

ANNUAL REPORT 2004



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. In addition to the domestic mills in Tampere and Juankoski, the Group has plants in Portugal, Brazil and China.

Tamfelt is one 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 Thursday, March 10, 2005 at Group Headquarters, Yrittäjänkatu 21, Tampere, Finland.

RIGHT TO ATTEND

The right to attend the Annual General Meeting is held by stockholders entered in the register of the Finnish Central Securities Depository on February 28, 2005 at the latest.

ENROLMENT

A stockholder wishing to attend the Annual General Meeting should notify the company by 4.00 p.m. on Tuesday, March 8, 2005. The notifications are requested either by letter addressed to Tamfelt Corp., Stockholder Register, PO Box 427, 33101 Tampere, Finland, by telephone +358 3 363 9111/347, or by e-mail to anu.lehtinen@tamfelt.com. Proxies, if any, should be delivered at the same time.

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

DIVIDEND AND SHARES

The Board of Directors proposes to the Annual General Meeting that a dividend of 0.33 euro be paid on a common share and 0.35 euro on a preferred share for the fiscal year 2004. The dividend record date is Tuesday, March 15 and the dividend will be paid on Tuesday, March 22, 2005, as proposed by the Board of Directors.

Stockholders are entitled to convert common shares into preferred shares on the terms specified in the Articles of Association.

FINANCIAL REPORTS IN 2005

In addition to Financial Account Statement Bulletin and Annual Report for the year 2004, Tamfelt will release three Interim Reports:

- | | |
|---------------------|-------------------|
| • January–March | April 28, 2005 |
| • January–June | August 10, 2005 |
| • January–September | October 27, 2005. |

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 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 Lehtinen
PO Box 427, FI-33101 Tampere
Tel. +358 3 363 9111/347
Fax +358 3 356 0120
E-mail: anu.lehtinen@tamfelt.com

CHANGE OF ADDRESS

Stockholders are requested to notify the book-entry securities register of any change of address; the company will be informed accordingly.

INVESTOR RELATIONS

Tamfelt's IR policy has been designed to provide correct and real-time information to all market participants on a regular and equal basis.

Tamfelt observes a two-week silent period prior to the announcement of the company's interim or full-year results, during which the company's representatives refrain from all comment regarding financial accounts.

Any questions about Tamfelt's business activities can be addressed to:

Risto Hautamäki, President & CEO (until March 31, 2005).
Tel. +358 3 363 9200
Fax +358 3 363 9209
E-mail: risto.hautamaki@tamfelt.com

Jyrki Nuutila, Executive Vice President (President & CEO as of April 1, 2005).
Tel. +358 3 363 9210
Fax +358 3 363 9209
E-mail: jyrki.nuutila@tamfelt.com

INVESTMENT ANALYSES

Investment analyses of Tamfelt have been made by companies including

eQ Bank • Evli Bank Plc • FIM Securities Ltd • Seligson & Co.

Tamfelt shall not be held accountable for the



YEAR 2004 IN BRIEF

NET SALES AND OPERATING INCOME

Tamfelt's consolidated net sales were 133.8 million euros. This was 6.4% up, and the financial performance was up 27.0% on last year. The improvement was attributed to higher volume and a good productivity trend.

BUSINESS ENVIRONMENT

The forest industry is Tamfelt's biggest customer segment. Rapid economic growth increased the demand for paper and board ahead of the long-term average rate. Output volumes grew in all major markets. This led to a fairly strong growth in the demand for paper machine clothing after a couple of sluggish years. In the mining industry, metal prices and volumes have increased and clothing supplies rose clearly above the level of the year before.

A YEAR OF HEAVY INVESTMENT

A number of significant investments were completed in 2004, including the construction of a new press belt factory in Tampere. Production in the new premises started in early 2005. Other major investments included the modernization of weaving, needling and heat setting processes for the press felt production, and expenditure in weaving and seaming machinery for dryer fabrics. For filter fabrics, investments focused on the Portuguese subsidiary Fanafel, where sewing capacity was increased. The sewing of filter fabrics was discontinued in Finland and transferred to Fanafel in 2004.

THE WORLD'S LARGEST MACHINE PRODUCING COATED PACKAGING BOARD STARTED UP WITH CLOTHING SUPPLIED BY TAMFELT

APP Ningbo Xiaogang PM1 in China started up with clothing supplied 100% by Tamfelt. The machine is equipped with Tamfelt's forming fabrics, press felts, shoe press belts and dryer fabrics. The supply included extensive start-up support.

EXTRAORDINARY MEETING OF SHAREHOLDERS

An extraordinary meeting of shareholders held on November 24, 2004 approved the proposal of the Board of Directors for a bonus issue. For the issue, two common shares held entitled to one additional free common share and two preferred shares held entitled to one additional free preferred share.

KEY FIGURES

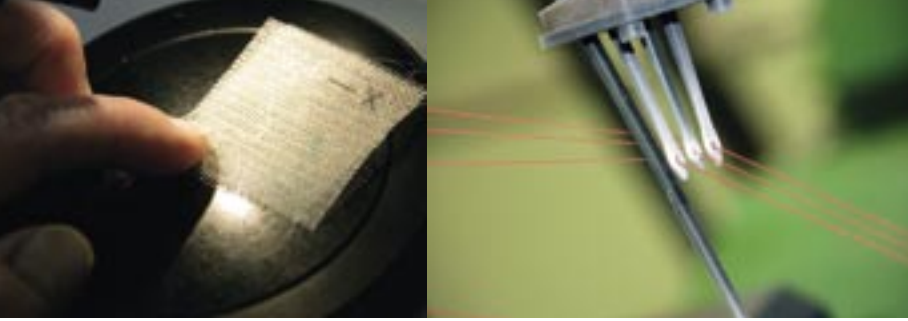
	2004	2003	Change
Net sales, M €	133.8	125.7	6.4%
Income before taxes, M €	16.8	12.6	33.3%
Gross investments, M €	15.4	3.4	352.9%
Earnings/share, €	0.47	0.34	38.2%
Equity/share, €	3.2	3.4	-5.9%
Dividend/share			
common, €	0.33*	0.62	-
preferred, €	0.35*	0.64	-
Return on net assets, %	16.6	11.7	-
Equity/Assets ratio, %	64.7	67.8	-
Personnel, Dec. 31	1,321	1,330	-0.7%

* Board of Directors' proposal

BASIC INFORMATION ON SHARES

Tamfelt shares are quoted on the main list of the Helsinki Exchanges in 'Other industry'.

Trading code		
common share		TAFKS
preferred share		TAFPS
Number of shares		
common share		10,119,198
preferred share		17,236,266
Closing price 2004		
common share		8.05 €
preferred share		7.98 €
Taxation value 2004		
common share		5.52 €
preferred share		5.58 €
Number of votes		
common share		20 votes
preferred share		1 vote
Trading lot in both series		50 shares
Accounting par value of both shares		1.00 €
Total capital stock		27,355,464.00 €
Total number of votes		219,620,226



FOCUSED PROGRESS

VISION

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

MISSION

The Tamfelt Group's mission is to develop, manufacture and sell paper machine clothing, filter fabrics and other technical textiles and related products and services designed to ensure improved competitiveness for the customer and profitable operation of the Group.

TARGET AND STRATEGIES

Tamfelt's business is focused on market leaders in the paper, board, pulp and mining industries.

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

This will be achieved through innovative R&D, professional customer service and investments in new machinery, equipment and technology. The additional capacity will be used to strengthen the company's position in the domestic European market, but also increasingly in North America and Asia.

By implementing these strategies, Tamfelt will consolidate its position as a key supplier to its major customers.

SUCCESS FACTORS

Tamfelt's success factors include:

- operation as 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;
- technically advanced machinery.

DIVIDEND POLICY

At least 50% of Tamfelt's earnings per share are distributed as dividends provided that this will not jeopardize the company's financial position or development. In the past few years, Tamfelt has followed an active dividend policy.



REVIEW BY THE PRESIDENT

Dear Reader,

Tamfelt's 2004 net sales rebounded after two slightly recessionary years. Increasing demand for the products of the forest and mining industries - our key customer groups - boosted the market for our products. While the consumption of paper machine clothing per ton of paper produced keeps decreasing, the demand for all our main products was clearly on the rise. We have been particularly successful in China, where more than half of all new paper machines are deployed. Our active presence in the Chinese market will continue in the current year. Filter fabric shipments to the forest and mining industries set a new record. In the wake of robust economic growth in Asia, the output of and demand for mining industry products are expected to remain high in the next few years. The increasing importance of environmental protection also creates a bright outlook for filter fabrics.

Tamfelt's net sales grew and profitability improved.

The Group's net sales were up 6.4% at 133.8 million euros, which was clearly ahead of the record level of 2001. The operating income was 16.0 million euros, having grown faster than our net sales thanks to investments and production streamlining. Our net income and earnings per share increased clearly as well. All our product groups and companies reported a positive result for 2004.

Competition tightened

There were no major restructuring developments in the clothing industry last year. However, in-company rearrangement continued. Smaller units are being shut down to concentrate production on larger units offering a narrower portfolio of products. Forest industry consolidation has led to the increasing prevalence of corporate agreements. Higher purchasing volumes have tightened competition in the clothing market. At the same time, the payroll cost has risen and raw material prices have gone up. To be able to maintain profitability, the clothing business must continue to enhance productivity and reduce cost structure of the products. Tamfelt was successful in doing this in 2004, but active efforts to this end must continue in the years to come.

Competitive edge through product development

Successful product development is key to the maintenance of competitive edge. It is necessary to increase the performance of paper machines and filters and to improve the quality of paper/board as well as filtrate. Our most successful new developments were related to forming fabrics and press felts. We reinforced our capability by investing in the manufacturing technology of these product ranges. In early 2005, we will start up a new line for shoe press belts to satisfy the demand for belts and to meet increasing product requirements even on the fastest and widest paper machines.

Investor-friendly dividend policy

The downward trend of Tamfelt's share reflected our high dividend payments of recent years and the elimination of tax surplus. Tamfelt's common share fell 28% and preferred share 14% over the year. A bonus issue made at the end of the year provides a tax benefit to stockholders and is expected to stimulate trading. Our investor-friendly dividend policy fortifies the label of our shares as value stock. Tamfelt's equity to assets ratio was 64.7% at the end of the year. Our financial position will remain strong also after the dividend payment of this spring, and it will enable us to continue investments and our strategic course.

Change of President & CEO

My ten-year stint as Tamfelt's President & CEO is now coming to an end. The years have flown by under good stars. The period has included rapid growth, development, and building. I have been lucky to have an opportunity to work with active and highly professional colleagues with a keen desire to develop our company. There have been turbulent times of change, but our entire personnel have always adapted, accommodated, and done their duty to our customers' benefit. In the Tamfelt community, I have had the chance to make acquaintance with a motley crowd of people. Our units in Portugal, China and Brazil have added international flavor. Our sales network covers the worldwide forest and color metal cluster. I am much obliged for such a wide interface with personnel and clientele. I will now hand over the responsibility for the company's management to Jyrki Nuutila and I wish him every success in his new job. We have every reason to believe that Tamfelt will continue on a successful course with him at the helm.

Thank you

I wish to thank our customers and partners for their confidence in Tamfelt. I am much obliged to our employees, who have worked so hard for the best interest of our company and customers.

My thanks also go to Tamfelt's owners and the people engaged in the security market for their appreciation and interest in the company.

We achieved our targets: the net sales grew and the bottom-line results improved.

Risto Hautamäki, President & CEO

TAMFELT INVESTS IN CORE COMPETENCE

RISTO HAUTAMÄKI AND JYRKI NUUTILA

Tamfelt Corp. will get a new President & CEO on the first of April, 2005. A couple of months into the changing of the guard, CEO **Risto Hautamäki** and the future CEO, present Deputy to the CEO, **Jyrki Nuutila** sat down to make an appraisal of the year 2004 and to contemplate the company's outlook and challenges.

Risto, you have served as Tamfelt's President & CEO since 1995. What are the major changes that the business in general and Tamfelt in particular have experienced over the past ten years?

Risto Hautamäki: "Our clientele has undergone great changes. Companies have consolidated into increasingly big groups with high purchasing power. Much of our business is based on annual contracts at the group level."

"Another major change is the concentration of clothing suppliers. And Voith, a paper machine supplier, has made a strong entrance into the clothing market. The market has changed and maybe in a way become more focused."

"We have responded to the challenge from customers and competitors by increasing Tamfelt's volumes organically, by upgrading our plants at Tampere and Juankoski. Their volumes are now one and a half times higher or even double compared to their output ten years back."

How does it feel to leave Tamfelt?

"Last year all our units operated on a profit, so I am truly happy with the development. I will leave Tamfelt feeling light at heart, because the company is in a good position and, in my opinion, well placed to continue positive development."

Jyrki, you know Tamfelt's business well, having been in the company since 1986 and as Deputy to the CEO from 1992. How does it feel to assume responsibility for the presidency?

Jyrki Nuutila: "I find it interesting and at the same time highly challenging, because Tamfelt is such an old and respected company and has been performing so well in recent years. To continue good internal growth and financial performance we must ensure that the entire personnel, one and all, work to maintain favorable development. The good thing is that I know the personnel with whom I will lead the company forward."

Does the change of leadership affect Tamfelt's strategy and, if so, in which way?

Jyrki Nuutila: "As Deputy to the CEO I have contributed to our strategic formulations together with the President & CEO and the Board of Directors. I am strongly committed to those decisions. Corporate management is expected to implement the strategy confirmed by the Board of Directors. I do not see any changes coming to the basic formulations."

How would you describe the year 2004?

Risto Hautamäki: "It was a year of growth and we got back on the growth track in line with our strategy. The growth is backed by an upward trend in the forest industry, and products of the color metal industry have also been in good demand. 2004 was a very successful year."

Jyrki Nuutila: "Balance sheet management and the overall business management have also improved. The reduction of working capital and cash flow management have been embraced by our organization."

Risto Hautamäki: "Our positive earnings trend has been achieved by improved productivity and efficiency. A few new products, such as the belt range, have been really successful. Volumes have grown so much that we are building a new belt factory in Tampere. It will be inaugurated in March."

Jyrki Nuutila: "As to filter fabrics, the mining industry has been enjoying good market conditions and mines are running at all but full capacity. The pulp industry keeps investing quite heavily, which gives us another opportunity for growth. And in filter fabrics supplied to the forest industry we are the global leader with a 20% market share."

"Tamfelt's good profitability was achieved by internal measures. By doing things better and by investing in productivity our profitability increased at a much higher rate than net sales."

What does the Finnish forest cluster mean to Tamfelt?

Risto Hautamäki: "It is important for us to be a part of the Finnish forest cluster, which is one of the world leaders. It offers us a home field with demanding and first-rate customers, who are able to tell us about future product requirements and developments. Our



development base is really strong. Finnish forest corporations have expanded into international markets, mainly to Europe but also to Asia and North America. Finnish paper know-how is a worldwide export article.”

“Paper machine building is another field of expertise in Finland. Metso Paper’s product development and test machines are close at hand. The proximity of paper manufacturers and machine builders has helped us develop and improve. A good example is our belt cooperation with Metso Paper. We have agreed that Tamfelt supplies shoe press belts for Metso’s new machines and rebuilds”.

What are the industry’s prospects and challenges of the near future?

Risto Hautamäki: “Our customer the forest industry is bound up with the growth of gross national product. In Asia and particularly in China, economies have grown rapidly and the rise in paper consumption is higher than elsewhere. This means that the heaviest investments are being made in the Chinese forest industry. More than a half of new paper machines are erected in China, and thus even our current market potential is over there.”

How does this affect Tamfelt’s business?

Risto Hautamäki: “Our challenge is to join the Chinese growth. We have been able to tackle the challenge of the market and have contributed to several paper machine start-ups in China. We have received a record number of orders from Chinese customers. We have a production unit in China, but today most of our deliveries to China are made from our plants in Finland. This, however, may change.”

Jyrki Nuutila: “While internal growth is our first priority, China is a market area where our presence must be increased one way or the other. It remains to be seen how long we can supply the Chinese market from our present production units.”

“Tamfelt focuses on large high-speed paper machines, such as are being built in China. We can say that the market is coming towards us, and this will improve our relative competitiveness. Our own machinery allows us to compete successfully as a clothing supplier to large high-speed paper machines.”

Economic outlook for the forest industry has improved, and after a few weaker years Tamfelt is back on the growth track. Which are the means that the new CEO is going to use to ensure continuing upbeat trend of the company’s operating income?

Jyrki Nuutila: “We must keep the focus in mind. But Tamfelt is a minor player in the entire global market, and we must invest in our core competence both in paper machine clothing and filter fabrics. We remain focused on what we can and seek profitable growth within our core competence.”

Are there any changes in sight in the management style?

Jyrki Nuutila: “I do not think there will be a big change. The continuity of strategic base is good from the organization’s point of view. You can always check the course and steer clear of rocks, but overall predictability is essential. It is important that the personnel understands where we are going. I think it is a great thing that the incentive pay system covers the whole Tamfelt personnel. Each employee contributes to the company’s success.”



BOARD OF DIRECTORS



Mikael von Frenckell, Axel Cedercreutz, Martin Lilius, Jouko Oksanen, Martti Karttunen

MIKAEL VON FRENCKELL, born in 1947

Chairman of the Board.

M.Soc.Sc.

Partner, Sponsor Capital Oy.

Tamfelt Corp.: Deputy member of the Board 1979-1983. Member of the Board since 1983. Deputy Chairman 1990-1995. Chairman since 1995.

Previous track record: Vice Managing Director and member of the Executive Committee of the Union Bank of Finland (1993-1995), Member of the Board of the Union Bank of Finland (1990-1993), Vice Managing Director of Sponsor Capital Oy (1985-1990).

Chairman of Sponsor Capital Oy and Waldemar von Frenckell Foundation.

Vice Chairman of Fiskars Corporation.

Member of the Board of Tamro Corporation.

Tamfelt shares: 150,000 common and 150,000 preferred shares.

AXEL CEDERCREUTZ, born in 1939

Deputy Chairman.

M.Sc. (Eng.), D.Sc. (Tech.) (h.c.).

Swedish consul in Tampere.

Tamfelt Corp.: Member of the Board and Deputy Chairman since 1995.

Previous track record: President of Tamfelt Corp. (1986-1995), Executive Vice President of Tamfelt Corp. (1983-1985).

Tamfelt shares: 397,203 common and 73,959 preferred shares.

MARTIN LILIUS, born in 1947

M.Sc. (Eng.).

Senior Consultant at Management Systems Oy.

Tamfelt Corp.: Deputy member of the Board 1986-1994. Member of the Board since 1994.

Previous track record: Private entrepreneur (1994-1999), Managing Director of Powerpush Oy (1988-1994).

Member of the Board of the Swedish Assembly of Finland and Tamfelt Properties.

Tamfelt shares: 4,197 common and 15 preferred shares.

JOUKO OKSANEN, born in 1951

Chief Financial Officer of Varma Mutual Pension Insurance Company.

M.Sc. (Econ.).

Tamfelt Corp.: Member of the Board since 1995.

Previous track record: Chief Financial Officer of Mutual Insurance Company Pension-Varma (1990-1998), Chief Financial Officer of Fazer Musiikki Oy (1984-1990).

Chairman of F-Kustannus Oy and F-Musiikki Oy.

Vice Chairman of Arek Oy and the Finnish Diabetes Research Society.

Member of the Board of Ahlström Capital Oy.

Tamfelt shares: 600 common and 600 preferred shares.

MARTTI KARTTUNEN, born in 1948

Vice President, Quality and Environment, Metso Paper, Inc. M.Sc. (Eng.).

Tamfelt Corp.: Member of the Board since 2001.

Previous track record: Head of product group, Paper Processing Machinery, Metso Paper, Inc. (1994-2003), Managing Director of Wärtsilä Diesel Oy (1990-1994).

Member of the Board of Allimand S.A.

Tamfelt shares: Holds no Tamfelt shares.

Shares held on December 31, 2004.



CORPORATE GOVERNANCE

Tamfelt's corporate governance is based on Finnish law and the company's Articles of Association. Tamfelt follows the recommendation issued by the Helsinki Exchanges, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers for the governance of listed companies, which took effect on July 1, 2004, as well as the rules and instructions of the Helsinki Exchanges.

ANNUAL GENERAL MEETING

Tamfelt's Annual General Meeting is the supreme decision-making body of the Group. Convened by the Board of Directors, the Annual General Meeting shall be held each year before the end of May. The Annual General Meeting shall discuss the matters prescribed by the Companies Act and Tamfelt's Articles of Association. The most important issues to be decided by the Annual General Meeting include amendments to the Articles of Association, increase or reduction of the capital stock, election of members to the Board of Directors and auditors, adoption of the annual accounts, and distribution of dividend. The Articles of Association are found on Tamfelt's website at www.tamfelt.com/investors.

Pursuant to the Articles of Association, summons to the Annual General Meeting shall be published once in a Finnish-language and once in a Swedish-language newspaper issued in Helsinki and once in a newspaper issued in Tampere, or else sent to the shareholders' addresses, as entered in the share register, not earlier than two (2) months before the latest day of registration provided in Section 4 of the Articles of Association and not later than one (1) week before the date prescribed in Chapter 3a Section 11 of the Companies Act. The summons is also published as a stock exchange release and on Tamfelt's website on the Internet.

SUPERVISORY BOARD

Tamfelt has no supervisory board.

BOARD OF DIRECTORS

Tamfelt's Board of Directors consists of five to nine ordinary members and no more than three deputy members. The members are elected by the Annual General Meeting. The term of Board members terminates at the closing of the first Annual General Meeting following their election. A person turned 70 years is not eligible for the Board of Directors. In 2004 the Board of Directors consisted of five members.

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

Rule of procedure for Board work

The Board of Directors has adopted a rule of procedure, which defines its responsibilities and working principles.

The Board of Directors is responsible for the management of the company and the proper organization of its activities. The Board of Directors deals with matters of far-reaching consequence to the Group's activities or issues of principal importance. Such matters and issues include Group strategy, action plan, powers, long-term agreements, budgets, and major investments and their funding. The Board of Directors also has a supervising responsibility. The Board of Directors appoints the President & CEO, Executive Vice President and other Group executives and determines their remuneration and other terms. Moreover, the Board of Directors prepares matters to be discussed at the Annual General Meeting, decides on the summoning of the meeting, and ensures that the resolutions passed at the meeting are executed.

The duty of the Board of Directors is to promote the interest of the company and all its stockholders.

Board meetings

The Board of Directors holds scheduled meetings. It can also have non-scheduled meetings. A meeting can also be arranged as a teleconference. In 2004 the Board of Directors met eight times. The average participation rate of the members was 98%.

The Board of Directors constitutes a quorum if more than half of its ordinary members - of whom one shall be the Chairman, or in the Chairman's absence the Deputy Chairman - are present.

At the meetings, the Board of Directors is updated on the Group's business, finances and risks. The Board is given fresh reports on the company's performance and financial position and a review of the current affairs of the company and the business line. The reporting shall be extensive enough to allow the Board of Directors to exercise financial supervision of the company.

The Board of Directors makes an annual internal assessment of its performance.

Election of the Board of Directors

The names of candidates announced to the Board of Directors are published in the summons to the Annual General Meeting subject to their nomination being supported by shareholders representing at least 10% of the voting power and provided that the

candidate has given his or her consent. The names of candidates that may be nominated after the publication of the summons will be announced separately.

A person nominated for the first time shall attend the Annual General Meeting in which the election will be made, unless there is a weighty reason to excuse his or her absence.

Board of Directors in 2004

In 2004, the Board of Directors was chaired by Mikael von Frenckell, with Axel Cedercreutz as Deputy Chairman. The other members were Martin Lilius, Jouko Oksanen and Martti Karttunen.

A majority of the members of the Board of Directors must be independent of the company. Besides, at least two members of the Board of Directors included in the majority must be independent of the company's major shareholders. According to the definition of Corporate Governance, all the members of Tamfelt's Board are independent of the company as well as its shareholders.

Résumés of the members of the Board of Directors including details of their financial interest are on page 10 of this Annual Report.

Board committees

The Board of Directors has not found it necessary to establish any committees considering the extent of the company's business, the number of matters to be discussed, and the small size of the Board.

PRESIDENT & CEO

Tamfelt's President & CEO is appointed and dismissed by the Board of Directors. The terms of the office are specified in a written agreement approved by the Board of Directors. The President & CEO is in charge of the day-to-day management of the company in compliance with the instructions and orders of the Board of Directors. Risto Hautamäki continues to serve as the President & CEO of Tamfelt Corp. until March 31, 2005. Jyrki Nuutila will take up the position on April 1, 2005.

EXECUTIVE BOARD

The Group's Executive Board is composed of the President & CEO, Executive Vice President & CFO, the Executive Vice Presidents of PMC Division, Filter Fabric Division and Corporate Planning, the Technical Director, and three personnel representatives.

The Executive Board is chaired by the President & CEO. The Group Executive Board draws up strategic guidelines, action plans and budgets, prepares investment plans and monitors their implementation, allocates resources, and decides on key functions, major operative issues, and supervises the enforcement of its decisions.

Executive Board meetings

The Executive Board meets about once monthly. Major issues dealt with by the Executive Board in 2004 included the implementation of the extensive investment program, substantial start-up contracts, and readjustment of strategic lines.

The Executive Board met 14 times in 2004. Résumés of the members of the Executive Board including details of their financial interest are on pages 14-15 of this Annual Report.

REMUNERATION

Remuneration to the Board of Directors

By a resolution of the Annual General Meeting 2004, the monthly remuneration to the Chairman of the Board is 2,400 euros and to the Deputy Chairman and ordinary members 1,300 euros. The Chairman is also paid 500 euros and the members 400 euros for each meeting and a travel allowance. The members of the Board of Directors receive no remuneration in the form of shares, and they are not covered by option schemes.

Remunerations paid to the Board of Directors in 2004	
Mikael von Frenckell	31,600 euros
Axel Cedercreutz	17,600 euros
Martin Lilius	18,000 euros
Jouko Oksanen	18,000 euros
Martti Karttunen	18,000 euros
Total	103,200 euros

Salaries and remunerations to the President & CEO and the Executive Board

Decisions on management remuneration are made by the Board of Directors. Apart from monthly salary, the President & CEO and the members of the Executive Board can be paid bonuses, which are determined by the company's profit and management performance. The members of the Executive Board also hold stock options from the scheme of the year 2000 and from the 2002 phantom stock scheme. Details of the shares and stock options held by the President & CEO and the members of the Executive Board are on pages 14-15 of this Annual Report.



The President & CEO's salary including benefits in kind and bonuses was 240,000 euros in 2004. The President & CEO holds no stock options from the year 2000 scheme. Instead, he holds 67,500 shares of phantom stock. The President & CEO's pension will be 60% of his earnings under the Finnish TEL insurance scheme. Tamfelt's pension system enables the President & CEO to retire on an old-age pension earliest at the age of 60. The period of notice to resign is 18 months if given by the company or 6 months if given by the President & CEO. The remuneration paid in case of a notice given by the company equals to the salary payable for the period of notice.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The Board of Directors is responsible for the management of the company and for the proper organization of its activities. The President & CEO together with the Group Executive Board ensure the lawfulness and reliability of accounting, asset management and day-to-day management of the company's affairs.

The levels of Tamfelt's invoicing and incoming orders, as well as their profitability are watched daily. Other financial trends are monitored by monthly reports on profit, balance sheet and cash flow for all Group units. Further focus areas are the trends of key figures and major business events.

The Divisions manage their particular business risks assisted by the Group management. The parent company is responsible for financial risk management. Group risk insurance is effected by each unit according to principles established by the parent company.

Tamfelt has no special organization for internal audit function. Internal control is implemented through good planning and supervision in accordance with the instructions given. In subsidiaries, internal control is performed by supervision and also by inspection visits from the parent company. In certain cases outside experts can be employed for an internal audit.

INSIDER ADMINISTRATION

Tamfelt applies the Guidelines for Insiders issued by the Helsinki Exchanges. A list of the company's insiders is available on Tamfelt's website at www.tamfelt.com/investors.

Statutory insiders include the Board of Directors, the President & CEO, the Executive Vice President and the auditors. Insiders by definition include the members of the Group Executive Board, other senior managers, management secretaries and persons responsible for the company's accounting and communication. The insiders are forbidden to trade in Tamfelt's securities within 14 days before the publication of the company's Interim Reports or Annual Accounts.

The company also maintains project-specific insider registers. Tamfelt's register of insiders is maintained by the company's Communications Department. Information on the holdings of insiders is available at the customer service desk of the Finnish Central Securities Depository (Unioninkatu 32 B, 6th floor, Helsinki). This information is also available on Tamfelt's website.

EXTERNAL AUDIT

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 first Annual General Meeting following their election.

The auditors examine the Group's and the parent company's accounts and bookkeeping and audit the parent company's administration. The Board of Directors hears the auditors at least once a year.

The Annual General Meeting 2004 elected Authorized Public Accountants Jari Paloniemi and Veikko Terho as auditors and Authorized Public Accountants Jukka Lahdenpää and Moore Stephens Rewinet Oy Ab as deputy auditors.

All group auditors were paid a total remuneration of 106,000 euros in 2004. The payment of consultation fees unrelated to auditing amounted to 17,500 euros.

COMMUNICATION AND DISCLOSURE

Key information on corporate governance is published on Tamfelt's website at www.tamfelt.com. The company's stock exchange releases are also available on the website immediately after publication.

GROUP EXECUTIVE BOARD



Risto Hautamäki, Jyrki Nuutila, Esko Pessi, Seppo Holkko, Hannu Laine

RISTO HAUTAMÄKI, born in 1945
Chairman of the Group Executive Board, President & CEO (until March 31, 2005).
M.Sc. (Eng.)

Tamfelt Corp.: in the company and as President since 1995. Member of the Group Executive Board since 1995.

Previous track record: Managing Director of Valmet Paper Machinery, Inc. (1990-1994), Vice Managing Director of Valmet Paper Machinery, Inc. (1989-1990).

Member of the Board of Metso Corporation and Wärtsilä Corporation.

Tamfelt shares and stock options: Holds 22,500 common shares and 67,500 shares of phantom stock.

JYRKI NUUTILA, born in 1948
Executive Vice President and Deputy to the CEO. (President & CEO from April 1, 2005).
M.Sc. (Econ.)

Tamfelt Corp.: in the company since 1986; Executive Vice President since 1992. Member of the Group Executive Board since 1986.

Previous track record: Administrative Director of Tamfelt Corp. (1986-1992), Administrative Director of Huurre Oy (1982-1986).

Chairman of the Board of Alakoski Oy.

Member of the Board of the Federation of Finnish Textile and Clothing Industries.

Tamfelt shares and stock options: Holds 48 common and 1,128 preferred shares and 45,000 shares of phantom stock.

ESKO PESSI, born in 1946
Executive Vice President, Filter Fabric Division.
M.Sc. (Eng.)

Tamfelt Corp.: in the company since 1987; member of the Group Executive Board since 1987.

Previous track record: Deputy Manager at Rautaruukki Oy (1985-1987), Sales Manager at Rautaruukki Oy (1978-1985).

Tamfelt shares and options: Holds 1,749 common and 759 preferred shares and 33,750 shares of phantom stock.

SEPPO HOLKKO, born in 1950
Executive Vice President, PMC Division (Paper Machine Clothing).
M.Sc. (Eng.)

Tamfelt Corp.: in the company since 1998; member of the Group Executive Board since 1998.

Previous track record: Area Manager in Asia for Valmet Corporation (1995-1997), Sales Manager and Plant Manager of Valmet Paper Machinery, Inc. (1983-1995).

Member of the Board of Paper-Machine Clothing Association (PCA).

Member of the Advisory Board of Tampere Polytechnic, Pulp and Paper Technology.

Tamfelt shares and stock options: Holds 1,548 preferred shares, 4,000 options and 45,000 shares of phantom stock.

HANNU LAINE, born in 1947
Executive Vice President, Corporate Planning; General Manager of Tamfelt - GMCC (Tianjin) Paper Machine Clothing Co., Ltd.
M.Sc. (Eng.)

Tamfelt Corp.: in the company since 1979; member of the Group Executive Board since 1990.

Previous track record: President of Tamfelt Inc. (1995-2000), Executive Vice President, Corporate Planning, Tamfelt Corp. (1990-), Vice President of Tamfelt Inc. (1986).

Tamfelt shares: Holds 1,348 preferred shares.



Jukka Huhtiniemi, Jarmo Järviö, Pirkko Järvelä, Jaakko Räsänen

JUKKA HUHTINIEMI, born in 1954

Technical Director.

M.Sc. (Eng.)

Tamfelt Corp.: in the company since 1985; member of the Group Executive Board since 2000.

Previous track record: Production Manager of Tamfelt Corp. (1996-1999), Production Manager of Formtec Inc. (1990-1995).

Tamfelt shares and options: Holds 399 preferred shares and 20,000 options.

JARMO JÄRVIÖ, born in 1955*

Machine operator. Chief shop steward at the Tampere Plant. Vocational school: welder.

Tamfelt Corp.: in the company since 1984; member of the Group Executive Board since 1997.

Tamfelt shares: Holds no Tamfelt shares.

PIRKKO JÄRVELÄ, born in 1947*

Office Manager. Clerical personnel representative, Tampere. B.Sc. (Econ.)

Tamfelt Corp.: in the company since 1983; member of the Group Executive Board since 2003.

Previous track record: Office Manager at Sestomarkkinat (1974-1980), Secretary to Stockmann Department Store Manager (1970-1973).

Member of the Board of Sukkamestarit Oy.

Tamfelt shares: Holds 1,164 preferred shares.

JAAKKO RÄSÄNEN, born in 1947*

Chief shop steward at the Juankoski Plant. Primary school.

Tamfelt Corp.: in the company since 1978; member of the Group Executive Board since 1997.

Tamfelt shares: Holds 750 preferred shares.

*Personnel representatives.

Shares and options held on December 31, 2004.



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ANNUAL REPORT

MARKET SITUATION AND CHANGES IN BUSINESS ENVIRONMENT

Tamfelt Group's main products are paper machine clothing and filter fabrics for the paper, board and pulp industries. Filter fabrics are also supplied to the mining and chemical industries and to wastewater treatment plants and commercial laundries.

The forest industry is Tamfelt's biggest customer segment. Rapid economic growth increased the demand for paper and board above the long-term average, and the capacity utilization rate rose for most paper and board machines. Output volumes grew in all major markets, including Northern America after an interval of several years. This led to a fairly strong growth in the demand for paper machine clothing after a couple of sluggish years. The dollar's consistent decline against the euro slowed down exports from Western Europe to North America and Asia.

The consumption of clothing per paper ton, or specific consumption, has been declining slightly. The specific consumption of forming fabrics, in particular, has decreased following the ever-increasing durability of advanced fabric types. The consumption of felts and dryer fabrics is more in line with the growth of paper production.

In 2004, Tamfelt contributed as clothing supplier for a number of paper machine start-ups and rebuilds worldwide. Supplies of paper machine clothing to the forest industry were up from the previous year. Exports grew fastest to China, Scandinavia and Western Europe. In the European market, Tamfelt is a major supplier to paper machines over five meters wide and the market leader in forming fabrics engineered for SC paper machines and gap former positions. In the domestic market, the sales of PMC products (Paper Machine Clothing) were slightly down, with press belts as an exception. At the same time, however, market shares have been expanding.

Tamfelt is a world-class supplier of filter fabrics to the mining and chemical industries, pulp mills and commercial laundries. Key market segments also include industrial and municipal wastewater treatment and dry filtration. Tamfelt has grown into the biggest supplier of filter fabrics to the forest industry worldwide, with over 20% of the market. Filter fabric shipments to the forest industry reached a new record level. In the mining industry, metal prices and volumes have been increasing, and Tamfelt's deliveries were clearly above the level of the year before.

SALES AND EARNINGS

The consolidated net sales were 133.8 million euros (up from 125.7). The increase was 6.4%. The net sales of both PMC products and filter fabrics were up. Foreign

operations contributed 63% (60) of the consolidated net sales. Net sales in dollars accounted for 12% (17).

The Group's operating profit was 16.0 million euros (up from 12.6), corresponding to 12.0% (10.0%) of net sales. Consolidated profit before extraordinary items was 16.8 million euros (12.6). Net income for the period was 13.0 million euros (9.4). Return on net assets was 16.6% (11.7), return on equity 14.4% (9.1) and equity/assets ratio 64.7% (67.8). Earnings per share were 0.47 euros (0.34). The improvement was attributed to higher volume and a good productivity trend.

Group liquidity remained good throughout the year. On the balance sheet date, interest-bearing loans amounted to 15.4 million euros (13.1) and the book value of liquid assets to 4.7 million euros (13.2). The Group's net financial income totaled 0.8 million euros (0.0).

The net sales of Tamfelt's Chinese joint venture grew in its fourth year of operation. The net sales of Tamfelt's North American subsidiaries and the Brazilian filter fabric operation were also up. Shipments of ironer felts from Tamfelt's Portuguese subsidiary Fanafel continued to grow, and the supplies of dry filtration media were up on the previous year.

Tamfelt's order backlog is good and order volumes are ahead of last year.

The parent company's net sales were 113.9 million euros (107.4). Operating profit was 10.0 million euros (7.6) and net income before extraordinary items 13.9 million euros (7.7). The parent company's extraordinary items include group contribution from Tamfelt Kiinteistö Oy (Tamfelt Properties). Exports accounted for 56% (53) of the parent company's net sales.

STOCK

Average all-share index prices rose 3.3% on the Helsinki Exchanges. The HEX portfolio index rose 14.6%. Tamfelt's common share fell 28.1% from 11.20 to 8.05 euros, and preferred share fell 13.9% from 9.67 to 7.98 euros. Trading in Tamfelt stock on the Helsinki Exchanges totaled 36.7 million euros (36.3). Turnover in common shares was 11.2% (5.8) of the company's total common stock. Turnover in preferred shares was 18.1% (20.7) of the company's total preferred stock. No conversions were made from common to preferred shares in 2004.

An extraordinary meeting of shareholders held on November 24, 2004 approved the proposal of the Board of Directors for a bonus issue. For the issue, two common shares held entitled to one additional free common share and two preferred shares held entitled to one additional free preferred share. The increase of

capital stock by 9,113,988.00 euros was entered in the Trade Register on November 29, 2004.

Stock options from the year 2000 scheme were exercised to subscribe for a total of 13,500 preferred shares, which increased Tamfelt's capital stock by 13,500.00 euros. The company's capital stock is 27,355,464.00 euros, consisting of 10,119,198 common shares and 17,236,266 preferred shares.

The Board of Directors held an authorization from the extraordinary meeting of shareholders of December 12, 2003 to decide on the acquisition and conveyance of the company's own shares. Effective until December 12, 2004, the authorization was not exercised.

According to Tamfelt's dividend policy, at least 50% of the company's earnings per share shall be distributed as dividend provided that this will not jeopardize the company's financial position or development. The Board of Directors will propose to the Annual General Meeting that a dividend of 0.33 euros be paid on a common share and 0.35 euros on a preferred share. The total proposed dividend amounts to 9.4 million euros (17.2), corresponding to 72.3% of the net income.

INTRODUCTION OF IFRS

Tamfelt Group will adopt IFRS for its reporting as from the beginning of 2005. A stock exchange release on the introduction of the new standards will be issued by the end of April. The release will contain the stockholders' equity of the opening balance sheet per January 1, 2004 including a bridge to IFRS as well as 2004 consolidated income statement, balance sheet and quarterly key figures on both IFRS and FAS basis.

Changes are reported to apply to the following accounting principles: valuation of inventories, consolidation of associated companies, dealing with financial instruments and employment benefits, and imputed tax liability. The changes will increase stockholders' equity in the opening balance sheet at January 1, 2004

by 2.7 million euros. An IFRS statement will require the presentation of more comprehensive financial data and notes and more detailed accounting principles.

INVESTMENTS

The Group's gross investments of 15.4 million euros (up from 3.4) were clearly above the planned depreciation of 8.3 million euros.

A number of significant investments were completed in 2004, including the construction of a new press belt factory in Tampere. Production in the new premises started in early 2005. Other major investments included the modernization of weaving, needling and heat setting processes for the press felt production, and expenditure in weaving and seaming machinery for forming and dryer fabrics.

For filter fabrics, investments focused on the Portuguese subsidiary Fanafel, where sewing capacity was stepped up. The sewing of filter fabrics was discontinued in Finland and transferred to Fanafel in 2004.

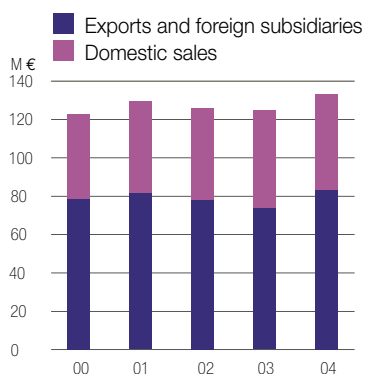
RESEARCH AND DEVELOPMENT

Tamfelt's R&D function cooperates with customers, raw material suppliers and paper machine manufacturers as well as universities and research institutions. Joint initiatives are designed to improve filtration, paper quality, paper machine runnability and economy. Extensive projects are under way to upgrade fabric structures and raw materials. The cost of R&D was 2.7% (2.8) of the Group's net sales.

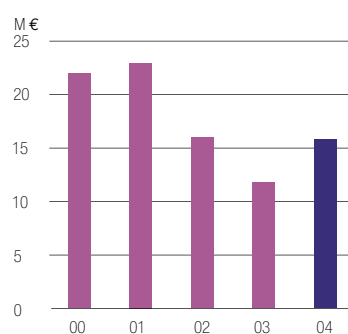
NEW PRESIDENT & CEO

Mr. Jyrki Nuutila, M.Sc. (Econ.) was appointed President and CEO of Tamfelt Corp. by the company's Board of Directors on December 15, 2004. He will take office on April 1, 2005. Jyrki Nuutila is presently serving the company as Executive Vice President and Deputy to the CEO at Tamfelt Corp.

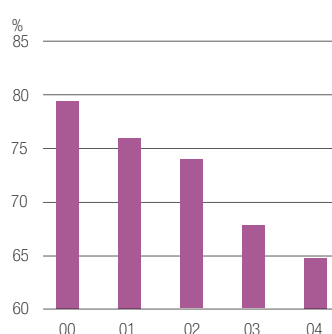
Net Sales, Consolidated



Operating Income, Consolidated



Equity/Assets Ratio, Consolidated



PERSONNEL

The Group employment averaged 1,325 (1,344) people, of whom 1,047 (1,083) in the parent company. On the last day of 2004, 1,321 (1,330) people were on the Group's payroll. The parent company's employment was 1,038 (1,058). The reduction was due to productivity improvement measures taken at the Tampere and Juankoski plants over the year.

The average length of employment at the Group level was 12 years (13). At the end of 2004, the average age of personnel was 40 years (42). Of the parent company personnel, 24% had been at Tamfelt for less than five years and 31% for 20 years or more. Labor turnover at the Group level was 4.2% (4.4). Over the year, 74 employees moved to new jobs within the company. Absenteeism through sickness was 6.4% (5.6) of the theoretical regular working time. The average pension age rose from 59 to 60 years.

Personnel development schemes focused on supervisory skills, project management and technological competence.

Tamfelt publishes an annual personnel report, which provides more detailed information the subject.

ENVIRONMENT

Tamfelt's environmental management system under the SFS-EN ISO 14001 standard covering the Tampere and Juankoski plants was certified in 1998. The level of Tamfelt's environmental protection fulfils the current statutory requirements.

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 the environment. 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.

The key development projects of the year 2004 focused on the reduction of adverse environmental impact resulting from Tamfelt's activities. The environmental permit for the Tampere facility was renewed. The Tampere plant participates in the emissions trading system on account of the aggregate output of the heating station boilers needed for the burning of natural gas. The quality and environmental systems were audited by SFS in April. Self-assessment based on quality award criteria was continued.

Most of the waste generated by the parent company consists of raw material residue. The amount of landfill waste from the Tampere plant grew 8% per output ton. The growth was mainly attributed to difficulties in finding suitable equipment and partner for the crushing of energy waste. At Juankoski, the amount of landfill waste per output ton fell 10%. The percentage of waste recycling was 45 at the Tampere plant and 30 at Juankoski.

Tamfelt issues an annual environmental report, which provides detailed information on the company's environmental performance.

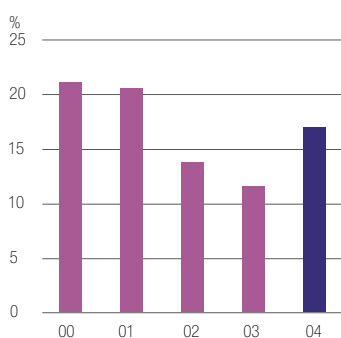
BUSINESS OPERATIONS

Paper machine clothing (PMC) comprises forming fabrics, press felts and fabrics, press belts and dryer fabrics. Tamfelt is one of the leading suppliers of paper machine clothing to wide Western European paper machines. High-quality technical expertise, customer support and laboratory services back up the supplies.

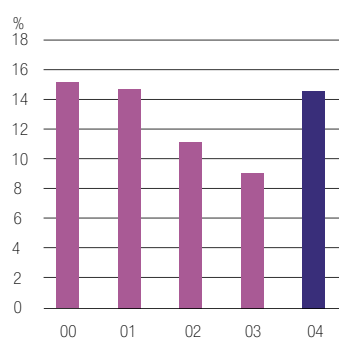
Filter fabrics are produced mainly for the forest, chemical and mining industries. Tamfelt is the leading supplier of ironer felts for commercial laundries and filter fabrics for the forest industry. As a supplier to the mining industry, Tamfelt concentrates on certain types of filters and has earned a significant presence in the market.

The net sales of PMC products manufactured in Finland grew year-on-year. Most of the growth came from press belts and forming fabrics. All product groups hit new production records. Thanks to the favorable market

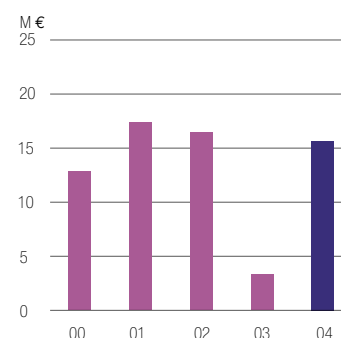
Return on Net Assets, Consolidated



Return on Equity, Consolidated



Investments, Consolidated



situation Tamfelt was able to raise sales volumes. Delivery volumes were augmented by continued reduction of stocks and improved productivity.

Apart from press belts, the sales of PMC products in the domestic market were slightly down. Exports grew heavily, driven by China, Scandinavia and Western Europe. Rapid economic growth was reflected in the volume of new orders, which was clearly ahead of the year before. Major orders for clothing to paper and board machine start-ups as well as rebuilds came in from all main market areas, notably from China, Western Europe and Finland. The steeply declining dollar slowed down profitability improvement and reduced the average sales prices slightly.

The use of filter fabrics in the forest industry increased, and the sales reached an all-time high. Clothing supplies to the mining industry also grew clearly year-on-year. Shipments to wastewater treatment plants remained flat. The net sales of filter fabrics produced in Finland were up on the previous year.

SUBSIDIARIES

Chinese joint venture

For Tamfelt's Chinese joint venture in Tianjin, 2004 was the fourth full year in operation. Its net sales and financial performance were clearly better when compared with last year.

Tamfelt PMC, North America

Tamfelt's North American sales companies reached their budgeted net sales and performance targets. They continued to expand their customer base and were earning increasing shares of the select market of large and high-speed paper machines. Customer service resources were enhanced and further personnel training was provided in an effort to satisfy increasing market requirements.

Fanafel Lda.

Fanafel is the leading manufacturer and supplier of commercial ironer felts worldwide. Its next most important production line makes dry filtration fabrics for applications in environmental protection and in processing industries. The company is a major supplier to this customer segment in Portugal and the near markets. Fanafel is also a distributor of Finnish-made PMC products in the Portuguese market and sews articles for the Filter Fabric unit operating in Finland.

Fanafel's net sales and profitability remained good. The supplies of ironer felts and dry filtration products were up on the previous year. Exports accounted for 80% of the sales. The manufacture of PMC products was discontinued at the end of 2004.

Tamfelt Tecnologia em Filtração Ltda.

Operating in Brazil since 1999, the company exceeded its sales target and recorded good profitability for 2004. The country's export-oriented mining industry was operating at a remarkably high rate, boosting the demand for filter fabrics. The sales of filter fabrics to the pulp industry were ahead of budget.

OUTLOOK

In the wake of global economic growth, the demand for paper continues to grow and the consumption of clothing will increase, though slower than in 2004. In the mining industry, the market trend for iron and color metals is expected to remain positive to increase the demand for filter fabrics.

Effective capital spending and productivity improvement will remain the focus of attention. Investment expenditure has been scaled to correspond to depreciation, and the company continues to generate strong cash flow.

If the conditions of the forest and mining industries evolve as anticipated and no unforeseeable changes occur in global economy, the prediction is that Tamfelt's net sales will grow and the return on assets as well as financial performance will remain good.

CONSOLIDATED STATEMENT OF INCOME

Jan. 1 - Dec. 31 (1 000 €)

	Note	Consolidated				Parent company			
		2004	%	2003	%	2004	%	2003	%
NET SALES	1.	133 760	100	125 698	100	113 902	100	107 360	100
Change in finished goods inventory and work in progress +/-		-1 492		-3 083		-2 028		-3 684	
Other operating income	2.	157		569		241		569	
Materials and services	3.	27 822		25 323		20 220		17 994	
Personnel expenses	4.	56 489		52 721		51 027		47 694	
Depreciation and write-downs	5.	8 334		8 404		7 141		7 253	
Other operating expenses		23 749		24 128		23 684		23 735	
		<u>-116 394</u>		<u>-110 576</u>		<u>-102 072</u>		<u>-96 676</u>	
OPERATING INCOME		16 031	12	12 608	10	10 043	9	7 569	7
Financial income and expenses	6.	788		10		3 834		172	
INCOME BEFORE EXTRAORDINARY ITEMS		16 819	13	12 618	10	13 877	12	7 741	7
Extraordinary items	7.	-		-		1 544		1 860	
INCOME BEFORE APPROPRIATIONS AND TAXES		16 819	13	12 618	10	15 421	14	9 601	9
Appropriations		-		-		-2 235		3 351	
Direct taxes	8.	-3 846		-3 362		-2 936		-3 869	
Minority interest		-17		132		-		-	
NET INCOME FOR THE YEAR		<u>12 956</u>	10	<u>9 388</u>	7	<u>10 250</u>	9	<u>9 083</u>	8

CONSOLIDATED BALANCE SHEET

Dec. 31 (1 000 €)

	Note	Consolidated				Parent company			
		2004	%	2003	%	2004	%	2003	%
ASSETS									
FIXED AND OTHER LONG-TERM ASSETS 9.									
Intangible assets		4 710		4 154		4 665		3 999	
Tangible assets		71 914		66 456		57 137		54 458	
Long-term investments		1 106		195		37 437		36 526	
		<u>77 730</u>	57	<u>70 805</u>	52	<u>99 239</u>	70	<u>94 983</u>	67
INVENTORIES AND CURRENT ASSETS									
Inventories	10.	28 807		29 624		22 183		23 234	
Long-term receivables	11.	201		141		201		141	
Short-term receivables	12.	25 140		23 302		20 043		19 905	
Short-term investments	13.	796		4 199		–		–	
Cash and bank		3 913		9 006		461		3 847	
		<u>58 857</u>	43	<u>66 272</u>	48	<u>42 888</u>	30	<u>47 127</u>	33
		<u>136 587</u>	100	<u>137 077</u>	100	<u>142 127</u>	100	<u>142 110</u>	100
STOCKHOLDERS' EQUITY AND LIABILITIES									
STOCKHOLDERS' EQUITY 14.									
Capital stock		27 355		18 228		27 355		18 228	
Share premium account		66		4 430		66		4 430	
Retained earnings		47 755		60 742		22 347		35 130	
Net income for the year		12 956		9 388		10 250		9 083	
		<u>88 132</u>	65	<u>92 788</u>	68	<u>60 018</u>	42	<u>66 871</u>	47
MINORITY INTEREST									
		177		162		–		–	
APPROPRIATIONS									
		–		–		28 208	20	25 973	18
STATUTORY RESERVES 15.									
		771	1	771	1	771	1	771	1
LIABILITIES									
Imputed tax liability	16.	8 591		9 077		–		–	
Long-term liabilities	17.	8 844		11 783		8 068		10 289	
Short-term liabilities	18.	30 072		22 496		45 062		38 206	
		<u>47 507</u>	31	<u>43 356</u>	31	<u>53 130</u>	37	<u>48 495</u>	34
		<u>136 587</u>	100	<u>137 077</u>	100	<u>142 127</u>	100	<u>142 110</u>	100

CONSOLIDATED STATEMENT OF CASH FLOWS

Jan. 1 - Dec. 31 (1 000 €)

	Consolidated		Parent company	
	2004	2003	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES				
Cash from sales	132 548	126 877	114 265	107 265
Cash from other operating income	383	637	372	637
Operating expenses	-105 177	-103 387	-94 624	-90 197
Cash before financing activities and taxes	27 754	24 127	20 013	17 705
Financing activities	-868	13	2 285	202
Taxes	-5 468	523	-4 336	942
Cash flow from operating activities before extraordinary items	21 418	24 663	17 962	18 849
Cash flow from extraordinary items	-	-	1 544	1 860
Net cash from operating activities	21 418	24 663	19 506	20 709
CASH FLOW FROM INVESTING ACTIVITIES				
Investment in tangible and intangible assets	-14 433	-3 298	-10 486	-2 406
Other investments	-918	66	-884	-64
Cash flow from investing activities	-15 351	-3 232	-11 370	-2 470
Cash flow before financing	6 067	21 431	8 136	18 239
CASH FLOW FROM FINANCING ACTIVITIES				
Capital stock increase	79	4 938	79	4 938
Withdrawal of long-term loans	-	7 151	-	7 095
Repayment of long-term loans	-974	-896	-919	-896
Net change in short-term loans	3 500	-	6 500	3 600
Change of minority interest	15	-172	-	-
Dividends paid	-17 182	-29 324	-17 182	-29 324
Cash flow from financing activities	-14 562	-18 303	-11 522	-14 587
Net increase (+)/decrease (-) in cash	-8 495	3 128	-3 386	3 652
Cash at beginning of year	13 205	10 077	3 847	195
Cash at end of year	4 710	13 205	461	3 847

SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared in compliance with the accounting standards applicable at the beginning of the financial period.

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 power. Participating interests 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, to be 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 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, all indirect taxes, discounts, and exchange rate differences have been deducted from the sales revenue.

RECEIVABLES AND LIABILITIES IN 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 they also include indirect costs of production.

SHORT-TERM INVESTMENTS

Certificates of claim 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 certificates of claim is booked in interest income. The difference between acquisition cost and nominal value is allocated as an increase or decrease of interest income. If certificates of claim 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

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

PENSION LIABILITY IN FINLAND

Liability for working employees is covered by pension insurance corporations. Future expenditure in old-age pensions is booked in statutory reserves. The parent company is responsible for voluntary, unregistered old-age pensions. This liability is recorded as expenses.

ENVIRONMENTAL EXPENDITURE

Environmental expenditure is booked as expenses of the financial period during which it arose, with the exception of machinery and equipment, which is depreciated according to plan over 3 to 5 years by the straight line method.

FINANCIAL DATA, NOTES

STATEMENT OF INCOME (1000 €)

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

	Consolidated				Parent company			
	2004	%	2003	%	2004	%	2003	%
1. NET SALES IN THE VARIOUS MARKET AREAS								
Nordic countries	64 711	48	62 819	50	63 799	56	62 283	58
Other Europe	41 559	31	38 343	30	28 497	25	26 661	25
North America	12 058	9	10 809	9	8 253	7	7 785	7
Far East	12 106	9	9 604	8	11 331	10	8 201	8
Other countries	3 326	3	4 123	3	2 022	2	2 430	2
Total	133 760	100	125 698	100	113 902	100	107 360	100
2. OTHER OPERATING INCOME								
Gains on the disposal of fixed assets	33		401		22		401	
Rental income	25		25		109		110	
Other	99		143		110		58	
Total	157		569		241		569	
3. MATERIALS AND SERVICES								
Purchases during the year	27 598		23 911		19 406		17 249	
Change in inventories	-921		722		-977		-158	
Outsourced and subcontracted services	1 145		690		1 791		903	
Total	27 822		25 323		20 220		17 994	
4. PERSONNEL EXPENSES								
Remunerations to directors and presidents	671		660		333		318	
Other remunerations	43 321		39 920		39 493		36 393	
Pension expenses	8 280		7 914		7 687		7 402	
Other social expenses	4 217		4 227		3 514		3 581	
Total	56 489		52 721		51 027		47 694	
Number of employees								
Average	1 325		1 344		1 047		1 083	
Year-end	1 321		1 330		1 038		1 058	

	Consolidated		Parent company	
	2004	2003	2004	2003
5. PLANNED DEPRECIATION				
Intangible rights	576	560	576	560
Consolidated goodwill	40	20	-	-
Other long-term expenditure	316	177	202	70
Buildings	610	582	125	125
Machinery and equipment	6 779	6 923	6 225	6 356
Other tangible assets	13	142	13	142
Total	8 334	8 404	7 141	7 253
6. FINANCIAL INCOME AND EXPENSES				
Dividend income	4 666	134	8 113	829
Interest income from long-term investments	7	13	7	13
Other interest and financial income				
From Group companies	-	-	-	-
From others	517	382	410	234
Impairment of financial instruments	-1	42	-	-
Interest expenses and other financial expenses				
To Group companies	-	-	-396	-466
To others	-4 401	-561	-4 300	-438
Total	788	10	3 834	172
7. EXTRAORDINARY ITEMS				
Group subsidies	-	-	1 544	1 860
8. DIRECT TAXES				
Taxes for the year	4 325	4 360	2 932	3 870
Taxes for previous years	4	-1	4	-1
Change in imputed tax liability*	-483	-997	-	-
Total	3 846	3 362	2 936	3 869
* Change in imputed tax liability				
Reperiodizing	-191	-231		
Integration	-130	-114		
Appropriations**	-162	-880		

** Includes 916 euros of imputed tax liability entered as income owing to change in corporate tax base.

BALANCE SHEET (1 000 €)

9. FIXED AND OTHER LONG-TERM ASSETS

	Acquisition cost	Increase Jan. 1 through Dec. 31	Decrease Jan. 1 through Dec. 31	Translation differences	Acquisition cost	Accumulated depreciation according to plan, Dec. 31	Book value
	Jan. 1	Dec. 31	Dec. 31		Dec. 31	Dec. 31	Dec. 31
2004							
CONSOLIDATED							
<u>Intangible assets</u>							
Intangible rights	7 862	337			8 199	-4 730	3 469
Consolidated goodwill	1 059				1 059	-1 059	0
Other long-term expenditure	1 444	1 112		-4	2 552	-1 310	1 242
<u>Tangible assets</u>							
Land and water	942				942		942
Buildings	20 541	3 023			23 564	-10 098	13 466
Machinery and equipment	139 590	10 216	-309	-74	149 423	-93 711	55 712
Other tangible assets	1 580		-1 111		469	-338	131
Advance payments and construction in progress	780	1 659	-775		1 664		1 664
<u>Investments</u>							
Shares and holdings	194	918	-7		1 105		1 105
Shares and holdings in associated companies	1				1		1
Total	173 993	17 265	-2 202	-78	188 978	-111 246	77 730
Machinery and equipment							53 369
PARENT COMPANY							
<u>Intangible assets</u>							
Intangible rights	8 546	337			8 883	-5 415	3 468
Other long-term expenditure	890	1 111			2 001	-804	1 197
<u>Tangible assets</u>							
Land and water	767				767		767
Buildings	4 888				4 888	-859	4 029
Machinery and equipment	122 691	9 242	-152		131 781	-81 236	50 545
Other tangible assets	1 580		-1 111		469	-337	132
Advance payments and construction in progress	604	1 658	-598		1 664		1 664
<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	192	918	-7		1 103		1 103
Other receivables from Group companies	692				692		692
Total	176 492	13 266	-1 868	0	187 890	-88 651	99 239
Machinery and equipment							48 892
2003							
CONSOLIDATED							
<u>Intangible assets</u>							
Intangible rights	7 533	329			7 862	-4 152	3 710
Consolidated goodwill	1 059				1 059	-1 019	40
Other long-term expenditure	1 350	104		-10	1 444	-1 040	404
<u>Tangible assets</u>							
Land and water	942				942		942
Buildings	20 362	179			20 541	-9 482	11 059
Machinery and equipment	137 589	2 395	-175	-219	139 590	-87 171	52 419
Other tangible assets	1 512	68			1 580	-324	1 256
Advance payments and construction in progress	457	780	-457		780		780
<u>Investments</u>							
Shares and holdings	219		-25		194		194
Shares and holdings in associated companies	1				1		1
Total	171 024	3 855	-657	-229	173 993	-103 188	70 805
Machinery and equipment							49 519
PARENT COMPANY							
<u>Intangible assets</u>							
Intangible rights	8 217	329			8 546	-4 836	3 710
Other long-term expenditure	890				890	-601	289
<u>Tangible assets</u>							
Land and water	767				767		767
Buildings	4 888				4 888	-735	4 153
Machinery and equipment	121 042	1 745	-96		122 691	-75 013	47 678
Other tangible assets	1 512	68			1 580	-324	1 256
Advance payments and construction in progress	271	604	-271		604		604
<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		-25		192		192
Other receivables from Group companies	692				692		692
Total	174 138	2 746	-392	0	176 492	-81 509	94 983
Machinery and equipment							45 364

	Consolidated		Parent company	
	2004	2003	2004	2003
10. INVENTORIES				
Raw materials and consumables	9 413	8 257	7 536	6 559
Work in progress	9 481	10 721	8 991	10 372
Finished products	9 913	10 646	5 656	6 303
Total	28 807	29 624	22 183	23 234
11. LONG-TERM RECEIVABLES				
Other loans receivable	201	141	201	141
Total	201	141	201	141
12. SHORT-TERM RECEIVABLES				
Accounts receivable	22 622	21 388	18 120	18 339
Loans receivable from associated companies	35	65	35	65
Other loans receivable	174	197	120	183
Prepaid expenses and accrued income*	2 309	1 652	1 768	1 318
Total	25 140	23 302	20 043	19 905
Receivables from Group companies				
Accounts receivable	–	–	1 918	1 437
* Material items of short-term prepaid expenses and accrued income				
Periodization of personnel expenses	446	678	437	672
Periodization of taxes	826	86	724	76
Other periodization	1 037	888	607	570
Total	2 309	1 652	1 768	1 318
13. SHORT-TERM INVESTMENTS				
Other shares	796	704		
Other securities	–	3 495		
Total	796	4 199	–	–
Replacement price of short-term investments	1 026	4 335		
Book value of short-term investments	796	4 199		
Difference	230	136	–	–

	Consolidated		Parent company	
	2004	2003	2004	2003
14. STOCKHOLDERS' EQUITY				
Capital stock Jan. 1	18 228	14 901	18 228	14 901
Bonus issue	9 114	2 819	9 114	2 819
Subscriptions against options	13	508	13	508
Capital stock Dec. 31	27 355	18 228	27 355	18 228
Share premium account Jan. 1.	4 430	–	4 430	–
Bonus issue	-4 430	–	-4 430	–
Subscriptions against options	66	4 430	66	4 430
Share premium account Dec. 31	66	4 430	66	4 430
Contingency reserve Jan. 1		2 217		2 217
Bonus issue		-2 217		-2 217
Contingency reserve Dec. 31	–	0	–	0
Retained earnings from previous years Jan. 1	70 130	91 975	44 213	65 056
Bonus issue	-4 684	-602	-4 684	-602
Dividend	-17 182	-29 324	-17 182	-29 324
Change in translation adjustment	-509	-1 307	–	–
Retained earnings from previous years Dec. 31	47 755	60 742	22 347	35 130
Net income for the year	12 956	9 388	10 250	9 083
Total stockholders' equity	88 132	92 788	60 018	66 87
STATEMENT OF DISTRIBUTABLE EARNINGS DEC. 31				
Profit for previous years	47 755	60 742	22 347	35 130
Net profit for the year	12 956	9 388	10 250	9 083
- Portion of accumulated depreciation entered in stockholders' equity	-23 204	-20 361	–	–
Total	37 507	49 769	32 597	44 213

PARENT COMPANY CAPITAL STOCK BY CLASSES OF SHARES

	2004		2003	
	Number of shares	€	Number of shares	€
Common stock (20 votes/share)	10 119 198	10 119 198	6 746 132	6 746 132
Preferred stock (1 vote/share)	17 236 266	17 236 266	11 481 844	11 481 844
Total	27 355 464	27 355 464	18 227 976	18 227 976

	Consolidated		Parent company	
	2004	2003	2004	2003
15. STATUTORY RESERVES				
Provisions for pensions	771	771	771	771
16. IMPUTED TAX LIABILITY				
For appropriations	8 591	9 077	–	–

	Consolidated		Parent company	
	2004	2003	2004	2003
17. LONG-TERM CREDITORS				
Other long-term liabilities	8 844	11 783	8 068	10 289
Instalment plan for 2006-2009 (2005-2008)	8 844	11 765	8 068	10 271
18. SHORT-TERM CREDITORS				
Loans from financial institutions	4 521	513	3 637	–
Pension loans	2 000	833	2 000	833
Advance received	42	31	42	31
Accounts payable	3 936	2 482	3 145	2 125
Other liabilities	3 601	3 300	20 502	17 360
Accrued liabilities and deferred income*	15 972	15 337	15 736	17 857
Total	30 072	22 496	45 062	38 206
Liabilities to Group companies				
Accounts payable			432	104
Other liabilities			17 600	14 600
Accrued liabilities and deferred income			918	3 764
Total	–	–	18 950	18 468
* Material items of short-term accrued liabilities and deferred income				
Periodization of personnel expenses	11 140	8 958	10 241	8 396
Other periodizations	4 832	6 379	5 495	9 461
Total	15 972	15 337	15 736	17 857
Liabilities without interest				
Long-term	8 591	9 007	–	–
Short-term	23 551	21 150	21 825	22 772
Total	32 142	30 227	21 825	22 772
Liabilities with interest				
Long-term	8 844	11 783	8 068	10 289
Short-term	6 521	1 346	23 237	15 433
Total	15 365	13 129	31 305	25 722
CONTINGENT LIABILITIES				
a) Other securities given				
Mortgages in real estate	84	84	84	84
b) For others				
Guarantees	–	–	–	–
c) Other own liabilities				
Bill liabilities	3	9	–	–
Leasing liabilities	259	169	259	169
Total	346	262	343	253
DERIVATIVE CONTRACTS				
Forward exchange current value	1 468	5 811	1 468	5 811
Electricity derivative current value	608	–	608	–

SHARES AND HOLDINGS OWNED BY THE GROUP AND THE PARENT COMPANY

Group Companies	Percentage of group ownership	Percentage of parent company ownership
Fanafel - Fábrica Nacional de Feltros Industriais Lda.	100	73.8
Tamfelt (UK) Ltd.	100	100
Tamfelt - GMCC (Tianjin) Paper Machine Clothing Co, Ltd.	60	60
Tamfelt Canada, Inc.	100	0
Tamfelt, Inc.	100	0
Tamfelt Kiinteistöt Oy	100	100
Tamfelt PMC, Canada Inc.	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 NOTES

FINANCIAL 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 mainly from foreign exchange purchases and sales within operating activities and from inter-group financial arrangements.

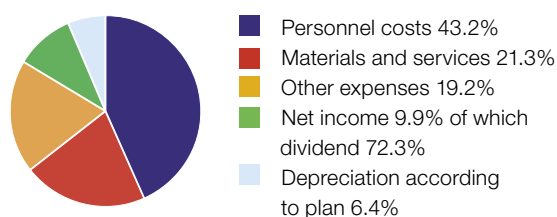
The current exchange risk involved in sales and purchases is mainly covered by forward contracts. In certain cases, even current foreign exchange positions

arising from unfilled orders or pending offers are hedged against. The exchange rate differences related to hedging are presented in financial items.

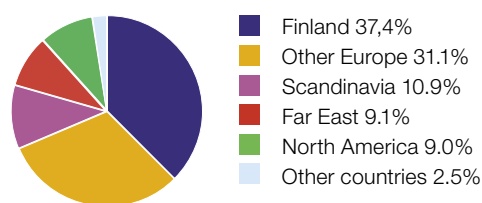
The Group does not cover subsidiary equity or currency risks involved in equity-ranked loans.

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.

Distribution of Income 2004, Consolidated



Net Sales in Various Market Areas 2004, Consolidated



CONSOLIDATED FINANCIAL SUMMARY (1 000 €)

	2004	2003	2002	2001	2000
Net sales	133 760	125 698	126 206	130 525	123 910
Change, %	6.4	-0.4	-3.3	5.3	12.9
Exports and foreign subsidiaries	83 692	75 607	78 119	82 231	79 331
% of net sales	62.6	60.1	61.9	63.0	64.0
Operating income	16 031	12 608	16 076	22 708	22 361
% of net sales	12.0	10.0	12.7	17.4	18.0
Net income before extraordinary items, taxes and minority interest	16 819	12 618	17 005	24 064	23 549
% of net sales	12.6	10.0	13.5	18.4	19.0
Net income before taxes and minority interest	16 819	12 618	17 005	19 880	23 549
% of net sales	12.6	10.0	13.5	15.2	19.0
Return on equity, %	14.4	9.1	11.2	14.8	15.3
Return on net assets, %	16.6	11.7	14.8	20.7	21.1
Equity/assets ratio, %	64.7	67.8	74.3	76.1	79.6
Gearing, %	12.1	-0.1	-2.9	-12.5	-20.6
Gross investment	15 379	3 398	16 444	17 355	12 833
% of net sales	11.5	2.7	13.0	13.3	10.4
R&D expenditure	3 593	3 578	3 366	3 300	2 912
% of net sales	2.7	2.8	2.7	2.5	2.4
Average employment during the period	1 325	1 344	1 384	1 362	1 324

RETURN ON EQUITY, %

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

Equity + minority interest (average) x 100

RETURN ON NET ASSETS, %

Net income before extraordinary items, taxes and minority interest + interest and
other financial expenses

Balance sheet total - interest-free liabilities (average) x 100

EQUITY/ASSETS RATIO, %

Equity + minority interest

Balance sheet total - advance received x 100

GEARING, %

Interest-bearing liabilities – cash, bank and short-term investments

Equity + minority interest x 100

STOCK ANALYSIS

CAPITAL STOCK AND CLASSES OF SHARES

The capital stock of Tamfelt Corp. consists of common stock and preferred stock. The accounting par value is 1.00 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. 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 the conditions specified in Section 3 a of the Articles of Association. Both classes of Tamfelt shares are quoted on the Helsinki Exchanges. The trading lot is 50 shares.

The company's capital stock is 27,355,464.00 euros. The capital stock consists of 10,119,198 common shares and 17,236,266 preferred shares. The total number of shares is 27,355,464 and the total number of votes is 219,620,226. The company's minimum capital stock is 10,000,000.00 euros and maximum authorized capital stock 80,000,000.00 euros. Within these limits the capital stock can be increased or decreased without amending the Articles of Association.

An extraordinary general meeting of shareholders held on November 24, 2004 resolved to accept the proposal of the Board of Directors for a bonus issue. In the bonus issue, two common shares entitled their holder to receive one new common share and two preferred shares entitled their holder to receive one preferred share without payment. The total issue was 9,113,988 shares, consisting of 3,373,066 common and 5,740,922 preferred shares. The increase of capital stock by 9,113,988.00 euros was entered in the Trade Register on November 29, 2004, and the new shares began trading on November 30, 2004.

On December 10, 2004, a total of 13,500 preferred shares were subscribed for with stock option certificates related to the 2000 stock option program. The corresponding increase in the capital stock was 13,500.00 euros.

OPTION SCHEMES

Subscription under option C of the year 2000 stock option program began on November 1, 2002 and under option D on November 1, 2004. The subscription for both will expire on March 31, 2006. The subscription price for options from the year 2000 stock option program was 5.90 euros at December 31, 2004, from which prior-subscription dividends will be deducted. The options are covered by a stockholding plan, whereby the holder agrees to invest 10% of derived gross benefit in the company's stock. The subscription period of the 1998 stock option program expired on March 31, 2004.

Under the 2000 stock option program, a maximum of 208,500 preferred shares remain for subscription, corresponding to a maximum increase of 208,500.00 euros of the capital stock. The maximum increase in the number of votes can be 208,500, corresponding to 0.1% of the new total number of votes and the maximum increase in the number of shares can be 0.8% of the new number of shares.

The company also operates an incentive scheme from the year 2002 based on a phantom stock plan, and it is also covered by a stockholding plan. Altogether, 255,000 shares of phantom stock, divided in A, B, C and D units, have been given to top executives at Tamfelt according to a decision by the Board of Directors. The yield on the A units was paid in 2004. The potential yield on the B, C and D units will be paid in 2005, 2006 and 2007 provided that the person is still employed by the Group.

BOARD AUTHORIZATION TO ACQUIRE AND CONVEY OWN SHARES

An extraordinary meeting of shareholders held on December 12, 2003 authorized the Board of Directors to resolve to acquire and convey own shares. The authorization was effective until December 12, 2004. The authorization was not exercised. The company holds no own shares

TRENDS AND TRADE VOLUMES

In 2004, the HEX all-share index rose 3.3% and the HEX portfolio index rose 14.6%. The rate of Tamfelt common share fell 28.1% and the rate of preferred share fell 13.9% over the year.

Trading in Tamfelt common shares on the Helsinki Exchanges in 2004 amounted to 9.8 million euros (5.4 million in 2003) and in preferred shares to 26.9 million euros (31.0). The units traded were 787,866 (393,278) common shares and 2,161,862 (2,386,051) preferred shares.

Turnover in common shares was 11.2% (5.8) of the company's total common stock. Turnover in preferred shares was 18.1% (20.7) of the total preferred stock. The highest quotation for a common share in 2004 was 11.20 euros and the lowest 7.83 euros. The highest quotation for a preferred share was 9.67 euros and the lowest 7.81 euros. The closing rate for the common share at the year-end was 8.05 euros and for the preferred share 7.98 euros. The market value of the company's total stock at the end of 2004 was 219,004,947.00 euros.

DIVIDEND POLICY AND PROPOSED DIVIDEND FOR 2004

According to Tamfelt's dividend policy, at least 50% of the company's earnings per share shall be distributed as dividend provided that this will not jeopardize the company's financial position or development. The Board of Directors will propose to the Annual General Meeting 2005 that a dividend of 0.33 euro be paid on a common share and 0.35 euro on a preferred share. The proposed dividend totals 9.4 million euros corresponding to 72.3% of the earnings.

CAPITAL STOCK OWNERSHIP

At the end of 2004 (2003) the company had 2,948 (2,521) stockholders and 2 (2) ownership registrations in the name of a nominee. The number of shares registered in the name of a nominee was 136,609 (22,828).

There are no longer shares to be transferred to the book-entry securities system. Tamfelt's Board of Directors decided on June 17, 2004 to sell any non-transferred shares from bonus issues on behalf of their

owners, as it had been authorized to do by the Annual General Meeting of March 23, 2000. The shares - 1,018 common and 2,520 preferred - were sold on June 21 and 22, 2004. The owners of these shares or their assignees are entitled to a corresponding portion of the return. Payments will be made against the delivery of the share certificate bonus coupon and title deeds, if applicable. The right to payment will expire in four years from the date of sale. Thus a shareholder or an assignee shall present a claim for payment to Nordea Bank Finland Plc or Tamfelt Corp. by June 23, 2008 without fail.

MANAGEMENT SHAREHOLDING

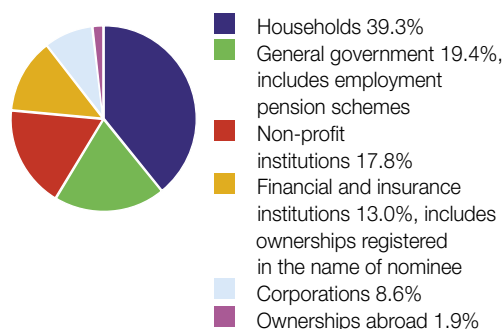
The company's Directors, President & CEO, and Deputy to the CEO held a total of 574,548 (379,032) common and 225,702 (163,368) preferred shares corresponding to 2.9 % (3.0) of the capital stock and a 5.3 % (5.3) voting power. The President & CEO and the Deputy CEO held no stock options at the end of the year. The total number of share units in phantom stock held by the President & CEO and his Deputy was 112,500.

CAPITAL STOCK IN 2004

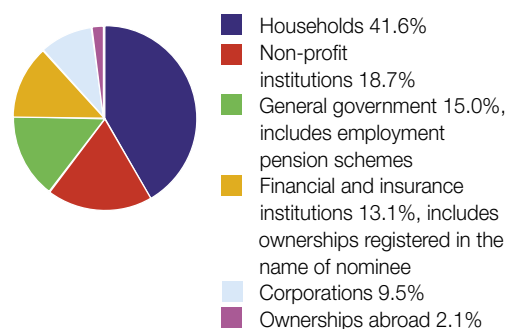
	Common shares total	Preferred shares total	Capital stock €
Capital stock January 1, 2004	6,746,132	11,481,844	18,227,976.00
Bonus issue November 29, 2004	3,373,066	5,740,922	+9,113,988.00
Subscriptions against options		+ 13,500	+13,500.00
Capital stock December 31, 2004	10,119,198	17,236,266	27,355,464.00

STOCK OWNERSHIP ON THE BASIS OF CLASSIFICATION OF INSTITUTIONAL SECTORS DEC. 31, 2004

Stock Ownership by Shares



Stock Ownership by Votes



STOCK OWNERSHIP BY SIZE DEC. 31, 2004

Number of shares	Ownerships	%	Shares	%	Votes	%
1 – 500	1,088	36.9	276,959	1.0	1,235,186	0.6
501 – 5 000	1,431	48.5	2,399,593	8.7	11,245,081	5.1
5 001 – 10 000	170	5.8	1,202,059	4.4	7,112,750	3.2
10 001 – 50 000	183	6.2	4,255,084	15.6	31,611,246	14.4
50 001 – 100 000	27	0.9	1,887,883	6.9	12,685,222	5.8
100 001 –	49	1.7	17,333,886	63.4	155,730,741	70.9
Total	2,948	100.0	27,355,464	100.0	219,620,226	100.0
Issued units			27,355,464	100.0	219,620,226	100.0

LARGEST OWNERSHIP REGISTRATIONS BY VOTING POWER ON DEC. 31, 2004 (DEC. 31, 2003)

	%	%
1. (1.) Varma Mutual Pension Insurance Company	7.5	(7.5)
2. (2.) Sampo Life Insurance Company Limited	7.3	(5.3)
3. (3.) Ilmarinen Mutual Pension Insurance Company	4.7	(5.0)
4. (5.) Metso Corporation	4.5	(4.5)
5. (6.) Waldemar von Frenckell Foundation	4.0	(4.0)
6. (7.) Cedercreutz, Axel	3.7	(3.7)
7. (27.) Kaleva Mutual Insurance Company.....	3.3	(0.8)
8. (10.) Svenska Litteratursällskapet i Finland r.f.	2.8	(1.9)
9. (8.) Samfundet Folkhälsan i Svenska Finland r.f.	2.5	(2.5)
10. (9.) Snäll, Clara	2.3	(2.5)
TOTAL ABOVE	42.6	(37.7)
Ownerships registered in the name of nominee	0.4	(0.1)
Other	57.0	(62.2)
TOTAL	100.0	(100.0)

LARGEST OWNERSHIP REGISTRATIONS BY NUMBER OF SHARES ON DEC. 31, 2004 (DEC. 31, 2003)

	%	%
1. (1.) Ilmarinen Mutual Pension Insurance Company	8.5	(8.6)
2. (2.) Varma Mutual Pension Insurance Company	5.9	(6.1)
3. (3.) Kaleva Mutual Insurance Company	4.4	(4.5)
4. (4.) Sampo Life Insurance Company Limited....	4.2	(3.4)
5. (6.) Metso Corporation	2.7	(2.7)
6. (7.) Waldemar von Frenckell Foundation	2.6	(2.6)
7. (8.) Samfundet Folkhälsan i Svenska Finland r.f.	2.2	(2.2)
8. (9.) Tapiola Mutual Insurance Company	2.2	(2.2)
9. (10.) Cedercreutz, Axel	1.7	(1.8)
10. (14.) Svenska Litteratursällskapet i Finland r.f. ...	1.6	(1.3)
TOTAL ABOVE	36.0	(35.4)
Ownerships registered in the name of nominee	0.5	(0.1)
Other	63.5	(64.5)
TOTAL	100.0	(100.0)

CHANGES IN OWNERSHIP IN 2004

Sampo plc disclosed on February 11, 2004 to Tamfelt Corp. that an agreement was made on the same date between Sampo plc, Storebrand ASA, Försäkringsaktiebolaget Skandia AB (publ.) and Livförsäkringsaktiebolaget Skandia (publ.). The implementation of the agreement would increase Sampo plc's ownership in Tamfelt Corp.'s capital stock to more than 5% and more than 10% of the voting power.

On May 6, 2004 Sampo plc disclosed to Tamfelt Corp. that the agreement of February 11, 2004 had been implemented and increased Sampo plc's ownership in Tamfelt Corp.'s capital stock to more than 5% and more than 10% of the voting power.

Ilmarinen Mutual Pension Insurance Company disclosed on June 10, 2004 to Tamfelt Corp. that its share of Tamfelt Corp.'s voting power fell below 1/20 after a sale contracted on June 9, 2004.

On September 6, 2004 Sampo plc disclosed to Tamfelt Corp. that following a stock sale made on the same day Sampo plc's ownership in Tamfelt Corp. fell below 5% of the capital stock and 10% of the voting power.

Tamfelt Corp. and Nippon Felt Co. Ltd strengthened their cooperation by a minor cross holding in June 2004.

STOCK SUMMARY

The key figures have been adjusted for share issue.

	2004	2003	2002	2001	2000
Earnings/share, undiluted, €	0.47	0.34	0.47	0.62	0.62
Earnings/share, diluted, €	0.47				
Equity/share Dec. 31, undiluted, €	3.22	3.39	3.99	4.18	4.15
Equity/share Dec. 31, diluted, €	3.22				
DIVIDEND					
Dividend, M €	9.4*	17.2	29.3	16.7	11.4
Dividend/share, €					
common	0.33*	0.62	1.07	0.62	0.42
preferred	0.35*	0.64	1.11	0.64	0.44
Dividend/earnings, %	72.3*	183.0	230.0	98.3	67.6
Effective dividend yield Dec. 31, %					
common	4.1*	5.5	11.8	7.2	6.9
preferred	4.4*	6.8	11.4	7.2	7.2
P/E ratio Dec. 31, undiluted					
common	17.0	31.7	19.0	13.6	9.6
preferred	16.8	26.2	20.1	13.8	9.5

* Board of Directors' proposal

STOCK SUMMARY

	2004	2003	2002	2001	2000
TRENDS AND TRADING					
Trading price at year-end, €					
common	8.05	11.20	9.13	8.67	6.08
preferred	7.98	9.27	9.67	8.83	5.99
Change of trading price, %					
common	-28.13	22.63	5.38	42.47	-20.65
preferred	-13.88	-4.14	9.43	42.39	-20.08
Highest trading price, €					
common	11.20	11.20	9.93	8.67	7.63
preferred	9.67	10.17	9.67	8.83	7.83
Lowest trading price, €					
common	7.83	6.97	8.38	5.83	6.00
preferred	7.81	7.33	8.43	5.83	5.77
Trading volume, M €					
common	9.8	5.4	3.2	2.1	3.2
preferred	26.9	31.0	17.4	16.4	7.4
Trading volume (number of shares)					
common	787 866	393 278	234 342	204 496	306 000
preferred	2 161 862	2 386 051	1 288 298	1 651 830	714 310
Trading volume/total stock, %					
common	11.2	5.8	3.5	3.0	4.5
preferred	18.1	20.7	11.7	15.1	6.5
CAPITAL STOCK AND NUMBER OF SHARES					
Capital stock Dec. 31, M €	27.3	18.2	14.9	14.9	14.9
common	10.1	6.7	5.7	5.7	5.7
preferred	17.2	11.4	9.2	9.2	9.2
Market capitalization Dec. 31, M €	219.0	272.9	251.5	233.1	160.2
Number of shares Dec. 31 (1,000)	27 355	18 228	17 720	17 720	17 720
common	10 119	6 746	6 746	6 746	6 746
preferred	17 236	11 482	10 974	10 974	10 974
Average number of shares (1,000) undiluted	27 342	17 763	17 720	17 720	17 720
Average number of shares (1,000) diluted	27 360				
Number of shares Dec. 31 (1,000) undiluted	27 355	18 228	17 720	17 720	17 720
Number of shares Dec. 31 (1,000) diluted	27 374				
Number of shareholders Dec. 31	2 948	2 521	1 933	1 857	1 836
Nominee-registered ownerships Dec. 31	2	2	1	1	1

EARNINGS/SHARE

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

Average number of shares diluted/undiluted for issue during the fiscal period

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 AGM AND AUDITORS' REPORT

BOARD OF DIRECTORS' PROPOSAL TO ANNUAL GENERAL MEETING

Consolidated distributable earnings total	37,506,940.63 €
Parent company's distributable earnings	
Retained earnings from previous years	22,347,128.59 €
Net income for the year	<u>10,249,996.09 €</u>
	32,597,124.68 €

The Board proposes that this sum be appropriated as follows:

- a dividend of 0.33 € a share paid on 10,119,198 common shares, totaling	3,339,335.34 €	
- a dividend of 0.35 € a share paid on 17,236,266 preferred shares, totaling	<u>6,032,693.0 €</u>	
Dividend, total		9,372,028.44 €
To be kept in contingency reserve		<u>23,225,096.24 €</u>
		32,597,124.68 €

Helsinki, February 9, 2005

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 2004. 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. 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 9, 2005

Jari Paloniemi
Authorized Public Accountant

Veikko Terho
Authorized Public Accountant



Virpi Puolakka, warper

Tamfelt's values:

- *Satisfied customer*
- *Good profitability*
- *Openness and fairness*
- *Competence and working ability*
- *Sustainable development*



PERSONNEL - THE BUSINESS ENGINE

Parent company personnel report

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

PERSONNEL

At the end of the year, the parent company employed 1,038 people (down from 1,058), of whom 726 (734) worked at Tampere and 312 (324) at Juankoski. The reduction followed an ongoing austerity program and efficiency improvement measures. The percentage of shop-floor workers was 71 (71) and that of office staff 29 (29). Of the personnel 48% (49) were women and 52% (51) men.

Personnel renewal is described by external labor turnover which was 3.9% (4.0). The parent company hired 41 (43) new employees – 24 (30) workers and 17 (13) salaried employees. Forty-six (125) employments terminated over the year. A fresh contribution was brought by 109 trainees, and by 36 students who were introduced to the world of work under an occupational orientation program during the summer.

Internal labor turnover, reflecting the personnel's versatile skills, was 7% (11). Altogether, 74 (118) people moved to new jobs within the company. Much of the internal mobility at Tampere was due to the transfer of the filter fabric sewing function to the Portuguese facility; this required the introduction of 12 workers to other tasks.

Personnel structure changed only little in 2004. The average length of employment in the parent company remained at 13 years. Of the parent company personnel, 24% (26) had been at Tamfelt for less than five years and 31% (28) for at least 20 years. The average employee age at year-end remained unchanged at 42 years.

The percentage of staff employed until further notice was 95 (96). A fixed-term employment was held by 5% (4). Full-time employees accounted for 98% (97) and part-time employees for 2% (3).

The average age of retirement at Tamfelt was 60 years (59). The most common reasons for retirement on a disability pension included mental disorders and musculoskeletal diseases. At the end of the year, 18 (21) people were on part-time pension or part-time disability pension.

PERSONNEL COMPETENCE

At year-end, 60% of shop floor workers and 93% of office staff held professional degrees. The percentage of office staff with a university degree was 31 (32), 31% (30) held engineering diplomas, and employees with post-secondary level education accounted for 30% (30).

Continuous self-development is important for the maintenance of working capacity. In 2004, training was mostly provided at the workplace. Focus areas in skills development were management and supervision, system and project management, production engineering, health and safety, and language skills.

Learning through work was the primary means of development. Over the year, 224 new employees, trainees and internally re-employed persons were inducted into new tasks and new working communities. Beside Tamfelt's own employees, undergraduates working on their academic degree projects contributed to various development programs. Twelve degree projects were assigned and supervised at Tamfelt in 2004.

Cooperation continued under the Tampere Business Campus initiative for personnel development in local enterprises. Tamfelt acquired training and development programs in four competence areas: leadership and skills management, well-being at work, international approach and languages, and financial and business competence. Tamfelt benefited from member company networking through experience sharing and learning from good practices.

The transfer of the filter fabric sewing function to Tamfelt's Portuguese facility was a wide-ranging development project. The training of Portuguese sewers in Tampere and Ovar, transfers of machinery, production start-up at Ovar, internal retasking at Tampere, and the design of a joint working model for the Finnish and Portuguese units required acclimatization to a multicultural working community.

Development of leadership and supervision continued. In total, 28 supervisors and experts participated in apprenticeship training programs designed to provide specialist leadership qualification.

A new project of vocational competence was launched for personnel employed in the weaving of press felts, dryer fabrics and filter fabrics. The 30-month program



will be carried through with Tampere Vocational Adult Education Centre, labor administration, and the local Employment and Economic Development Centre. The objective is to improve the personnel's capability to share and capitalize on experience earned at work, to harmonize and improve procedures, and to encourage cooperation between seasoned personnel, young savvies, and various professional groups.

Health and safety training focused on sharing good practices with subsuppliers. Training courses leading to qualification for a "safety card" began in 2004. The goal is to have the entire personnel trained by the end of 2006. The training will be provided on in-company courses.

PAY AND REWARD SYSTEMS

Job descriptions for industrial salaried staff were upgraded; the levels of required competency were evaluated, and job-specific pay levels were revised. The qualification assessment model for salaried employees at Tampere was upgraded to comply with anticipated development needs and to enhance the incentive impact of the model. A new pay system was approved and will be introduced gradually within the next two years.

Tamfelt's incentive scheme covers the entire personnel. The corporate management monitors its incentive impact and revises the reward criteria annually. Maximum reward corresponds to the person's monthly pay.

Apart from monetary reward, good performance can be acknowledged in the form of positive feedback, interesting assignments, career development, or opportunities to influence. Annual parties and various events contribute to job satisfaction. Well-organized health services are yet another premium.

WELL-BEING AT WORK

At the Tampere plant, the internal handling of accident reports was changed over to electronic form. This ensures that information on accidents is promptly available to those concerned. Electronic processing also facilitates the compilation and monitoring of accident rate statistics.

Flexibility in working life and improved working-time models are appreciated as important factors of well-being at different stages of life. Job alternation leave was an option benefited by 16 employees, and four individuals took a study leave during the year.

Working-time models which take into account both production requirements and working-time ergonomics were under study. A forward rotating uninterrupted three-shift system was in trial run.

Special "well-being weeks" for the various departments were introduced in partnership with the company's health and safety organization, occupational health care, and the personnel. The program, which will be rerun to cover the entire personnel, includes risk assessments and workplace analyses, studies of accident, near miss and disease statistics, acquainting with the work of the safety inspection team, and monitoring of individual coping and skills. Tailored inquiries into well-being and ergonomic needs are made according to the specific requirements of each unit. Fitness tests, exercise breaks, and gym training are being provided.

At Juankoski, a survey of equal opportunity and well-being was conducted under an ongoing project of the University of Tampere Work Research Centre. Agreement on issues to be developed was based on the results. Such issues include well-being at work, pay, and early intervention in harassment cases. A working group was set up to promote and coordinate these development issues. A similar survey was made at the Tampere facility in 2003. An equality plan for the parent company was approved at the end of the year. The plan defines joint rules, annual targets and measures, and indicators for monitoring.

SICK ABSENCES AND ACCIDENTS

The percentage of sick absences of the theoretical regular working hours was 6.3 (up from 5.6), while the overall industrial average in 2003 statistics was 5.7%. At Tampere, 27% (30) of absenteeism through sickness was attributed to musculoskeletal diseases, 16% (20) to respiratory disorders, 25% (15) to injuries, 8% (10) to mental disorders, and 24% (25) to other illnesses.

Accidents accounted for 0.5% (0.4) of the theoretical regular working time; the industrial average for 2003 being 0.4%. No serious accidents beyond fractures occurred. In the parent company, 118 (77) accidents during working hours were reported, of which 41 (34) led to more than three days of lost work time. The rate of accidents involving more than three days lost time (number of accidents per one million worked hours) was 25 (21). The corresponding rate in similar industry was 23 in statistics for 2003.

JOINT RULES

Tamfelt's work rules for the personnel, HR rules, and rules for the suggestion scheme were upgraded. Updating of health and safety instructions began at the Tampere plant.

Suggestion committees at the two domestic plants cooperated even more closely. Around 10% of the personnel submitted suggestions during the year. Active suggestion makers and expert's opinion writers were rewarded in December.

HUMAN RESOURCES ACCOUNT

JAN. 1 – DEC. 31 (1 000 €)

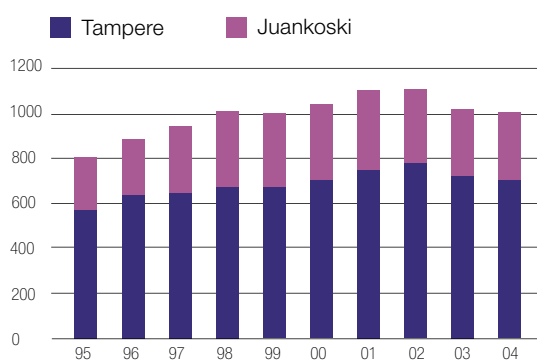
	2004	%	2003	%
NET SALES	113 902	100	107 360	100
Personnel expenses	51 255	45	47 885	42
Payroll for regular worktime	33 299	29	31 963	28
Payments by results	2 524	2	1 307	1
Payments for overtime	1 763	2	1 301	1
Personnel renewal				
Recruiting and job orientation	548	0	638	1
Vacation payments	6 908	6	6 440	6
Other holiday payments	2 435	2	2 515	2
Personnel development				
Training	466	0	401	0
Other measures to maintain and improve working ability	334	0	232	.
Sick payments	1 016	1	884	1
Disability pension expenses	884	1	1 025	1
Other pension expenses	707	1	787	.
Other personnel expenses	371	0	392	.
Outsourced services	3 027	3	1 791	2
Other costs and expenses	51 812	45	46 764	41
Financing items	3 834		172	
Extraordinary items	1 544		1 860	
Taxes	-2 936		-3 869	
NET INCOME FOR THE YEAR	10 250	9	9 083	8

PERSONNEL STRUCTURE

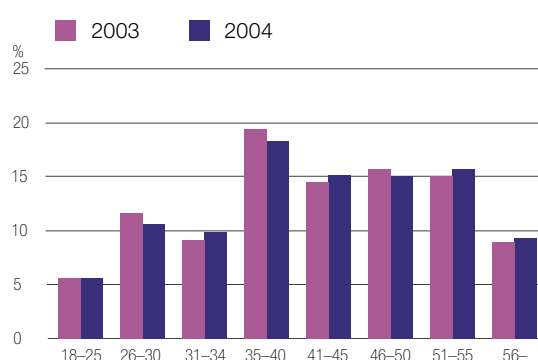
	2004 number	2003 number
Wage-earners	737	753
Salaried employees	301	305
Total	1,038	1,058
	%	%
Wage-earners	71	71
Salaried employees	29	29
Men	52	51
Women	48	49
Permanently employed	95	96
Fixed-term	5	4

	2004 %	2003 %
Full-time employees	98	97
Part-time employees	2	3
Absenteeism through sickness	6.3	5.6
Labour turnover	3.9	4.0
	years	years
Average age	42	42
Average employment	13	13
Average retirement age	60	59

Personnel, 1995-2004



Age Composition





The otter is Tamfelt's mascot.

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.

OUR WAY OF SUSTAINABLE DEVELOPMENT

Parent company environmental report

Tamfelt operates on the principles of sustainable development. The company's defined environmental policy is adopted as a basis for all decisionmaking involving environmental considerations of our products and activities.

ENVIRONMENTAL ISSUES IN 2004

The key development projects of the year focused on the reduction of adverse environmental impact resulting from Tamfelt's activities, renewal of the Tampere plant's environmental permit, and emissions trading.

The Pirkanmaa Regional Environment Centre awarded the Tampere plant in October 2004 an environmental permit which is effective until 2014. The permit grants right to operate our heating station and return water used for air conditioning to lake Kaukajärvi. The permit includes an obligation to discontinue the operation of our equalizing reservoir and to monitor discharges from the plant.

Emissions trading based on the Kyoto Protocol to reduce greenhouse gases entered into force in Finland on January 1, 2005. The Tampere plant participates in this trading system on account of the aggregate output of the heating station boilers needed for the burning of natural gas. Emissions trading focuses on the reduction of carbon dioxide in the air.

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 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 a plant specializing in the treatment of such wastes.

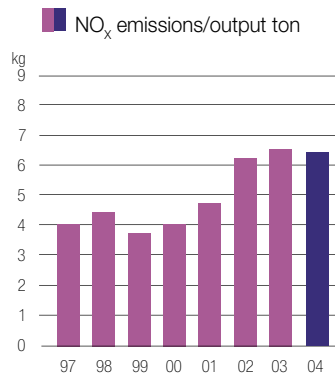
Tamfelt's environmental management system is based on the SFS-EN ISO 14001 standard, and the parent company was certified on March 2, 1998.

The company's top management is responsible for the upgrading and enforcement of the environmental managements system.

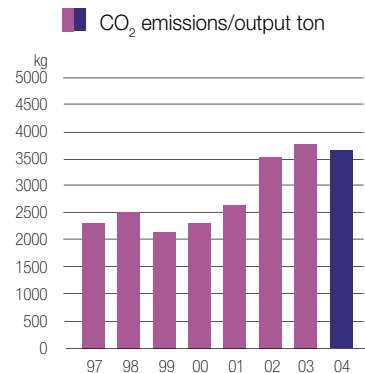
ENVIRONMENTAL RISKS

Environmental risks are low from Tamfelt's activities. The hot oil system and the partial location of the Tampere facility in a watershed area provide potential risks, whereas hardly any risks are posed by the Juankoski plant.

Nitrogen Oxide Emissions, Tampere plant



Carbon Dioxide Emissions, Tampere plant





Earlier investigations made together with the Pirkanmaa Regional Environment Centre revealed that the sediment deposited at the bottom of the Tampere plant's equalizing reservoir contains small amounts of metals. In connection with the environmental permit process, a decision was made to discontinue the use of the reservoir in 2006.

MAJOR ENVIRONMENTAL IMPACTS AND THEIR TRENDS

The Tampere plant pumps service water from the nearby lake Kaukajärvi. In summer, in particular, the lake water has a major role in cooling the factory premises. The situation in 2004 was different from the two previous years, when the water level had been lower than average and it had been necessary to restrict pumping. In spring 2004, the lake water stood at the normal level and was further raised by heavy rains over the summer. We attend to the impounding dam of the lake outlet, which helps regulate the water level. We regularly monitor the lake water level. The renewed environmental permit allows us to lead water used for air conditioning back to the lake.

The Tampere plant discharges wastewater into the municipal sewerage system partly direct and partly through an equalizing reservoir located in the plant area. The contents and amounts of our discharges were below the licensed rates. The wastewater quality is regularly monitored by our own spot checks as well as sampling by outside inspectors.

The heating station of the Tampere facility is fueled by natural gas. The consumption of fuel per output ton was at the level of the previous years. The consumption of natural gas was slightly reduced thanks to a longer period of mild weather in the winter. Thus also the emissions of nitrogen oxide and carbon dioxide were somewhat lower than in the previous year.

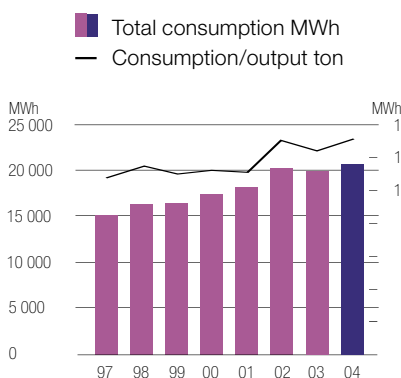
Tamfelt contributed to an air-quality monitoring scheme run by the city of Tampere. In 2004 our company joined the emissions trading system. At the same time we were granted a discharge consent and discharge rights for the years 2005 through 2007.

The consumption of electricity per output ton and the total consumption grew slightly at the Tampere plant from the year before. At Juankoski, electricity consumption was slightly down.

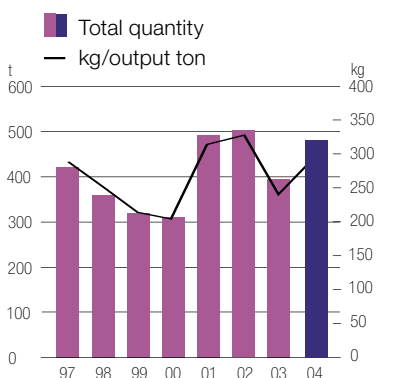
At the two plants, most of the waste consists of raw material residue. The amount of landfill waste from the Tampere plant grew 8% per output ton. The growth was mainly attributed to difficulties in finding suitable equipment and partner for crushing energy waste. At Juankoski, the amount of landfill waste per output ton fell 10%. The percentage of waste recycling was 45 at the Tampere plant and 30 at Juankoski.

All hazardous waste was sent to the appropriate disposal contractor. The amount of hazardous waste from both facilities is low. The amount of hazardous

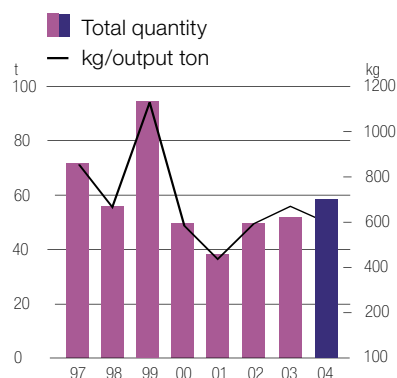
Electricity Consumption, Tampere plant



Landfill Waste, Tampere plant



Landfill Waste, Juankoski plant





waste generated by the Tampere plant has been growing in recent years as the use of harmful chemicals has increased in the manufacturing process.

The targets set for raw material reuse and recycling of cloth waste were not reached at the Group level. Raw material reuse was down 2% and cloth waste recycling 15%. The lower recycling of cloth waste was mostly due to our failure to source appropriate crushing equipment for the purpose. We continued efforts to organize crushing of waste.

More than 90% of packaging supplied by Tamfelt is reused. The reuse of packing cases increased in 2004.

WASTE AS ENERGY

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 consists of raw material waste, contaminated board, plastic and wood. It must not contain organic waste, metals or PVC; which are also collected separately.

Energy fraction can replace coal or peat as fuel. In heating value, the energy waste generated at Tampere 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 waste helps reduce atmospheric releases

from energy production plants compared to fuels such as coal.

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

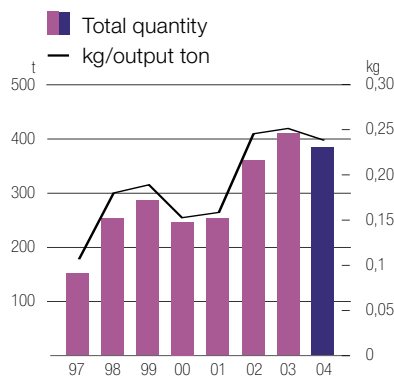
STAKEHOLDER RELATIONS

We carried on regular dialogue with public authorities in connection with the environmental permit process. During the posting of the public notice of Tamfelt's environmental permit we received seven complaints from neighboring property owners. The complaints were taken into account in the permit process.

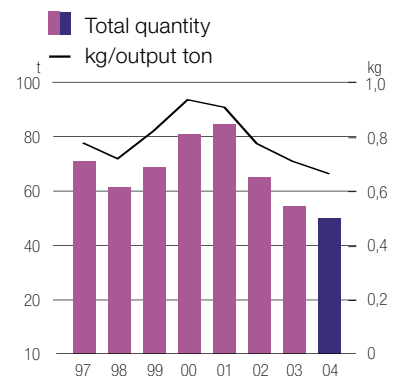
Tamfelt's personnel actively contribute to the development of the environmental program. Our employees integrate environmental considerations into their regular work. They have proposed a number of measures to reduce the company's adverse environmental impact.

Our customers have approached us with assessments and questions about environmental issues. They have found the management of environmental issues to be at a high level in our company.

Recovered Material, Tampere plant



Recovered Material, Juankoski plant





Quality products, expert technical service, and close cooperation with customers and machinery manufacturers are our keys to success.



PRODUCT – INNOVATION AND EXPERTISE

Tamfelt is a world-leading supplier of technical textiles. Our main products are paper and board machine clothing (PMC), filter fabrics for the forest, mining and chemical industries, as well as ironer felts and dry filtration fabrics. All the products are tailored to meet the specific requirements of the particular machine and position.

PAPER AND BOARD MACHINE CLOTHING

In paper manufacturing, clothing (forming fabrics, press felts and fabrics, shoe press belts, and dryer fabrics) is used to transport the web of paper through the process and to remove water. The purpose is to ensure a trouble-free process enabling customers to produce high-quality paper and/or board economically and efficiently. The constantly advancing technology of large and high-speed paper machines presents a growing challenge to clothing suppliers. As a full-line supplier, Tamfelt tackles this challenge with the help of focused R&D, professional workforce and innovative approach. We provide solutions, in which products and technical services form a comprehensive package. Correctly chosen paper machine clothing ensures substantial energy savings, better runnability and higher paper quality. The expertise and experience acquired

over the years are the keystones of our company's authority in the business.

Tamfelt has proven its expertise as a start-up supplier for large and high-speed SC, LWC, newsprint, fine paper and board machines. An example of these is the start-up in fall 2004 of the world's largest machine producing coated packing board, APP Ningbo PM1 in China. Our expert team ensured an efficient start-up with the clothing supplied 100% by Tamfelt. We work in intensive cooperation with customers, paper and board machine manufacturers, raw material suppliers 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 are excellent runnability, even dewatering capability and consistently reliable quality.

The market for triple-layer applications of forming fabrics continues to grow strongly. The **Gapmaster** range has been engineered for high-speed paper machines and/or for the manufacture of the most elaborate paper grades. The patented Gapmaster style has

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 by filtering water through the fabric. Thus the fibers stay on top of the fabric.

Press felts

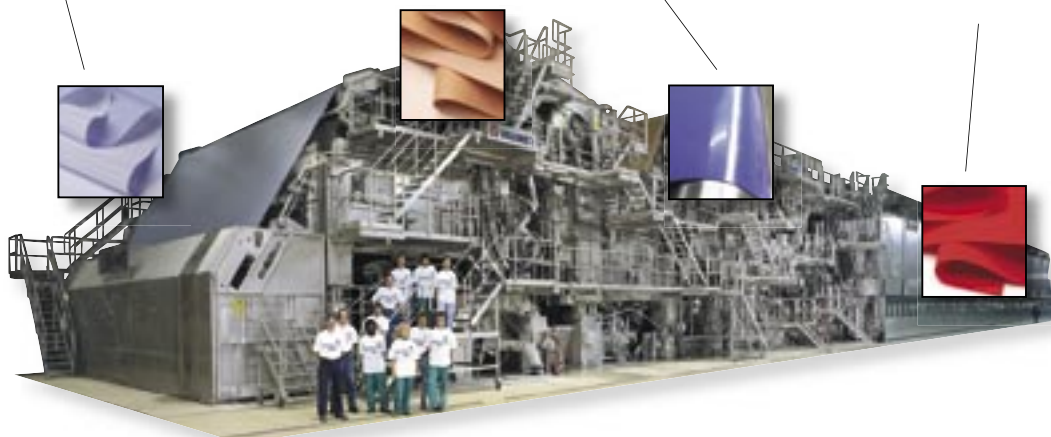
From the wire section the web is conducted to the press section, whose main function is to remove water. The web is pressed between rolls and felt. This increases water pressure and makes the water flow into the felt.

Belts

On a shoe press the press time is essentially longer than on a conventional roll press. Thus much more water can be pressed out of the web. A shoe press is operated with a belt.

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. As web temperature rises, water is effectively evaporated through a porous dryer fabric into the air.





contributed to extraordinary machine performance, and it has been specially praised for good runnability and high wear resistance.

Gapmaster is the only forming fabric of the SSB style (Sheet Support Binder), which is available in four alternative structures to meet the demands of various positions. Other Tamfelt forming fabrics include Hifi, Multistar, Optistar, Champion and Packmaster.

Press felts and fabrics

Press felts are produced at the Tampere facility from synthetic yarns and fibers in a weaving and needling process. The key requirements for press felts are repeatable quality, good start-up and high dewatering performance.

Transmaster Open (TMO), launched in 2002, has steadily increased its market share. Tamfelt was the first in the world to introduce a product, which combines the best of permeable felt and impermeable belt. The benefits of TMO include fast start-up, high dry content of paper after the press section, and superior paper smoothness. The product has obtained excellent results and excited keen interest among buyers. The Transmaster range also includes a seamed version, **SeamMaster Open** (SMO), which has all the good properties of Transmaster Open and is easily seamable to allow a swift change of fabric even at unexpected shutdowns. The production volumes of seamed press felts and fabrics continue to grow at a steady rate. Another seamed press fabric style is Tamseam. A patent is pending on the products of the Transmaster range.

The most recent launch in press fabrics is the new generation, non-woven **Aquastar**, which excels in the fastness of start-up and non-marking structure. Aquastar features an non-woven base without any knuckles sensitive to marks. Other press felt products include EcoStar, Laminet, Ecoaqua, EcoStream, Tambat and Streamstar.

Shoe press belts

Tambelts are made at the Tampere facility by casting cylindrical roller jackets of polyurethane, which are then reinforced with yarns. The volumes have grown heavily, and the customers have reported good results. A new belt line commissioned in Tampere in early 2005 will double the company's belt manufacturing capacity. Belts are either smooth (**Tambelt S**) or

grooved (**Tambelt V**). The key requirements for belts are excellent wear resistance, non-stretchability, low friction, and superb dewatering capacity. The product has been patented.

Dryer fabrics

Tamfelt's dryer fabrics are produced at the Tampere facility. They are woven from synthetic yarns and processed through heat-setting and seaming. The essential requirements are good support to the paper and board web, maximum evaporation capacity and non-marking process.

Tamfelt's patented **Unistar SL** is designed to improve machine runnability in the first groups of the dryer section. The product's smooth surface and a high number of contact points ensure 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.

Tamdry DC is a new-generation flat-yarn dryer fabric, engineered for positions requiring an extra high evaporation capacity. Tamfelt's dryer fabrics also include Tamstar, Optimax, Unisoft, Silverstar and Thermax. Carrier ropes complete the range.

FILTER FABRICS

Tamfelt specializes in filter fabrics for pulp and paper, mining and chemical industries and for sewage treatment plants. By focusing on these areas, we have acquired invaluable expertise and know-how in wet filtration.

We offer expert know-how in the choice of filtration media and in technical 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: firstly, our location in Finland, which is a world leading country in wood processing technology, and, secondly, our close cooperation with leading 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, pulp is washed several times over and water is removed by filtering. The same principle 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 the cooking process. This includes the filtration of green or white liquor and lime mud. Tamfelt is the leading supplier of filter fabrics for causticization processes. Our position has been strengthened by many successful start-ups of new causticization plants, for which we have supplied all start-up fabrics.

Fiber emissions from paper and pulp mills are filtered before they are discharged into waste water. The compacted dry slurry is acceptable for incineration or landfill disposal.

The biggest product groups are:

- shrink fabrics for drum filters
- disc filter bags
- lime mud filter bags
- filter fabrics for white or green liquor and dregs
- double press filter fabrics
- dewatering wires.

In spring 2004 Tamfelt launched the **TwinStar** range. The TwinStar dewatering wires have been engineered to ensure a good start-up, long life, and optimal dewatering capability.

Products for the mining and chemical industries

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

High process temperatures, complex chemical environments and the variety of sludge set special requirements on the fabrics.

The biggest product groups are:

- cloths for automatic chamber filters
- disc filter bags and plastic sectors
- cloths and fabrics for horizontal belt filters
- fabrics for press filter presses
- press filter cloths
- drum filter cloths
- cloths for electrolysis.

The **StrongMax** fabric is developed for horizontal belt filters and belt filter presses. The new polymer material improves filtering performance and increases fabric life. The product has delivered very good filtering results.

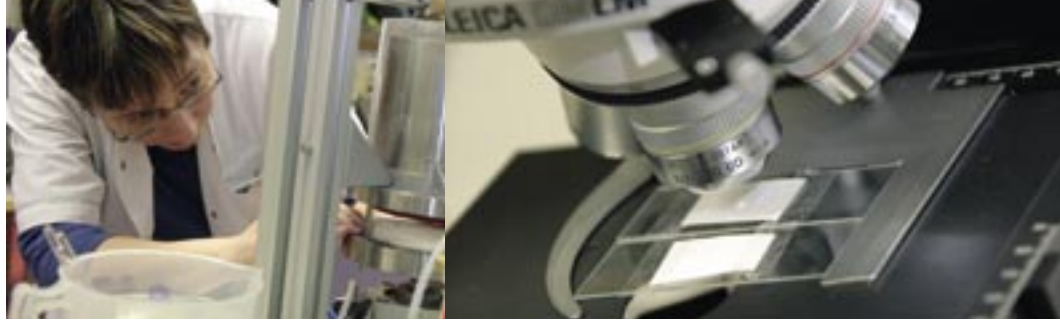
Dry filtration products

Dry filtration products are used to separate solids from gases. The filtering of flue gases and exhaust air from industrial plants and thermal power stations is an important 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 bags or sleeves made of various types of felt. 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 ironers use special felts, which are installed around rotating rolls. They make the textiles smooth and give them a pleasant feel. The felt is highly permeable in order to absorb moisture from the fabric. The types of felts needed depend on ironer technology 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.

Tamfelt's novelties and reference positions are presented in the two annual issues of our customer magazine **Innofabrics Now**.



GROUP RESEARCH AND DEVELOPMENT

RESEARCH AND DEVELOPMENT

Tamfelt's R&D is conducted in cooperation with customers, material suppliers, process equipment suppliers, such as paper machine and filter 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. Tamfelt submits five to ten patent applications yearly.

R&D is controlled by Tamfelt's quality and environmental management systems. Since 1992 our company has been certified with the SFS-EN ISO 9001 quality standard, which was upgraded in 2003 to correspond to ISO 9001:2000. We are committed to high quality and sustainable development in everything that we do.

The cost of R&D was 2.7% of the Group's net sales in 2004.

LABORATORY

The Tampere and Juankoski plants have their respective modern textile and paper laboratory facilities.

Analyses of both raw materials and completed products are an important part of our activities. Incoming raw materials and supplies are tested before use. Measurements and examinations are carried out throughout the manufacturing process to ensure that the products meet all quality requirements.

The laboratories also examine used cloths and analyse paper and board on a large scale. The results are extensively exploited in product development.

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

Tamfelt's 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 service.

Measurements during production help improve the runnability of paper machines and/or 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 and improves cost efficiency.

Tamfelt's technical experts provide the following services:

- support to the customer in optimizing processes and running practices by the right choice of clothing;
- support to the customer in solving paper machine problems;
- help to the customer in paper quality or runnability problems;
- provision of special measurements;
- joint projects with customers;
- acquisition and upgrading of customer service equipment.

The results of measurements and laboratory analyses are an integral part of product application. They provide important information on fabric behaviour on the machine and help Tamfelt make any modifications that may be needed to the next product supplied to the customer. Each fabric is tailored to the specific requirements of the particular position.

We invest in start-up cooperation. Our experts attend every start-up of a new machine or a rebuild, for which the company has supplied the fabrics. They assist in training the machine crew, they discuss suitable fabric options with the customer and the machine supplier, they participate in trial runs, and, most importantly, they are there to ensure that the fabrics work well and the running conditions are optimal as the machine goes on stream. Superior fabrics and a well-managed start-up are the key to long-term cooperation.



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