	1 360	1 134	1 109

5. PLANNED DEPRECIATION	Consolidated		Parent company	
	2002	2001	2002	2001
Intangible rights	540	239	540	239
Consolidated goodwill	20	20	–	–
Other long-term expenditure	161	155	70	89
Buildings	550	537	125	125
Machinery, equipment and furniture	6 479	5 736	5 928	5 142
Other tangible assets	76	100	76	27
<u>Total</u>	<u>7 826</u>	<u>6 787</u>	<u>6 739</u>	<u>5 622</u>

6. FINANCIAL INCOME AND EXPENSES

Dividend income	125	131	7 687	220
Interest income from long-term investments	20	163	20	163
Other interest and financial income				
From Group companies	–	–	81	–
From others	1 145	1 108	1 058	1 721
Impairment of financial instruments	51	46	–	–
Interest expenses and other financial expenses				
To Group companies	–	–	-656	-858
To others	-412	-92	-275	-84
<u>Total</u>	<u>929</u>	<u>1 356</u>	<u>7 915</u>	<u>1 162</u>

7. EXTRAORDINARY ITEMS

Group subsidies			2 114	–
Composition granted			–	-12 887
Tax impact			–	3 737
<u>Total</u>	<u>–</u>	<u>–</u>	<u>2 114</u>	<u>-9 150</u>
Discontinued U.S. operation		-5 893		
Tax impact		1 709		
<u>Total</u>	<u>–</u>	<u>-4 184</u>		

8. DIRECT TAXES

Taxes for the year	3 713	4 372	5 050	5 893
Taxes for previous years	14	173	14	174
Change in imputed tax liability*	728	2 600	–	–
<u>Total</u>	<u>4 455</u>	<u>7 145</u>	<u>5 064</u>	<u>6 067</u>

* Change in imputed tax liability

Reperiodizing	-259	2 108
Integration	-54	-323
Appropriations	1 041	815

FINANCIAL DATA, NOTES

BALANCE SHEET (1000 €)

9. FIXED AND OTHER LONG-TERM ASSETS 2002	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	6 813	760	-40		7 533	-3 593	3 940
Consolidated goodwill	1 059				1 059	-999	60
Other long-term expenditure	1 315	112	-55	-22	1 350	-870	480
<u>Tangible assets</u>							
Land and water	942				942		942
Buildings	18 877	1 488		-3	20 362	-8 898	11 464
Machinery, equipment and furniture	121 228	16 511	-3	-147	137 589	-80 461	57 128
Other tangible assets	458	1 054			1 512	-182	1 330
Advance payments and construction in progress	3 840	457	-3 840		457		457
<u>Investments</u>							
Shares and holdings	219				219		219
Shares and holdings in associated companies	1				1		1
Total	154 750	20 382	-3 938	-172	171 022	-95 003	76 021
Machinery and equipment							51 711
PARENT COMPANY							
<u>Intangible assets</u>							
Intangible rights	7 497	760	-40		8 217	-4 276	3 941
Other long-term expenditure	890				890	-530	360
<u>Tangible assets</u>							
Land and water	767				767		767
Buildings	4 888				4 888	-610	4 278
Machinery, equipment and furniture	105 390	15 652			121 042	-68 685	52 357
Other tangible assets	458	1 054			1 512	-182	1 330
Advance payments and construction in progress	3 794	272	-3 795		271		271
<u>Investments</u>							
Shares and holdings in Group companies	35 641				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	692				692		692
Total	160 235	17 738	-3 835	0	174 138	-74 283	99 855
Machinery and equipment							49 454
FIXED AND OTHER LONG-TERM ASSETS 2001							
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

10. INVENTORIES	Consolidated		Parent company	
	2002	2001	2002	2001
Raw materials and consumables	8 970	8 388	6 400	6 205
Work in progress	10 769	11 205	10 507	10 837
Finished products	14 668	16 046	9 852	10 924
Total	34 407	35 639	26 759	27 966

11. LONG-TERM RECEIVABLES

Loans receivable from associated companies	66	131	66	131
Other loans receivable	237	281	237	281
Total	303	412	303	412

12. SHORT-TERM RECEIVABLES

Accounts receivable	22 631	27 166	18 328	23 727
Loans receivable from associated companies	65	65	65	65
Other loans receivable	126	193	126	165
Prepaid expenses and accrued income*	3 852	3 670	3 666	2 835
Total	26 674	31 094	22 185	26 792

Receivables from Group companies				
Accounts receivable	–	–	1 901	2 607

* Material items of short-term prepaid expenses and accrued income

Periodization of personnel expenses	135	521	135	519
Periodization of taxes	2 923	1 973	2 797	1 654
Other periodization	794	1 176	734	662
Total	3 852	3 670	3 666	2 835

13. SHORT-TERM INVESTMENTS

Other shares	621	680		
Other securities	–	4 313		
Total	621	4 993	–	–

Replacement price of short-term investment	661	5 107		
Book value of short-term investment	621	4 993		
Difference	40	114	–	–

FINANCIAL DATA, NOTES

14. STOCKHOLDERS' EQUITY	Consolidated		Parent company	
	2002	2001	2002	2001
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	97 116	96 381	69 834	79 349
Dividend	-16 699	-11 383	-16 699	-11 383
Change in translation adjustment	-1 190	-687	-	-
Retained earnings from previous years Dec. 31	79 227	84 311	53 135	67 966
Net income for the year	12 748	12 805	11 921	1 868
Total stockholders' equity	109 093	114 234	82 174	86 952

STATEMENT OF DISTRIBUTABLE EARNINGS DEC. 31

Contingency reserve	2 217	2 217	2 217	2 217
Profit for previous years	79 227	84 311	53 135	67 966
Net profit for the year	12 748	12 805	11 921	1 868
- Portion of accumulated depreciation entered in stockholders' equity	-22 499	-19 935	-	-
Total	71 693	79 398	67 273	72 051

PARENT COMPANY CAPITAL STOCK AND CLASSES OF SHARES DEC. 31

	2002		2001	
	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	9 228 360	5 486 934	9 228 360
Total	8 860 000	14 901 450	8 860 000	14 901 450

15. IMPUTED TAX LIABILITY

For appropriations	10 082	9 356	-	-
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16. LONG-TERM CREDITORS

Pension loans	3 750	-	3 750	-
Other liabilities	1 178	1 528	277	231
Instalment plan for 2004-2007 (2003-2006)	4 520	1 425	3 619	128

17. SHORT-TERM CREDITORS	Consolidated		Parent company	
	2002	2001	2002	2001
Other loans	1 113	595	63	63
Pension loans	833	–	833	–
Advance received	141	56	141	56
Accounts payable	4 632	7 832	4 039	7 041
Other liabilities	3 633	3 638	13 799	15 358
Accrued liabilities and deferred income*	12 713	13 216	14 897	13 295
<u>Total</u>	<u>23 065</u>	<u>25 337</u>	<u>33 772</u>	<u>35 813</u>
Liabilities to Group companies				
Accounts payable			138	3
Other liabilities			11 000	12 782
Accrued liabilities and deferred income			3 369	1 940
<u>Total</u>	<u>–</u>	<u>–</u>	<u>14 507</u>	<u>14 725</u>
* Material items of short-term accrued liabilities and deferred income				
Periodization of personnel expenses	7 718	8 381	7 298	8 190
Other periodizations	4 995	4 835	7 599	5 105
<u>Total</u>	<u>12 713</u>	<u>13 216</u>	<u>14 897</u>	<u>13 295</u>
Liabilities with and without interest				
Long-term				
Without interest	10 082	9 356	–	–
With interest	4 928	1 528	4 027	231
<u>Total</u>	<u>15 010</u>	<u>10 884</u>	<u>4 027</u>	<u>231</u>
Short-term				
Without interest	21 119	24 742	21 876	22 968
With interest	1 946	595	11 896	12 845
<u>Total</u>	<u>23 065</u>	<u>25 337</u>	<u>33 772</u>	<u>35 813</u>
CONTINGENT LIABILITIES				
a) Other securities given				
Mortgages in real estate	84	84	84	84
b) For others				
Guarantees	34	34	34	34
c) Other own liabilities				
Bill liabilities	3	6	–	–
Leasing liabilities	193	209	193	209
<u>Total</u>	<u>314</u>	<u>333</u>	<u>311</u>	<u>327</u>
DERIVATIVE CONTRACTS				
Currency terms				
Current value	524	9 077	–	–

SHARES AND HOLDINGS OWNED BY THE GROUP AND THE PARENT COMPANY

	Percentage of group ownership	Percentage of parent company ownership
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 Kiinteistöt Oy	100	100
Tamfelt PMC, Inc.	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 (1 000 €)

	1998	1999	2000	2001	2002
Net sales	103 479	109 801	123 910	130 525	126 206
Change, %	1.3	6.1	12.9	5.3	-3.3
Exports and foreign subsidiaries	61 435	68 487	79 331	82 231	78 119
% of net sales	59.4	62.4	64.0	63.0	61.9
Operating income	19 031	19 970	22 361	22 708	16 076
% of net sales	18.4	18.2	18.0	17.4	12.7
Net income before extraordinary items, taxes and minority interest	20 877	21 151	23 549	24 064	17 005
% of net sales	20.2	19.3	19.0	18.4	13.5
Net income before taxes and minority interest	20 877	21 511	23 549	19 880	17 005
% of net sales	20.2	19.6	19.0	15.2	13.5
Return on equity, %	16.3	15.2	15.3	14.8	11.2
Return on net assets, %	22.6	20.9	21.1	20.7	14.8
Equity/assets ratio, %	78.3	79.0	79.6	76.1	74.3
Gearing, %	-22.3	-21.3	-20.6	-12.5	-2.9
Gross investment	17 428	9 389	12 833	17 355	16 444
% of net sales	16.9	8.6	10.4	13.3	13.0
R&D expenditure	5 277	5 270	5 576	5 940	5 932
% of net sales	5.1	4.8	4.5	4.6	4.7
Average employment during the period	1 291	1 288	1 324	1 362	1 384

RETURN ON EQUITY, %

$$\frac{\text{Net income before extraordinary items, taxes and minority interest - taxes}}{\text{Equity + minority interest (average)}} \times 100$$

RETURN ON NET ASSETS, %

$$\frac{\text{Net income before extraordinary items, taxes and minority interest + interest and other financial expenses}}{\text{Balance sheet total - interest-free liabilities (average)}} \times 100$$

EQUITY/ASSETS RATIO, %

$$\frac{\text{Equity + minority interest}}{\text{Balance sheet total - advance received}} \times 100$$

GEARING, %

$$\frac{\text{Interest-bearing liabilities - cash, bank and short-term investments}}{\text{Equity + minority interest}} \times 100$$

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. A common share carries twenty votes and a preferred share 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.

Shares untransferred to the book-entry securities system (1,833) 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 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 option B on November 1, 2002, and will expire on March 31,

2004 for both. The subscription price on December 31, 2002 was 21.25 euro. The price will be reduced by the amount of dividends to be paid before the subscription. Subscription under the 2000 option C began on November 1, 2002. Subscription under option D will begin on November 1, 2004. Both will expire on March 31, 2006. The subscription price in the year 2000 option scheme was 22.90 euro on December 31, 2002, 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 derived gross benefit in the company's stock. Warrants have been traded but, so far, no shares have been subscribed for against them.

The company also operates an incentive plan for a phantom stock program including a stock ownership program.

TRENDS AND TRADE VOLUMES

The HEX all-share index fell 34.4% and the HEX portfolio index fell 16.7% in 2002. Tamfelt common share rose 5.4% and preferred share 9.4%.

Trading in Tamfelt common shares on the Helsinki Exchanges amounted to 3.2 million euro (2.1 million in 2001) and in preferred shares to 17.4 million euro (16.4 million in 2001). The numbers traded were 117,171 (102,248) common shares and 644,149 (825,915) preferred shares.

Turnover in common shares was 3.5% (3.0) of the company's total common stock. Turnover in preferred shares was 11.7% (15.1) of the total preferred stock.

The highest quotation for a common share in 2002 was 29.80 euro and the lowest 25.15 euro. The highest quotation for a preferred share was 29.00 euro and the lowest 25.31 euro.

The closing rate for the common share at the year-end was 27.40 euro and

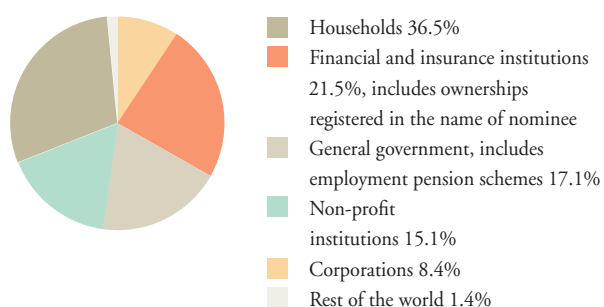
for the preferred share 29.00 euro. The market value of the company's total stock at the end of 2002 was 251,543,094 euro.

CAPITAL STOCK OWNERSHIP

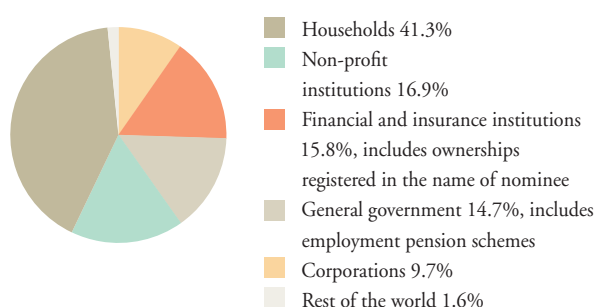
At the end of 2002 (2001) the company had 1,932 (1,857) stockholders and one (one) ownership registration in the name of a nominee. The number of shares registered in the name of a nominee was 11,645 (17,733). The number of shares yet to be transferred to the book-entry securities system was 1,769 (1,796), or 0.02% (0.02). The company's Directors, President & CEO, and Deputy to CEO held a total of 190,016 (190,016) common and 87,684 (78,884) preferred shares corresponding to 3.1% (3.0) of the capital stock and a 5.3% (5.3) voting power. The number of options held by the President & CEO and his Deputy was 21,300 (42,600), which entitle them to subscribe for a total of 28,400 preferred shares. The total number of share units held by the President and CEO and his Deputy in phantom stock was 50,000. The persons subject to the disclosure requirement held a total of 284,093 (275,843) shares, corresponding to 3.2% (3.1) of the capital stock and a 5.4% (5.4) voting power, as well as 80,350 (108,600) options, which entitle them to subscribe for 99,133 (136,800) shares at the most. The total number of options issued and subscribed for is 268,000.

STOCK OWNERSHIP ON THE BASIS OF CLASSIFICATION OF INSTITUTIONAL SECTORS DEC. 31, 2002

STOCK OWNERSHIP BY SHARES DEC 31, 2002



STOCK OWNERSHIP BY VOTES DEC 31, 2002



STOCK OWNERSHIP BY SIZE DEC. 31, 2002

Number of shares	Ownerships	%	Shares	%	Votes	%
1 - 500	1 146	59.3	210 470	2.4	1 118 765	1.5
501 - 5 000	602	31.1	929 297	10.5	6 599 315	9.0
5 001 - 10 000	62	3.2	448 155	5.1	3 592 009	4.9
10 001 - 50 000	90	4.7	1 938 383	21.9	16 546 343	22.7
50 001 - 100 000	16	0.8	1 154 695	13.0	10 767 954	14.7
100 001 -	17	0.9	4 177 231	47.1	34 312 428	47.0
Total	1 933	100.0	8 858 231	100.0	72 936 814	100.0
Shares not transferred to book entry system			1 769	0.0	11 440	0.0
Issued number			8 860 000	100.0	72 948 254	100.0

BASIC INFORMATION ON SHARES

Trading code	TAFKS
common share	TAFPS
preferred share	
Trading lot	50 shares for both series
Closing price 2002	
common share	27.40 €
preferred share	29.00 €
Taxation value 2002	
common share	19.18 €
preferred share	19.25 €
Number of votes	
common share	20 votes
preferred share	1 vote

INVESTMENT ANALYSES

Investment analyses of the Tamfelt Group were made by e.g. the following companies:

Conventum Securities Ltd
FIM Securities Ltd
Nordea Securities Oyj
Seligson & Co

Tamfelt shall not be held accountable for the assessments.

STOCK ANALYSIS

LARGEST OWNERSHIP REGISTRATIONS BY VOTING POWER ON DEC. 31, 2002 (DEC. 31, 2001)

1	(1)	Varma-Sampo Mutual Pension Insurance Company	9.1	(9.1)
2	(2)	Sampo Life Insurance Company Limited	5.3	(5.3)
3	(-)	If P&C Insurance Company Ltd	5.1	(-)
4	(3)	Metso Corporation	4.5	(4.5)
5	(4)	Waldemar von Frenckell Foundation	4.0	(4.0)
6	(5)	Cedercreutz, Axel	3.7	(3.7)
7	(26)	Ilmarinen Mutual Pension Insurance Company	2.8	(0.9)
8	(7)	Samfundet Folkhälsan i Svenska Finland r.f.	2.5	(2.5)
9	(8)	Snäll, Clara	2.2	(2.2)
10	(9)	House of Nobility	1.8	(1.8)
TOTAL			41.0	(34.0)

LARGEST OWNERSHIP REGISTRATIONS BY NUMBER OF SHARES ON DEC. 31, 2002 (DEC. 31, 2001)

1	(6)	Ilmarinen Mutual Pension Insurance Company	6.2	(2.9)
2	(1)	Varma-Sampo Mutual Pension Insurance Company	6.1	(6.1)
3	(-)	If P&C Insurance Company Ltd	5.0	(-)
4	(2)	Kaleva Mutual Insurance Company	4.6	(4.7)
5	(3)	Sampo Life Insurance Company Limited	3.5	(3.5)
6	(7)	Metso Corporation	2.7	(2.7)
7	(8)	Waldemar von Frenckell Foundation	2.7	(2.7)
8	(9)	Tapiola General Mutual Insurance Company	2.3	(2.3)
9	(10)	Samfundet Folkhälsan i Svenska Finland r.f.	2.3	(2.3)
10	(11)	Tapiola Mutual Pension Insurance Company	2.2	(2.2)
TOTAL			37.6	(29.4)

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%.

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%.

If Skadeförsäkring Holding Ab (publ.) disclosed on October 1, 2002 a merger leading to increased ownership by If P&C Insurance Company Ltd in Tamfelt Corp. The company's portion of Tamfelt Corp.'s voting power exceeds 5%.

Ilmarinen Mutual Pension Insurance Company disclosed on October 3, 2002 that its portion of Tamfelt Corp.'s capital stock exceeds 5%.

STOCK SUMMARY

	1998	1999	2000	2001	2002
Earnings/share, undiluted, €	1.69	1.72	1.90	1.92	1.44
Earnings/share, diluted, €					1.43
Equity/share Dec. 31, undiluted, €	10.76	11.84	12.78	12.89	12.31
Equity/share Dec. 31, diluted, €					12.20
DIVIDEND					
Dividend, M€ *)	7.56	8.73	11.4	16.7	16.7
Dividend/share, € *)					
common	0.83	0.96	1.26	1.86	1.86
preferred	0.87	1.00	1.30	1.90	1.90
Dividend/earnings, % *)	50.4	57.3	67.6	98.3	131.0
Effective dividend yield Dec. 31, % *)					
common	4.0	4.2	6.9	7.2	6.8
preferred	4.1	4.4	7.2	7.2	6.6
P/E ratio Dec. 31, undiluted					
common	12.3	13.4	9.6	13.6	19.0
preferred	12.4	13.1	9.5	13.8	20.1
TRENDS AND TRADING					
Trading price at year-end					
common	20.9	23.0	18.25	26.00	27.40
preferred	21.0	22.5	17.98	26.50	29.00
Change of trading price, %					
common	-16.1	10.3	-20.65	42.47	5.38
preferred	-13.6	7.0	-20.08	42.39	9.43

	1998	1999	2000	2001	2002
Highest trading price, €					
common	33.6	24.0	22.90	26.00	29.80
preferred	33.6	24.0	23.50	26.50	29.00
Lowest trading price, €					
common	20.4	20.0	18.00	17.50	25.15
preferred	20.7	18.5	17.30	17.51	25.31
Trading volume, M€					
common	12.9	1.4	3.2	2.1	3.2
preferred	26.3	6.5	7.4	16.4	17.4
Trading volume (number of shares)					
common	454 212	64 922	153 000	102 248	117 171
preferred	906 418	309 650	357 155	825 915	644 149
Trading volume/total stock, %					
common	13.4	1.9	4.5	3.0	3.5
preferred	16.5	5.6	6.5	15.1	11.7
CAPITAL STOCK AND NUMBER OF SHARES					
Capital stock Dec. 31, M€	14.9	14.9	14.9	14.9	14.9
common	5.7	5.7	5.7	5.7	5.7
preferred	9.2	9.2	9.2	9.2	9.2
Market capitalization Dec. 31, M€	185.7	201.0	160.2	233.1	251.5
Number of shares Dec. 31 (1 000)	8 860	8 860	8 860	8 860	8 860
common	3 378	3 373	3 373	3 373	3 373
preferred	5 482	5 487	5 487	5 487	5 487
Average number of shares (1 000)	8 860	8 860	8 860	8 860	8 860
Number of shares undiluted, Dec. 31 (1 000)	8 860	8 860	8 860	8 860	8 860
Number of shares diluted, Dec. 31 (1 000)					8 943
Number of shareholders Dec. 31	1 769	1 788	1 836	1 857	1 933
Nominee-registered ownerships Dec. 31	3	2	1	1	1

*) 2002 Board of Directors' proposal

EARNINGS/SHARE

Net income before extraordinary items, taxes and minority interest - taxes - minority interest

Year-end number of shares diluted/undiluted for issue

EQUITY/SHARE

Equity

Year-end number of shares diluted/undiluted for issue

PRICE/EARNINGS (P/E)

Year-end trading price undiluted for issue

Earnings/share (EPS)

Board of Directors' Proposal to Annual General Meeting

Consolidated distributable earnings total	71 692 505.00 €
Parent company's distributable earnings	
Contingency reserve	2 216 526.53 €
Retained earnings from previous years	53 135 187.99 €
Net income for the year	11 920 546.00 €
	<u>67 272 260.52 €</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 euro a 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	48 356 656.63 €
	<u>67 272 260.52 €</u>

Helsinki, February 12, 2003

Mikael von Frenckell
Martin Lilius
Martti Karttunen

Axel Cedercreutz
Jouko Oksanen

Risto Hautamäki
President and CEO

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 2002. 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 accordance with

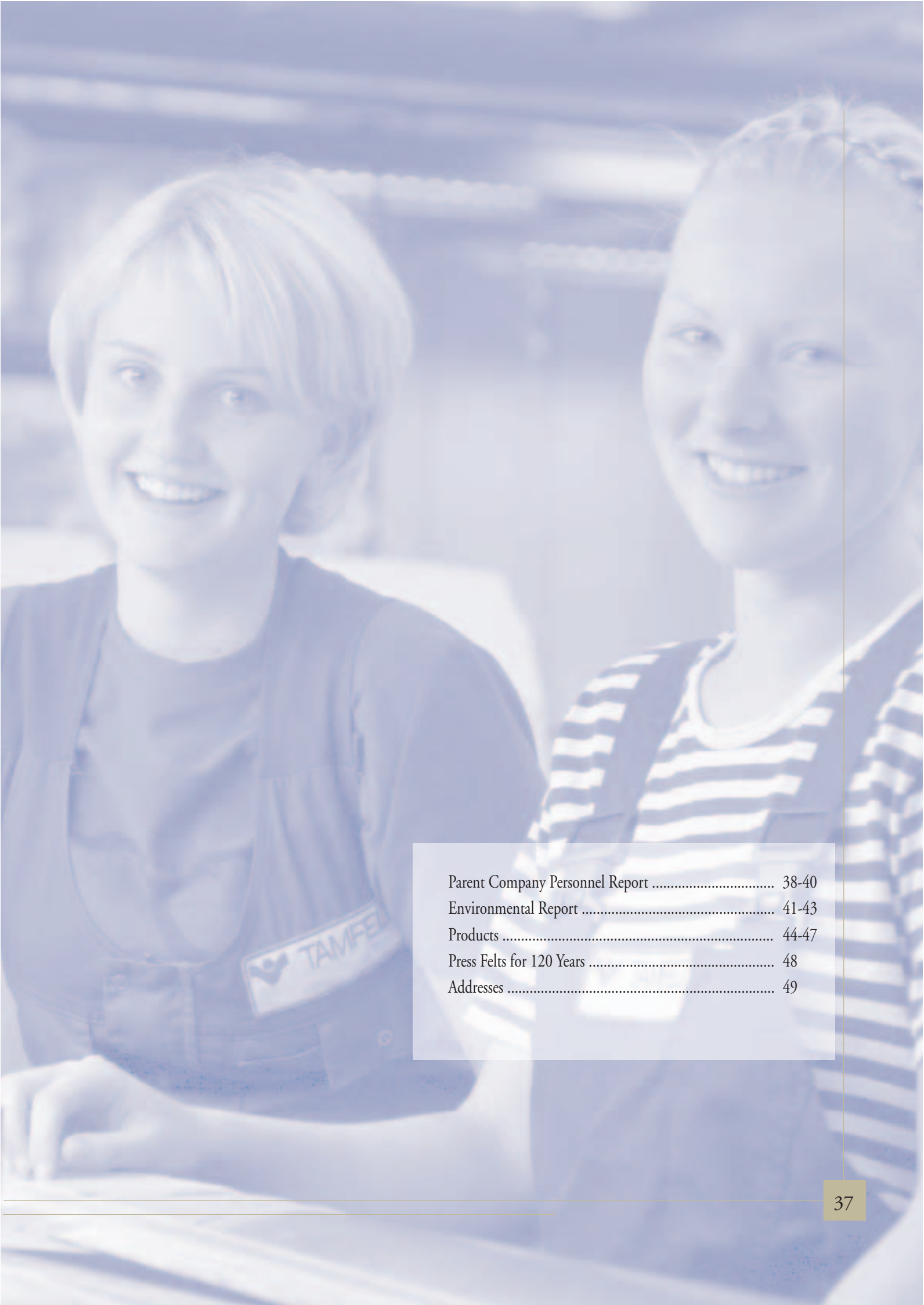
the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position.

The financial statements with the consolidated financial 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, 2003

Jari Paloniemi
Authorized Public Accountant

Veikko Terho
Authorized Public Accountant



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PARENT COMPANY PERSONNEL REPORT

Tamfelt's human resources management focuses on long-term investment in the personnel's competence, safety, and well-being.

PERSONNEL

At the end of the year, the parent company employed 1134 people (up from 1109), of whom 787 worked in Tampere and 347 in Juankoski. The growth was mainly called for by the need for additional workforce at the press felt production in the Tampere plant. The external labor turnover was 6.8% (5.4) in 2001). The parent company was able to hire 102 new employees: 69 wage earners and 33 salaried employees. Over the year, 77 employments terminated, including persons retired on a pension. Over the summer holiday season, we had the record number of 156 (107) trainees and 30 students in working life orientation. Internal labor turnover, reflecting the personnel's versatile skills, was 8.6% (6.9). Altogether, 97 people moved to new jobs in the company.

In recruitment, we give priority to applicants with professional qualifications. About 60% of our employees hold vocational degrees, although no vocational college-level education for the textile trade exists. New employees are initiated into textile technology by work instruction, and learning through work is supplemented by internal training provided by the company's own experts. The percentage of employees with a university degree grew to 34 (31), and the percentage of employees with post-secondary level education decreased to 29 (33).

Our employees have been with Tamfelt for an average of 13 (13) years. The growing number of personnel in the past few years has increased the percentage of employments under five years to 31. Yet 27% of the personnel have been in the company for 20 years or more. The age structure remained even: one-fifth of the employees were under 30 and a quarter were 50 years or more.

The average age was 41 (40) years. The percentage of fixed-term employments was reduced to 8 (11), and that of part-time employees stayed at 4. At the end of the year, 33 people were on part-time pension or part-time disability pension. Absenteeism through sickness decreased to 5.7% (6.1), and the average retirement age was 59 (64) years. With just a few employees retiring annually, the average retirement age may vary greatly.

INFORMATION SYSTEMS KNOWHOW AND WORKING COMMUNITY STRATEGIES

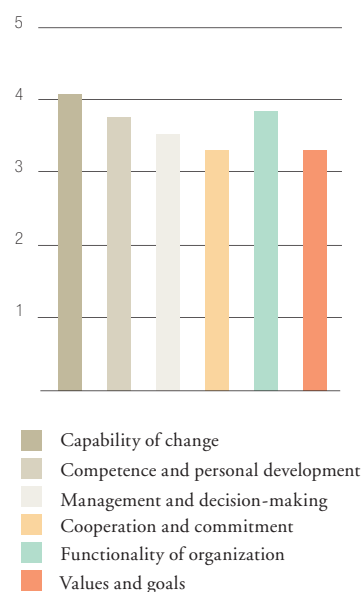
All Tamfelt employees are obliged to maintain their job skills and they are empowered to improve and extend their knowhow. Personal development reviews are conducted to analyze development needs at the individual and group level and to monitor the results.

Personnel development measures focused on further improvement of information systems knowhow, training in cooperative skills within the product groups, supervisor and leadership training, and training in risk analysis. Induction training and work instruction were upgraded for employees moving to new jobs in the company.

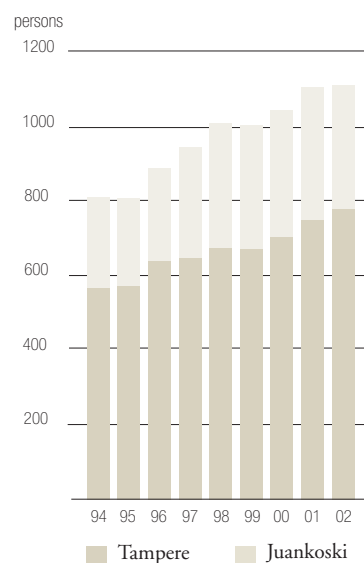
Personnel knowhow is developed by investments in learning through work, internal instruction, cooperation, and independent seeking and application of knowledge. Training programs are increasingly wide-ranging, tailored, and extensive. Intensive cooperation is required between students, internal instructors, schools, and other training providers. Apprenticeship contracts for the personnel's further training will be increased.



SURVEY OF PARENT COMPANY ATMOSPHERE
AVERAGE RESULTS (SCALE 1-5)



PERSONNEL, 1994-2002



RISK ANALYSIS OF THE WORKING ENVIRONMENT

Risk analysis of the working environment began at both plants. It will be conducted jointly by employees, superiors, occupational health care, and the company's health and safety organization. Superiors and the H&S organization were trained in early 2002 in risk identification and analysis.

The Juankoski plant reached another year with very few accidents. The Tampere plant recorded 90 working-time accidents, the same number as in 2001, including one serious accident. The rest were minor incidents, halving the number of days lost from work compared to the previous year. At the Tampere plant, the number of days lost due to accidents, per one million worked hours, was 447. The corresponding number involving more than three days lost from work was 295, which is below the average rate of the industry (462).

The rate of accidents involving more than three days lost from work (number of accidents per one million worked

hours) was 28 at the Tampere plant; the corresponding figure of the industry was 31. The overall accident rate was 71. Several minor accidents and near-miss incidents occurred at the Tampere plant. Risk analysis initiatives are vital as part of a commitment to prevent future accidents.

WELL-BEING AT WORK

Long-term cooperation continued to promote employee well-being, working ability, and performance. In addition to intensive programs implemented in the various product groups, the company offered individual guidance and conditioning courses. Non-smoking was encouraged by awards of a special bonus to all employees who got through the year without smoking; 64% of the personnel earned the bonus.

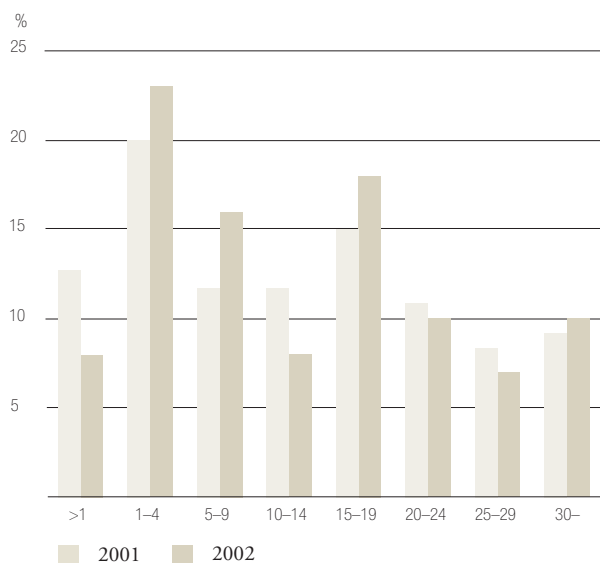
Recreational activities were provided in the form of clubs, gyms, yoga classes, sponsored tickets to swimming pools, or opportunities to learn new forms of exercise. The employees were also refreshed with various expert lectures, campaigns, and company events.

WORKING ATMOSPHERE

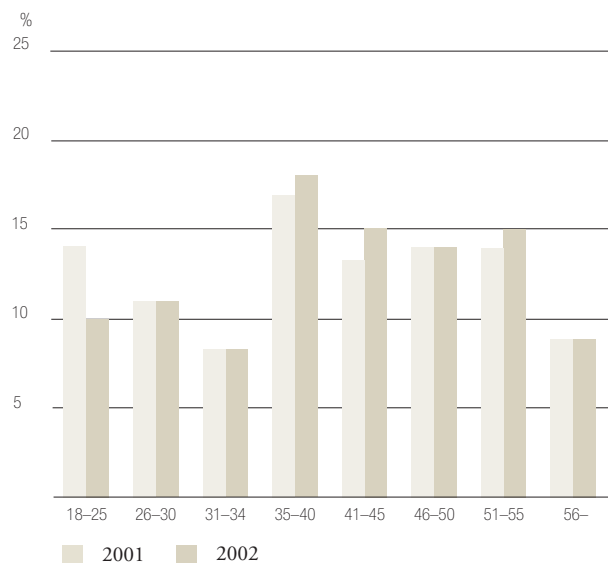
Tamfelt's working atmosphere has been monitored over two decades. According to the 2002 survey, Tamfelt is regarded as a professionally managed, competitive and innovative organization, willing to promote the skills and well-being of its people. Comparison with similar data from several dozens of other Finnish companies revealed that Tamfelt's employees are more goal-oriented with a better match between their skills and their jobs.

Our corporate culture is driven by values, which communicate our defined priorities in Tamfelt's activities. The Tamfeltian values – satisfied customers, good profitability, openness and fairness, competence and working ability, and sustainable development – were defined four years ago (see page 6 for Values). In our latest survey of the company's working atmosphere, awareness of Tamfelt's values and goals was graded 4.07 (scale 1-5).

YEARS IN THE PARENT COMPANY



AGE COMPOSITION, PARENT COMPANY



The issues in need of improvement were leadership and managerial skills, definition of the superior role, superior interaction, and equal opportunities.

Action was taken as soon as the results had been reported and analyzed. A special theme day was organized for production supervisors and company management to discuss "Superior roles in the developing company". A development program was launched in late 2002 for production supervisors (Specialist qualification in leadership). Debate is going on about measures that need to be taken to offer equal opportunities in the workplace.

SUGGESTION SCHEME

A high number of suggestions was, again, made through the scheme at the Tampere plant. About 15% of the personnel came up with ideas. The amount of rewards paid doubled from the previous year.

The highest reward ever in Tamfelt's history was paid in 2002 for an idea how to improve the dryer fabric seam finishing. The reward was motivated by saved worktime, improved ergonomics, and simpler work instruction.

The suggestion scheme itself was improved by boosting the treatment of suggestions and by personnel training. All new employees were introduced to the scheme.

HUMAN RESOURCES ACCOUNT JAN. 1 - DEC. 31 (1 000 €)

	2002	%	2001	%
NET SALES	107 500	100	109 454	100
Personnel expenses	51 656	48	49 590	45
Payroll for regular worktime	35 624	33	32 932	30
Payments by results	738	1	2 729	2
Payments for overtime	1 939	2	1 802	2
Personnel renewal				
Recruiting and job orientation	994	1	984	1
Vacation payments	6 823	6	6 395	6
Other holiday payments	2 549	2	2 343	2
Personnel development				
Training	712	1	448	.
Other measures to maintain and improve working ability	325	.	386	.
Sick payments	839	1	775	1
Disability pension expenses	656	1	666	.
Other personnel expenses	457	.	431	.
Outsourced services	1 366	1	1 286	1
Other costs and expenses	42 557	40	56 710	52
NET INCOME FOR THE YEAR	<u>11 921</u>	11	<u>1 868</u>	2

PERSONNEL STRUCTURE

	2002	2001	2002	2001
	Number	Number	%	%
Wage-earners	804	792	Full-time employees	96
Salaried employees	330	317	Part-time employees	4
Total	1134	1109		
	%	%	Absenteeism through	
Wage-earners	71	71	sickness	5.7
Salaried employees	29	29	Labour turnover	6.8
Men	51	47	Average age	41
Women	49	53	Average employment	13
			Average retirement	
Permanently employed	92	90	age	59
Fixed-term	8	10		64.5



Tamfelt is committed to the principles of sustainable development. The company's defined environmental policy is adopted as a basis for all decision-making involving environmental considerations of Tamfelt's products and activities.

TAMFELT'S ENVIRONMENTAL POLICY AND ENVIRONMENTAL MANAGEMENT SYSTEM

Tamfelt's environmental policy has been designed in consideration of the 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 wastes.

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 top 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 partial location of the Tampere plant in a watershed area provide potential risks, whereas hardly any environmental risks are posed by the Juankoski plant.

On two occasions in 2002, a technical breakdown of the hot oil system let out a small amount of oil to cooling water and further to the local water body in Tampere, but the accidents did not cause any actual environmental damage. To detect similar risks, the cooling water system has been equipped with oil sensors.

Earlier investigations made together with the regional environmental center revealed that the sediment deposited at the bottom of the Tampere plant's equalizing basin contains a slight amount of metals and must be treated before the basin is filled.

MAJOR ENVIRONMENTAL IMPACTS AND THEIR TRENDS

The Tampere plant takes in its service water from the nearby Lake Kaukajärvi. A long hot summer followed by a dry fall drove the water level so low in the lake that water supply to the plant became a problem. Tamfelt had to apply for and was granted a special permission to ensure its water intake. 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 during an unusually cold and long heating season and a higher need for heating over weekends. Thus also emissions of nitrogen oxide and carbon dioxide increased slightly per output ton. Tamfelt continued to take part in an air-quality monitoring scheme run by the city of Tampere.

The total consumption of electricity grew slightly at the Tampere plant, also computed per output ton.

At the two plants, more than half of the waste consists of raw material residue. The amount of landfill waste per output ton from the Tampere plant remained at the level of the previous year. The total amount of waste per output ton grew slightly owing to an increased amount of cloth waste.

The Juankoski plant kept the amount of landfill waste at a low level, recycling 60% of its wastes. The Tampere plant recycled 43% of its wastes.

Both plants sent all hazardous waste to the appropriate disposal contractor. At the Tampere plant, the amount of hazardous waste per output ton almost doubled from the level of the previous years. This was due to the increased use of harmful chemicals in the manufacturing process.

Again, all product groups failed to reach their set targets for raw material reuse. The recycling of cloth waste at both plants stayed at the level of 2001. The Tampere plant channeled 30% of cloth waste for secondary use.

Investigations into the usability for energy of the Tampere plant's landfill waste were completed at the end of 2002. It has proved difficult to find a suitable crusher for cloth waste, in particular. Separate collection of energy waste from production will be organized by early 2003. This will substantially reduce the need for landfilling and help achieve the targets of waste reduction and recycling, as defined by Tamfelt's environmental program.

90% of packing supplied by Tamfelt is reused. The amount of packing material is 280 kg per output ton. The reuse of packing cases continued on an increasing scale.

ENERGY WASTE FROM THE TAMPERE PLANT

The kinds of waste that serve no production purposes but can be burned are referred to separate collection.

This "energy fraction", in the case of the Tampere plant, typically contains cloth waste, contaminated board, plastic, and wood. It must not contain organic waste, metals, or PVC, which is collected separately.

Energy fraction can be used as fuel instead of coal or peat. In heating value, the energy waste produced by the Tampere plant equals to coal and slightly exceeds peat. Its ash content is below 1 % of dry solids, while that of coal is 10-18%. The contents of sulphur and chlorine are very low. Burning of waste helps reduce atmospheric releases from energy production plants compared to fuels such as coal.

Waste as fuel reduces the load on landfill sites. Also the cost of waste treatment is cut to almost a half of the cost of landfilling.

STAKEHOLDER RELATIONS

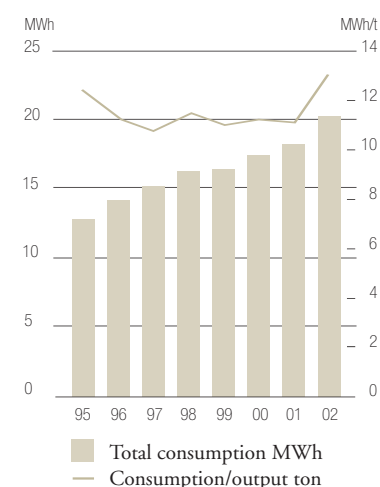
Government officials had no objections to Tamfelt's environmental performance in 2002. The company's employees have actively contributed to upgrading the environmental program. They are committed to the policy and they can

express their opinions through the suggestion scheme. Tamfelt's customers have also asked questions about the management of environmental issues in the company.

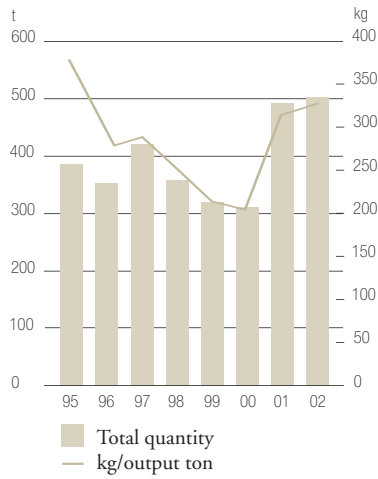
ENVIRONMENTAL POLICY

1. Tamfelt pursues sustainable growth in an environmentally sound manner. Products, processes and procedures are developed applying the best available technologies.
2. Tamfelt seeks to make use of all the raw material supplied. The percentage of raw material utilization will be increased to over 90.
3. Energy use will be improved. Unnecessary consumption of electricity, water and heating energy will be reduced to a minimum.
4. The amount of waste will be reduced annually by 10%. The most important goal is to reduce the amount of slowly decaying wastes.
5. At least 70% of waste will be reclaimed.
6. All hazardous waste will be appropriately disposed of.
7. Tamfelt does not use environmentally hazardous substances in production.
8. Tamfelt observes environmental legislation, rules and regulations in all activities.

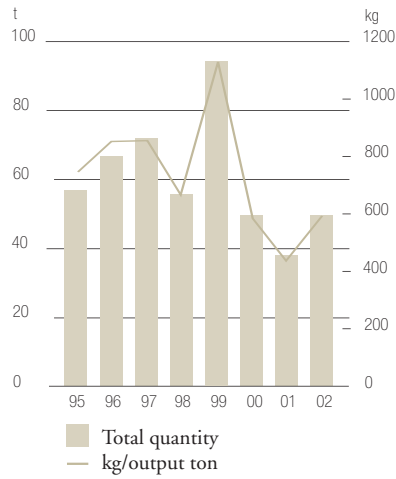
ELECTRICITY CONSUMPTION, TAMPERE PLANT



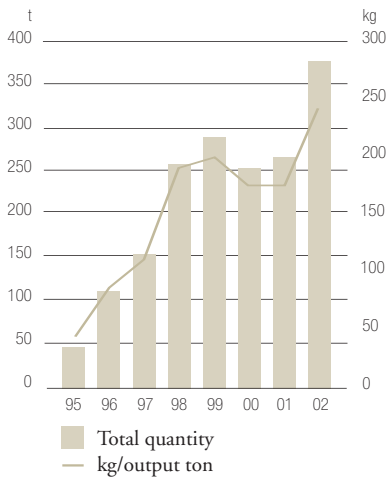
LANDFILL WASTE,
TAMPERE PLANT



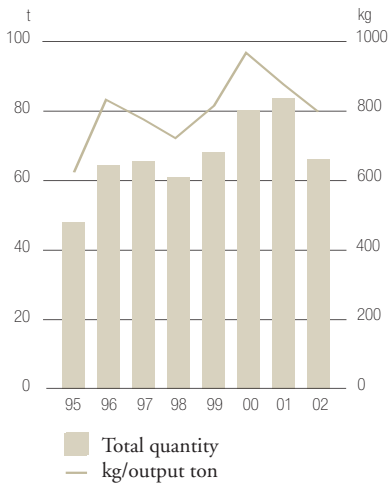
LANDFILL WASTE,
JUANKOSKI PLANT



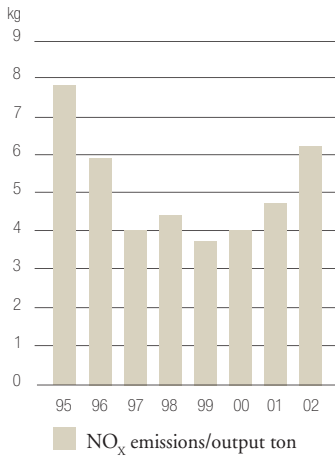
RECOVERED MATERIAL
TAMPERE PLANT



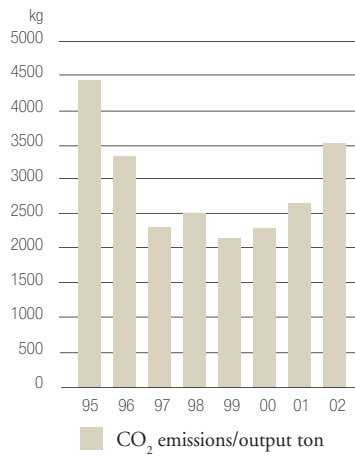
RECOVERED MATERIAL
JUANKOSKI PLANT



NITROGEN OXIDE EMISSIONS,
TAMPERE PLANT



CARBON DIOXIDE EMISSIONS,
TAMPERE PLANT



PRODUCTS

Tamfelt is one of the leading suppliers of technical textiles in the world. The PMC Division (Paper Machine Clothing) produces paper and board machine clothing, and the Filter Fabric Division makes filter fabrics for the forest, mining and chemical industries as well as dry filtration fabrics and ironer felts. All the products are tailored to meet the specific needs of each individual customer and the requirements of the particular machine and position.

PAPER MACHINE CLOTHING

In paper manufacture, clothing (forming fabrics, press felts, shoe press belts and dryer fabrics) is used to transport the web of paper through the process and to remove water. The goal is a trouble-free process enabling customers to produce high-quality paper and board economically and efficiently. The constantly advancing technology of large and high-speed paper machines presents a huge challenge to clothing suppliers. A full-line supplier, Tamfelt provides solutions for the entire ma-

chine, with products and technical services forming a comprehensive package. Correctly chosen clothing results in substantial energy savings, improved runnability and higher paper quality. Tamfelt has proven its expertise as a start-up supplier for large and high-speed SC, LWC, newsprint, fine paper and board machines. Tamfelt works in close cooperation with customers, paper machine manufacturers and research institutes.

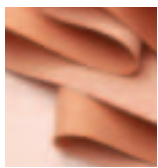
FORMING FABRICS

Tamfelt's forming fabrics are produced at the Juankoski facility. They are woven from synthetic yarns and processed through heat setting and seaming. The key requirements of forming fabrics include excellent runnability, even dewatering capability and repeatable quality. Triple-layer styles account for nearly half of Tamfelts' deliveries of forming fabrics. Intensive product development has added a completely new type of forming fabric to the range, the **Gapmaster**. It was engineered for high-speed paper machines and/or for

the manufacture of the most elaborate paper grades. The patented new application has contributed to extraordinary machine performance, and it has been specially praised for its high wear resistance. Other products of the forming fabric range include Hifi, Multistar, Optistar, ISD, Durastar and Champion.

PRESS FELTS

Press felts are produced at the Tampere facility from synthetic yarns and fibers in a weaving and needling process. The most important requirements for press felts include repeatable quality, good start-up and excellent dewatering performance. The novelty of the range is **Transmaster Open**. Tamfelt was number one in the world to introduce a product, which combines the best qualities of permeable felt and impermeable belt. The benefits of Transmaster Open include fast start-up, high dry content of paper after the press section and superior paper smoothness. The innovation has excited keen interest among customers. A patent is pending.



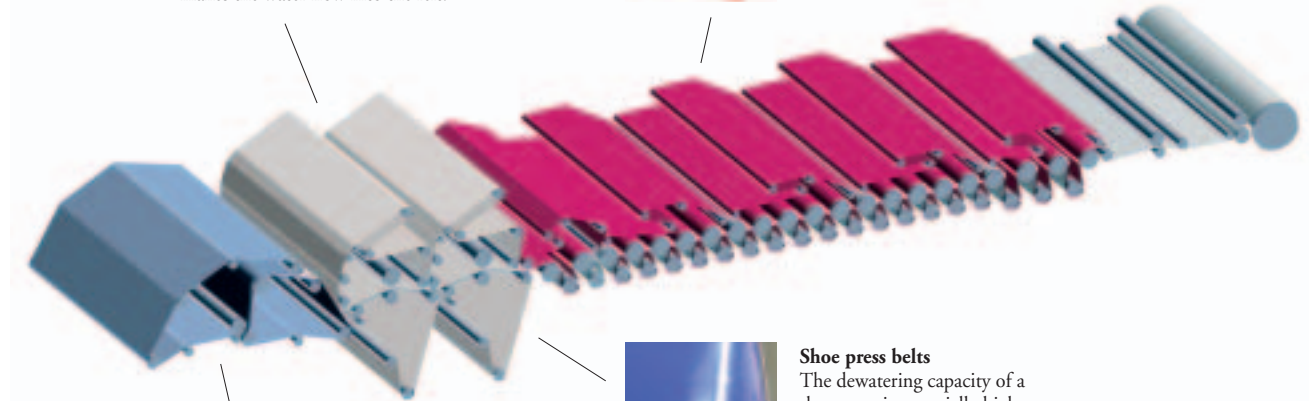
Press felts

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.



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.



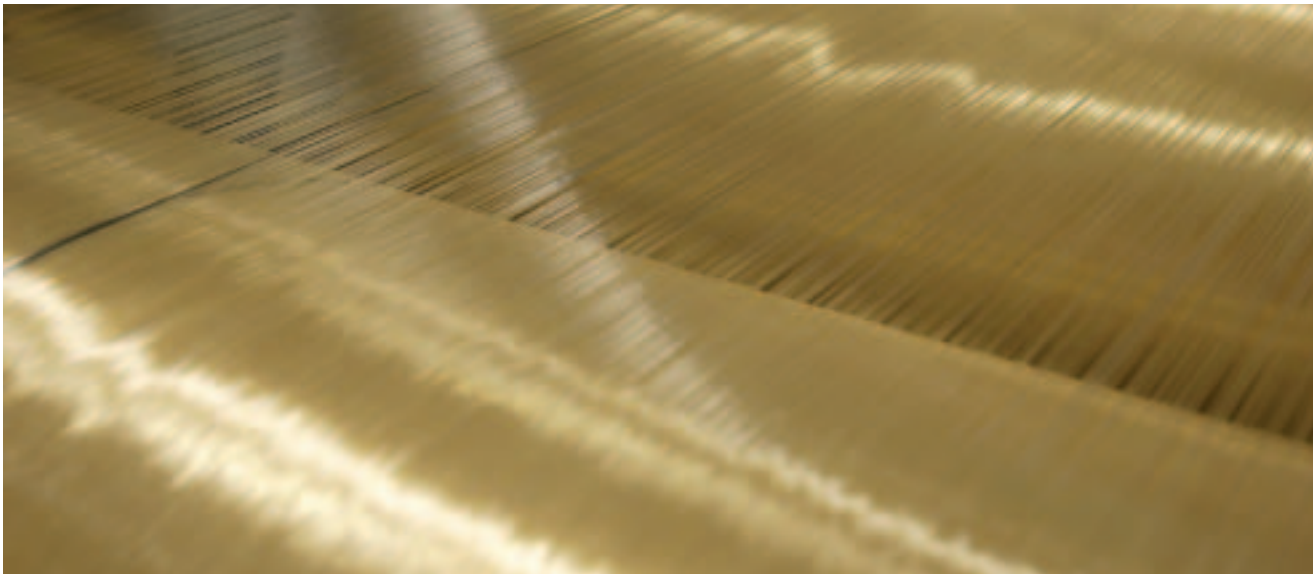
Forming fabrics

The pulp sprayed on the wire section contains 99% water and 1% fibers. 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.



Shoe press belts

The dewatering capacity of a shoe press is essentially higher than that of a conventional roll press. A shoe press is operated with a belt.



Tamfelt's Ecostar range has expanded further. The new Ecostar XF felt is woven with a higher thread count, which enhances the smoothness of paper surface further still and ensures a more even press on the web. The Ecostar press felts have contributed to a number of world record speeds of printing paper machines and they have gained a strong position even on new press concepts employed in paper machines.

The volumes of seamed press felts have grown further, and the Tamseam range continues to be upgraded and expanded. Other press felt products include Laminet, Topstar, Tambat, Aquanet and Aquaduct.

SHOE PRESS BELTS

Tamfelt's shoe press belts are made at the Tampere facility by casting cylindrical roller jackets of polyurethane and reinforcing these with yarns. Investments in standardizing the conditions for belt production together with successful process improvements more than doubled delivery volumes from the previous year. We have excellent references from demanding shoe belt applications, and growth is expected to continue at a high rate in 2003.

Belts are either smooth (**Tambelt S**) or grooved (**Tambelt V**). The key requirements for belts are high wear resistance, non-stretchability, low friction and high dry content in paper. The product has been patented.

DRYER FABRICS

Tamfelt's dryer fabrics are produced at the Tampere facility from synthetic yarns in a weaving, heat-setting and seaming process. The essential requirements of dryer fabrics are good support to the paper or board web, maximum evaporation capacity and non-marking process. Tamfelt's novelty design, the patented **Unistar SL**, was engineered to improve machine runnability in the first groups of the dryer section. The product's even and smooth 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 SL has contributed to outstanding performance on paper and board machines.

Other products include the dryer fabrics Tamstar, Optimax, Tamsol, Tamfil, Silverstar and Thermax as well as carrier ropes.

PRODUCTS

FILTER FABRICS

The Filter Fabric Division specializes in filter fabrics for pulp and paper, mining and chemical industries as well as for sewage treatment plants. By focusing on these areas, Tamfelt has acquired invaluable expertise and know-how in wet filtration. The various units of the Division cooperate closely in production and R&D. Fabrics for dry filtration and ironer felts are the fastest growing product groups. Tamfelt offers expert know-how in the choice of filtration media as well as in solutions for comprehensive filtering processes.

PRODUCTS FOR THE FOREST INDUSTRY

Tamfelt has two major advantages as a filter fabric supplier to the pulp and paper industries: the company's location in Finland, which is a world leader in wood processing technology, and its close cooperation with the major filter manufacturers.

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
- filter fabrics for white or green liquors and dregs
- double press filter fabrics.

PRODUCTS FOR THE MINING AND CHEMICAL INDUSTRIES

Tamfelt supplies filter fabrics to the various processes employed in concentrating plants and in the metallurgical and chemical industries. Tamfelt also produces fabrics for the treatment of community and industrial waste water.

High process temperatures, complex chemical environments, the variety of sludges to be filtered and various particle sizes set high requirements on the fabrics.

The biggest product groups are:

- cloths for automatic pressure filters
- disc filter bags and plastic sectors
- cloths and fabrics for horizontal belt filters

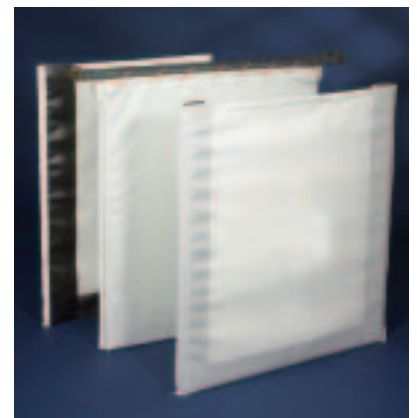
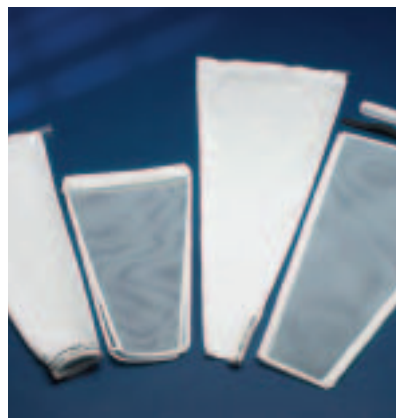
- fabrics for belt filter presses
- press filter cloths
- drum filter cloths
- cloths for electrolysis.

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. Tamfelt's dry filtration products are made at the Fanafel plant in Portugal.

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. Ironer felts must be highly resistant to abrasion, heat and moisture. Tamfelt's ironer felts are produced at the Fanafel plant.



GROUP R&D AND TECHNICAL SUPPORT

RESEARCH AND DEVELOPMENT

Tamfelt's R&D is conducted in cooperation with customers, material suppliers and paper machine manufacturers as well as universities and research institutes. The work is focused on the engineering of new products and the upgrading of existing products as required by customer needs. Each year Tamfelt submits five to ten patent applications.

R&D is controlled by Tamfelt's quality and environmental management systems. Since 1992 Tamfelt has been certified with the SFS-EN ISO 9001 quality standard. We are committed to high quality in everything that we do.

Laboratory analyses of raw materials and finished goods are an essential part of our activities. All materials are tested as they arrive. In the course of production, fabrics are measured and inspected to ensure their compliance with the defined quality requirements.

The cost of R&D was 4.7% of the Group's net sales in 2002.

LABORATORY

The Tampere and Juankoski plants have their respective modern textile and paper laboratory facilities. Laboratory analyses and measurements are an important part of our total service. They include examinations of used cloths and paper and board.

Tamfelt has developed special simulators to monitor the behavior of fabrics on the paper machine. The laboratories employ:

- contamination and abrasion simulators
- press simulators
- dewatering simulators
- forming fabric cleaning simulators.

TECHNICAL SUPPORT

Technical support provides expert services both during the customer's production process and during shutdowns. Monitoring, follow-up, measurements, analyses and reporting are an integral part of our technical services.

Measurements during production help improve the runnability of paper machines and optimize paper quality. During shutdowns, various sections of the machine or clothing can be checked in order to optimize running time and to avoid the risk of damage. Regular monitoring extends the life of the clothing, which improves cost efficiency.

Tamfelt's technical experts provide the following services:

- optimizing customer's processes, clothing, and running practices
- solutions to paper machine problems
- help in paper quality or runnability problems
- special measurements
- joint projects
- acquisition and upgrading of customer service equipment.



PRESS FELTS FOR 120 YEARS

Tammerfors Klädesfabriks Aktie Bolag started the manufacture of press felts in Finland 120 years ago.

The country's first paper machine started up at the Frenckell paper mill in Tampere in 1842. Until then, paper had to be made by hand from rag pulp. Scarce as it was, it could only be used for writing. Everything was changed with the introduction of the paper machine and the new raw material, wood.

Finnish press felt was developed by a Swede. Carl Gustaf Antonius Dahlbom had studied in England and he was employed as Technical Director at Carlsviks Klädesfabrik in Sweden until he was appointed Manager of Tammerfors Klädesfabrik in 1887. At the time the company's main products were woollen and worsted fabrics and yarns.

Several groundwood plants and paper mills were operating in and around Tampere in the early 1870s, and the need for papermaker's felts was a topical issue. C.G.A. Dahlbom was the name of the man who began a serious study of the matter. In this important initiative he was supported by an influential member of the company's board, A. W. Wahren, who was well aware of

the needs of the paper industry. He succeeded in convincing the other shareholders about the viability of Dahlbom's proposition: In the sharpening competition the company would be well off producing this type of special commodity, which could not be produced by everybody. Thus the manufacture of press felts began in 1882.

In Tamfelt's chronicle the early years of this pioneering work are described as follows: "The new product line, in itself one of the toughest within the weaving industry, was the source of great trouble for many years. Products that turned out badly, claims and heavy damages, before even a satisfactory manufacturing skill was achieved. In spite of many hardships Mr. Dahlbom continued to develop the product with admirable energy. He took advantage of the experiences gained, and by investigating the way foreign mills made their felts he enhanced his own knowledge and the skill of the workers. Thus the machine felts of the company started slowly to gain foothold in the domestic market."

This was the first step on the road which took the company away from the traditional textile industry into

supplying the paper industry. But it took almost 80 years before felts overtook broadcloth in importance in the company's production range. 1960 was the first year in which the net sales of the felt mill exceeded those of the woollen mill. The focus had shifted to stay, and the rest is Tamfelt history.





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