ANNUAL REPORT 2005

TAMFELT

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, Poland, Brazil and China.

Founded in 1797, the company is one the pioneers of Finnish industry. The manufacturing of paper machine clothing started in 1882. Today Tamfelt is part of the state-of-the-art Finnish forest cluster.

CONTENTS

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 16, 2006 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 March 6, 2006 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 14, 2006. 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 mari.puukko@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 0.39 euro be paid on a common share and 0.41 euro on a preferred share for the fiscal year 2005. The dividend record date is Tuesday, March 21 and the dividend will be paid on Tuesday, March 28, 2006, 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 2006

In addition to Financial Account Statement Bulletin and Annual Report for the year 2005, Tamfelt will release three Interim Reports:

- January–March April 27, 2006
- January–June August 9, 2006
- January–September October 26, 2006.

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./Mari Puukko
PO Box 427, FI-33101 Tampere
Tel. +358 3 363 9347
Fax +358 3 356 0120
E-mail: mari.puukko@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:

Jyrki Nuutila, President & CEO
Tel. +358 3 363 9200
E-mail: jyrki.nuutila@tamfelt.com

Seppo Holkko , Executive Vice President PMC-division, Deputy to the CEO
Tel. +358 3 363 9300
E-mail: seppo.holkko@tamfelt.com

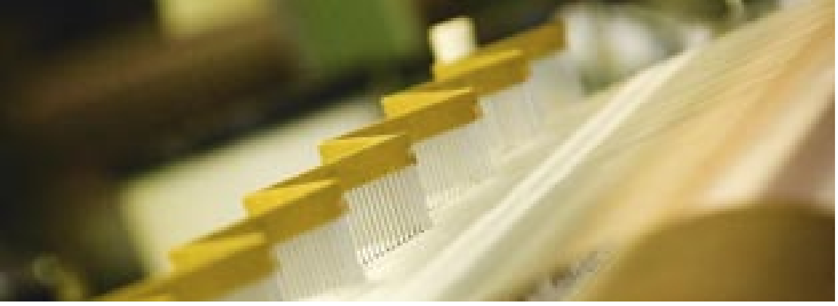
Kimmo Pärssinen, CFO
Tel. +358 3 363 9215
E-mail: kimmo.parssinen@tamfelt.com

INVESTMENT ANALYSES

Investment analyses of Tamfelt have been made by companies including

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

Tamfelt shall not be held accountable for the assessments.



YEAR 2005 IN BRIEF

NET SALES AND OPERATING PROFIT

Tamfelt's consolidated net sales were 140.1 million euros and operating profit was 21.6 million euros. The net sales were up 4.7% and the operating profit was up 36.1% year-on-year. Net profit for the year rose 20.4% to 15.3 million euros.

BUSINESS ENVIRONMENT

The market for paper machine clothing as well as the demand for filter fabrics for the paper and pulp industries grew at the rate of the long-term average. Fabric consumption per ton of paper produced continued to decline slightly. Filter fabrics used in the mining industry were in good demand. High-quality filter fabrics will be required in increasing quantities as stricter environmental standards are put in place. Competition from China and Southeast Asia has tightened the situation in some markets.

NEW PRESIDENT & CEO

Jyrki Nuutila, M.Sc. (Econ.), former Deputy to the CEO, became the Company's President & CEO on April 1, 2005. Risto Hautamäki, who led the Company from 1995, took over as the President of Metso Paper.

RECORD NUMBER OF START-UP DELIVERIES

Tamfelt contributed as clothing supplier for a record number of paper and board machine start-ups or rebuilds in the company's focus area of wide and high-speed machines. Tamfelt has engineered a special start-up support concept to ensure undisturbed and fast start-up in partnership with the customer and the machine supplier.

NEW BELT LINE

Tamfelt's ability to respond to increasing demand for shoe press belts used in paper and board machines was greatly improved when a new belt line was commissioned in March 2005. The new line doubled the manufacturing capacity of belts and it helps establish Tamfelt's position as one of the world leading belt manufacturers.

GROWTH BY AN ACQUISITION IN EASTERN EUROPE

Tamfelt strengthened its presence in the Eastern European market by acquiring the Polish company Totaltex Sp. z o.o., which is a manufacturer of wet and dry filtration products. Prospects are good in the Eastern European filter fabrics market, and a foothold in Poland is strategically important for Tamfelt.

KEY FIGURES

	2005	2004	Change, %
Net sales, M €	140.1	133.8	4.7
Income before taxes, M €	20.8	16.3	27.8
Gross investments, M €	10.2	15.4	-33.9
Earnings/share, diluted, €	0.56	0.46	21.7
Equity/share, diluted, €	3.60	3.31	8.8
Dividend/share			
common, €	0.39*	0.33	–
preferred, €	0.41*	0.35	–
Return on net assets, %	19.5	15.7	–
Equity/Assets ratio, %	66.7	64.7	–
Personnel, Dec. 31	1,401	1,321	6.1

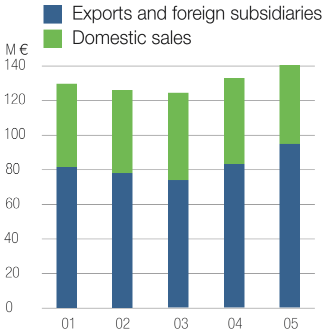
* Board of Directors' proposal

BASIC INFORMATION ON SHARES DECEMBER 31,2005

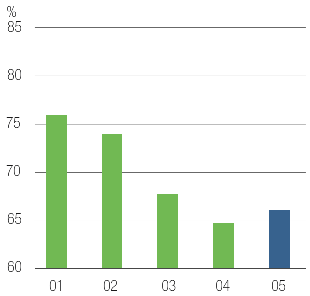
Tamfelt shares are quoted on the main list of the Helsinki Exchanges in 'Industrials'.

Trading code	
common share	TAFKS
preferred share	TAFPS
Number of shares	
common share	10,119,198
preferred share	17,432,766
Closing price	
common share	8.60 €
preferred share	8.05 €
Taxation value	
common share	6.06 €
preferred share	5.67 €
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	27,551,964.00 €
Total number of votes	219,816,726

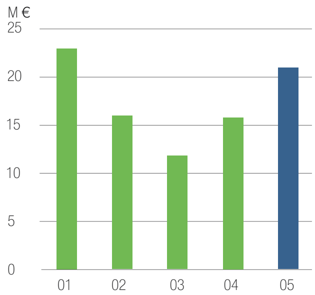
Net Sales, Consolidated



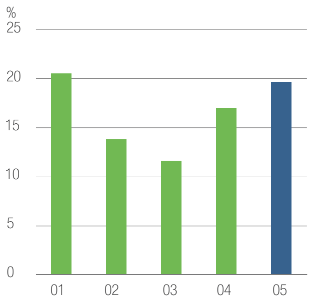
Equity/Assets Ratio, Consolidated



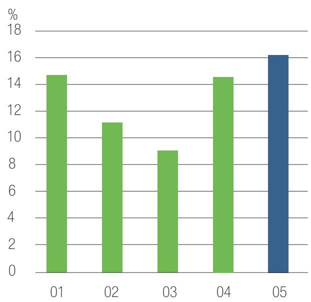
Operating Income, Consolidated



Return on Net Assets, Consolidated



Return on Equity, Consolidated



RELEASES IN 2005

Tamfelt published 18 stock exchange releases or announcements, which are all contained in the company's web pages at www.tamfelt.com/news. Here is a summary of the key releases of 2005:

February 2, 2005
: Tamfelt's President & CEO Risto Hautamäki announced his move to become the President of Metso Paper as of April 1, 2005. His agreed date of retirement at Tamfelt was May 1, 2005. According to our release of December 2004, Mr. Jyrki Nuutila took over as Tamfelt's President & CEO on April 1, 2005.

February 10, 2005
: Tamfelt Group's net sales in 2004 were up 6.4% at 133.8 million euros. Operating profit increased 27% to 16.0 million euros. Profit for the period was 13.0 million euros.

March 10, 2005
: Mr. Seppo Holkko, Executive Vice President, PMC Division, was appointed Deputy to President & CEO Jyrki Nuutila, who started in the role on April 1, 2005. Mr. Heikki Rehakka was appointed Executive Vice President, Filter Fabric Division and a member of the Group Executive Board as of May 16, 2005. Mr. Kimmo Pärssinen was appointed Financial Director and a member of the Group Executive Board and Mr. Jukka Vesa was appointed Personnel Manager, both as of April 1, 2005.

March 11, 2005
: At the Annual General Meeting of Tamfelt Corp. the year-end accounts were adopted and the Board of Directors and the President & CEO were absolved from their fiduciary liability for the fiscal year ending on December 31, 2004. A dividend of 0.33 euros for a common share and 0.35 euros for a preferred share was decided upon as proposed by the Board of Directors. Mr. Vesa Kainu, President of Metso Ventures, and Mr. Niklas Savander, Senior Vice President & General Manager of Nokia Enterprise Solutions, were elected as new members to the Board of Directors. The Annual General Meeting approved the Board of Directors' proposal for granting stock options.

April 07, 2005
: Tamfelt announced the adoption of International Financial Reporting Standards (IFRS) for its financial reporting as of January 1, 2005.

April 28, 2005
: In January-March, the net sales and profit of the Tamfelt Group were ahead of the corresponding period of 2004. Net sales were 35.3 million euros and operating profit was 4.3 million euros.

June 23, 2005
: Following the prolonged strike and lock-out in the Finnish forest industry, Tamfelt announced a need to resort to operational adjustments. Joint consultations began with the personnel. The need for adjustments and the impact of the conflict on Tamfelt's financial performance were expected to remain small at the annual level, if an agreement were to be reached in the paper industry in June. The financial results of the second quarter, however, were estimated to remain clearly behind of the first quarter of the year.

July 1, 2005
: The joint consultations were concluded. There was no much need for adjustments, and production smoothing was achieved through various working time and holiday arrangements.

August 10, 2005
: Tamfelt Group's net sales in January-June amounted to 67.1 million euros, which was slightly behind the comparative period. Net profit remained flat at 7.8 million euros.

October 27, 2005
: Tamfelt Group's net sales in January-September were up from 99.7 million euros at 103.0 million euros and operating profit increased 20.5% to 14.1 million euros compared to same period previous year.

November 23, 2005
: Tamfelt acquired 80% of Totaltex Sp. z o.o., Poland's leading supplier of wet filtration fabrics.

REVIEW BY THE PRESIDENT

Dear Reader,

The year 2005 was both successful and eventful at the Tamfelt Group. Capacity utilization rates were high worldwide in the forest and mining industries, which are our most important customer segments. New paper machines went on stream and old machines were rebuilt in record numbers. Tamfelt has contributed as a major start-up clothing supplier and increased steadily market share in its chosen focus area of large and high-speed paper machines. We have been remarkably successful as a start-up clothing supplier to China, where more than half of all new paper machines are being built. Tamfelt has also supplied clothing to major paper machine investment projects in Europe and North America.

Both economic growth and tightening environmental standards around the globe keep increasing the need for high-quality filter fabrics. A favorable business trend continues in the mining industry ensuring a brisk demand for filter fabrics. Tamfelt is one of the leading suppliers of filter fabrics to the pulp and paper industries, and we shipped increasing volumes of these products, notably to Europe and South America.

Successful performance requires innovative products and approaches.

Tamfelt's net sales grew and profitability improved
Tamfelt's consolidated net sales were up 5 per cent, and the Group's operating income was clearly ahead of the previous year. All business units improved their performance ensuring the good progress of net sales and operating income in the Group.

The year 2005 started with a positive outlook, until dark clouds began to gather in the second quarter as the Finnish forest industry was shut down for seven weeks due to labor disturbances. Lower domestic supplies were partly offset by higher exports, which kept the Group's net sales on growth track. Even though the consumption of clothing declined in Finland, Tamfelt managed to increase its domestic market share by a prompt and flexible response to customer needs ahead of its competition as paper machines were restarted in the beginning of July.

Tamfelt's filter fabrics operate on an increasingly international basis since we acquired an 80-per cent share in the Polish manufacturer Totaltex in November 2005. The company is Poland's leading supplier of wet filtration fabrics, and its products are an appropriate supplement to Tamfelt's product range. Totaltex has been operating mainly in the Polish market, but it will now be incorporated into Tamfelt's international filter fabrics operation with a profitable growth in sight.

Investments in productivity and ever-greater competence
Tamfelt operates mainly in mature businesses, where the annual market growth is only two to three per cent. Successful performance in such an environment requires innovative products and approaches combined with continuous improvement of processes. Also the investments in 2005 focused on initiatives which help improve the efficiency and quality of our processes.

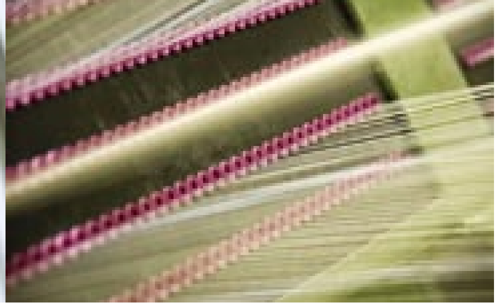
Investments to enhance our personnel's competence and versatile skills continued to deliver good results. A number of organizational changes and internal career rotation help support competence development and knowledge accumulation in an efficient manner.

Success through innovation
Tamfelt has engineered and patented a high number of innovative products, which have essentially contributed to the company's progress and success. Our spearhead products have helped us conquer significant market shares in our focus segment of modern high-speed paper machines. Our new shoe press belt line, which started up in the spring of 2005, has led to a rapid growth of the product group. Our patented shoe press belts are being supplied to sophisticated wide and high-speed paper and board machines worldwide.

High-performance products and good management of the entire supply chain resulted in a record-high volume of orders in the late 2005. Our large order book attests to customer confidence in our products and policies. In my view, the greatest challenge of 2006 is to respond to customers' expectations of increasingly prompt deliveries.

I wish to thank my predecessor Risto Hautamäki, who handed over to me the presidency of Tamfelt last spring. It was a pleasure to take over and continue the development of a company which is in such an excellent shape. I also want to thank our owners and customers for their confidence in Tamfelt. My gratitude, too, to our employees for an excellent performance. We look forward to the future with confidence.

Jyrki Nuutila, President & CEO



FOCUSED PROGRESS

VISION

Tamfelt is a leading supplier of paper machine clothing and filter fabrics to its chosen market segments. Our specialized total service, superb products and long-term partnerships have earned us the confidence of our customers.

BUSINESS IDEA

The Tamfelt Group's business idea is to develop, manufacture and sell paper machine clothing, filter fabrics, other technical textiles and related products and services with a view to improving the customer's competitive position and ensuring profitable operation of the Group.

STRATEGY

Tamfelt's target is internal growth ahead of the market while maintaining good profitability and a high equity/assets ratio. Acquisitions are an option only if there is a company whose products and manufacturing technologies are close to Tamfelt's core competence.

Profitable growth is ensured by concentration on focused target segments, in which we can capitalize on our resources to an optimal degree. Tamfelt's chosen market segments are clothing for large and high-speed paper and board machines and filter fabrics for major forest, mining and chemical industry plants worldwide.

We offer our customers competent total service. Besides innovative, reliable and high-quality products, this includes expertise in sales and customer service, technical support, and long-term partnership to improve the customer's process and competitiveness.

Meeting the target requires solid investments in research and development. The key to successful R&D is good knowledge of the customer's process and awareness of the customer's needs and expectations. Profitable business also requires continuous improvement of productivity and efficiency. The impact of small but innovative improvements is being emphasized in our operations. In production investments, our primary short-term objective is to improve the rate of capacity utilization. Over the longer term, additional capacity is needed to strengthen our position in the growing target markets.

KEY SUCCESS FACTORS

Tamfelt's key success factors in implementing the strategy include

- competent personnel
- cooperation with customers, machine manufacturers, research institutes and universities
- comprehensive technical customer service
- active product development
- technically advanced machinery and efficient production units
- own textile and paper laboratories
- innovative products and processes
- operation as part of the highly appreciated Finnish forest cluster.

CORPORATE GOVERNANCE

Tamfelt Corp's corporate governance is based on Finnish law and the company's Articles of Association. Tamfelt follows the Corporate Governance Recommendation for Listed Companies issued by the Helsinki Exchanges, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers, 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 Board of Directors may convene the Annual General Meeting of its own accord, but it is obliged to convene the Annual General Meeting if this is required by the company's auditors or by shareholders who own at least 10 % of the company's stock. The Annual General Meeting deals with the issues prescribed in 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 decrease of the capital stock, election of Board members and auditors, adoption of the financial statements, and distribution of dividend. A shareholder is entitled to have a matter discussed at the Annual General Meeting by submitting a written request thereof to the Board of Directors early enough to enable the matter to be included in the summons. 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 they are 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 Finnish 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. This means that all Board members are elected in every Annual General Meeting. A person turned 70 years is not eligible for the Board of Directors. In 2005 the Board of Directors consisted of six 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 responsibilities and liabilities of the Board of Directors are determined by the Finnish Companies Act and other applicable legislation. The Board of Directors is responsible for the management of the company and the proper organization of the company's activities. The Board of Directors also 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, Deputy to the CEO 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 be arranged as a teleconference. In 2005 the Board of Directors met 8 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. An opinion which has been supported by more than half of the members present constitutes the resolution of the Board of Directors. In the case of a tie, the vote of the Chairman shall be decisive.

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 environment. 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 to serve in the Board. 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 is made, unless there is a weighty reason to excuse his or her absence.

Board of Directors in 2005
In 2005, the Board of Directors was chaired by Mikael von Frenckell, with Axel Cedercreutz as Deputy Chairman. The other members were Martin Lilius, Jouko Oksanen, Vesa Kainu and Niklas Savander.

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 and its shareholders.

Résumés of the members of the Board of Directors including details of their financial interest are on pages 12-13 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. If the President & CEO is prevented from attending to his duties, his place shall be taken by his Deputy. Risto Hautamäki served as the President & CEO of Tamfelt Corp. until March 31, 2005. Jyrki Nuutila took up as President & CEO on April 1, 2005. Deputy to the CEO is Seppo Holkko, Executive Vice President, PMC Division.

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

The Executive Board is chaired by the President & CEO. The Executive Board assists the President & CEO in the management of the company, prepares matters submitted to the Board of Directors and the President & CEO, and serves as an advisor to 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 2005 included readjustment of strategic lines, substantial start-up contracts, reduction of lead times, and productivity improvement.

The Executive Board met 14 times in 2005. 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 2005, 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 a member 400 euros for each meeting and a refund of travel expenses. 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 2005

Mikael von Frenckell	32,300 euros
Axel Cedercreutz	18,400 euros
Martin Lilius	18,400 euros
Jouko Oksanen	18,400 euros
Vesa Kainu	14,100 euros
Niklas Savander	13,700 euros
Martti Karttunen	4,700 euros
Total	120,000 euros

Salaries and remunerations to the President & CEO and the Executive Board
Decisions on management remuneration are made by the Board of Directors. On top of a monthly salary, the President & CEO and the members of the Executive Board are paid bonuses, which are determined by the company's profit as well as individual targets, which have been agreed in advance. The members of the Executive Board also hold stock options from the 2005 scheme and from the 2002 phantom stock scheme.

Details of the Tamfelt 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 perquisites and bonuses was 256,800 euros in 2005. The President & CEO holds 30,000 shares of phantom stock and 60,000 options from the 2005 scheme. 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 twelve months if given by the company or six 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 the company's 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 net sales as well as incoming orders and their profitability are watched daily. Other financial trends are monitored in 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 and their shareholding is available on Tamfelt's website at www.tamfelt.com/investors.

Tamfelt adopted the new standard of the Financial Supervision Authority on declarations of insider holdings and insider registers on December 1, 2005. Tamfelt's public insiders comprise the Board of Directors, President & CEO, his Deputy, auditors, and members of the Group Executive Board. Tamfelt's company-specific insiders include other senior managers, management secretaries and persons responsible for the company's accounting and communication. 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 insider registers are 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 (Urho Kekkosenkatu 5 C, 8th floor).

EXTERNAL AUDIT

The company has two auditors and two deputy auditors. All of them shall be authorized public accountants or public accountant companies. The auditors are elected by the Annual General Meeting. Proposals concerning the election of auditors, which have come to the notice of the Board of Directors before the Annual General Meeting, are published in the summons to Annual General Meeting whenever the proposal is backed by at least 10 % of the number of votes yielded by the company's stock and the person in question agrees to the proposal. The term of auditors 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. They submit the statutory audit report to the company's shareholders on the annual financial statements. The Board of Directors hears the auditors at least once a year.

The Annual General Meeting 2005 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 88,400 euros in 2005. The payment of consultation fees unrelated to auditing accounted for 17,700 euros.

COMMUNICATION

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.

BOARD OF DIRECTORS DEC. 31, 2005

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 and Neste Oil 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).
Member of the Board
of Almanova Oyj.
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:
14,517 common and 447 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.

VESA KAINU
Born in 1947
President, Metso Ventures.
B.Sc. (Eng.).
Tamfelt Corp.:
Member of the Board since 2005. Member of the Board 1995-2000.
Previous track record:
Executive Vice President of Metso Minerals, Inc. (2001-2003), President of Metso Paper, Inc. Service (1999-2001).
Member of the Board of Avantone Oy and Exel Oyj.
Tamfelt shares:
750 preferred shares.

NIKLAS SAVANDER
Born in 1962
Senior Vice President, Nokia Enterprise Solutions.
M.Sc. (Eng.), M.Sc. (Econ.)
Tamfelt Corp.:
Member of the Board since 2005.
Previous track record:
Director of Nokia Mobile Software (2000-2002), Marketing Director of Nokia Networks (1997-2000).
Member of the Board
of Symbian Ltd. and Waldemar von Frenckell Foundation.
Tamfelt shares:
1000 preferred shares

Shares held on December 31, 2005 include also the holdings of the persons closely associated with insider and of controlled corporations

GROUP EXECUTIVE BOARD DEC 31, 2005

JYRKI NUUTILA
born in 1948
Chairman of the Group Executive Board, President & CEO.
M.Sc. (Econ.)
Tamfelt Corp.: in the company since 1986; President & CEO since April 1, 2005.
Member of the Group Executive Board since 1986.
Previous track record: Executive Vice President of Tamfelt Corp. (1992-2005), Administrative Director of Tamfelt Corp. (1986-1992).
Chairman of the Board of Alakoski Oy.
Deputy Chairman of the Board of the Federation of Finnish Textile and Clothing Industries.
Tamfelt shares and stock options: holds 346 common and 1,628 preferred shares, 60,000 options and 30,000 shares of phantom stock.

SEPPO HOLKKO
born in 1950
Executive Vice President, PMC Division (Paper Machine Clothing) and Deputy to the CEO.
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 2,048 preferred shares, 40,000 options and 30,000 shares of phantom stock.

HEIKKI REHAKKA
born in 1958
Executive Vice President, Filter Fabric Division.
M.Sc. (Eng.)
Tamfelt Corp.: in the company since 1987; member of the Group Executive Board since 2005.
Previous track record: Vice President, Filter Fabrics Finland at Tamfelt Corp. (2002-2005), Vice President, Press Felts at Tamfelt Corp. (1997-2002).
Tamfelt shares and stock options: holds 100 common shares and 35,000 options.

Shares held on December 31, 2005 include also the holdings of the persons closely associated with insider and of controlled corporations

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).
Deputy Member of the Board of Alakoski Oy.
Tamfelt shares and stock options: holds 25,899 preferred shares and 6,000 options.

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-).
Tamfelt shares and stock options: holds 1,648 preferred shares and 35,000 options.

KIMMO PÄRSSINEN

born 1963
Chief Financial Officer.
M.Sc. (Econ.)
Tamfelt Corp.: in the company since 1995; member of the Group Executive Board since 2005.
Previous track record: Business Development Manager of Tamfelt Corp. PMC Division (2002-2005), Business Controller of Tamfelt Corp. (1995-2002).
Tamfelt shares and stock options: holds 825 preferred shares and 35,000 options.

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 and stock options: holds 1,164 preferred shares and 14,000 options.

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.

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.

*Personnel representatives.

FOCUS ON FUTURE SUCCESS

Executive Vice Presidents Seppo Holkko and Heikki Rehakka discussed Tamfelt's success factors.

Tamfelt's strategy is internal growth ahead of the market, at the same time maintaining good profitability. The strategy defines acquisitions as an option only if there is a company whose products and manufacturing technologies are close to Tamfelt's core competence. How is profitable internal growth achieved?

Seppo Holkko: ”Compared to external growth, internal growth is a safer way of maintaining solvency and profitability. External growth through acquisitions involves a higher risk and the company's solvency ratio will decline. Internal growth is achieved by investing in existing plants within a disciplined framework. This reduces the risk and helps preserve profitability.”

Heikki Rehakka: ”In the filter fabrics we are trying to gain control over strong local growth centers. The growth is external at first, but then we will focus on internal growth and bolster it by exporting Tamfelt's knowhow and technology to the units. By doing this we have secured good profitability and growth of our foreign plants. For example, the sales of our Brazilian unit increased in 2005 by more than 50 per cent in euro terms.”

In November 2005 Tamfelt acquired majority interest in the Polish company Totaltex, which produces wet filtration fabrics. Is this a case in point of an acquisition in line with your strategy?

Heikki Rehakka: ”Yes, because Totaltex is a top player in some of its product areas, and an access to these niche areas is a befitting addition to Tamfelt's repertoire. It was a move that gave us a strong foothold in the growing markets of Eastern Europe.”

Your strategy says that investments in product development are necessary to achieve the target. How does Tamfelt invest in R&D?

Seppo Holkko: ”Finland has traditionally offered good conditions for product innovations in this industry. We have a strong and capable customer, the Finnish forest industry. The whole forest cluster, including the manufacture of machinery and equipment, research, development and training has provided a good base for our R&D. Tamfelt has competent staff who understands the needs of our customers. Many of our employees have been working in various segments of the forest cluster, even in customer industries. Product development starts from our employees, their knowledge and innovations.”

“An example of our product innovations is TMO press fabrics, which we were the first in the world to put on the market. And we are still the only supplier of these products. Another example are shoe press belts, in which our own innovations have resulted in a superior product.”

Heikki Rehakka: ”The advantage of a small organization is that everyone can contribute to product development, especially the members of the sales team, who know what the customers want. Of course, customers themselves and machine and equipment suppliers also participate in the work. One more example of Tamfelt's successful product development is a filter bag featuring a wavy surface, for which we have put in a patent application. The new product improves filtering capacity of old filters up to 25 per cent.”

Which of the key factors mentioned in Tamfelt's strategy are highlighted in your line of business in future?

Seppo Holkko: ”They are all important factors. Product is the ultimate thing - it must work excellently. The need to engineer superior products makes high demands on R&D, innovatory capacity and personnel competence. Success factors are kind of linked together. Perhaps the two single factors that stand out most are product development and partnership with customers. In future, cost pressures increasingly underline the importance of efficiencies.”

Heikki Rehakka: ”Employees and employee training are the basic cornerstones of our future success. Training for the specialty of filter fabrics is not available at any school; the skills are learned through work in a long-term process. Our competitive ability depends on how well we can solve the problems of our customers, how competent our employees are, and how effectively we use our information systems.”

How does the company promote the success factors?

Seppo Holkko: ”We make an effort to recruit the best possible employees for the future. We provide continuous internal training with a view to getting multiply skilled people to work for us. On the shop floor side this means hands on with the different stages of the job. Our clerical personnel understand the processes and machines of papermaking; they are familiar with our products and know how all the various components play together. Employees can extend their skills by moving from a job to another within the company.”

”For product development, we have the best laboratories in the field with new equipment to secure a good working environment. And we keep our machinery in good condition by regular investments.”

Heikki Rehakka: ”Job rotation is important, not only within the house but also between the different units. This is a way of sharing good practices and knowhow.”

”A system worth mentioning is Tampere Business Campus, which is a unique training and meeting forum for companies operating in and around Tampere. Tamfelt is a member of TBC. This offers a means of sharing good practices also between companies.”

What are the prospects and challenges of the near future? How does Tamfelt respond to the ever increasing global competition?

Seppo Holkko: ”The sales of paper machine clothing has grown almost in line with the growth of national product in Europe and North America, but in Asia the growth is slightly ahead. More than fifty per cent of new paper and board making capacity has been invested in China over the last five-year period. Customer consolidation continues, though not very fast. The level of customers’ requirements keeps rising – they want higher quality products which last longer.”

“Tamfelt focuses on large and high-speed paper and board machines. This has been a natural development, because the average size of paper machines in Finland is bigger than anywhere else in the world. Our customers worldwide have new and challenging paper machine concepts. We have concentrated our activities on the most demanding category. Our goal is to find the best product for every position. This is why we employ expert staffs in R&D and application design with solid experience in product development and customer service. Cost efficiency is ensured by good maintenance of our machinery and personnel competence.”

Heikki Rehakka: “Future growth areas in the filter fabrics business are South America, Eastern Europe and China. The total annual growth of the industry is four to five per cent, and the most buoyant markets will grow 10 to 20 per cent. This is a challenge, because we must keep up. We have to get active in these markets. The filter fabric business is in a competitive situation where big players grow and are keener than ever to secure their global positions. This is a trend that follows the globalization of customers.”

“We are aiming at market leadership in narrow niche areas. This strategy can be implemented in partnership with the best filtering equipment manufacturers which gives us an opportunity to achieve price and cost leadership.”

You have been in the business for a long time. What gets you inspired day after day?

Seppo Holkko: “One thing more than anything else – happy customers.”

Heikki Rehakka: “I am inspired by the opportunity to work in the best filter fabric producing company in the world, by good colleagues, superb products, and the prospects of staying at the forefront of development.”

BUSINESS ENVIRONMENT

Tamfelt is a world-leading supplier of technical textiles. The Group's main products are fabrics for the paper and pulp, mining and chemical industries. Other products include ironer felts and dry filtration products. Tamfelt's biggest customer segment is the paper and pulp industry.

In 2005, the demand for paper and board grew at the long-term average rate, and most paper and board machines operated at high capacity utilization rates. While output volumes in Europe remained flat, they grew in Asia, notably in China. In North America, production volumes experienced another downturn. Most investments in new paper and board manufacturing capacity are still being made in China and elsewhere in Asia. The conditions in the metal market affect the demand for filter fabrics consumed in the mining industry. The demand and prices for major metals were at a good level.

The demand for paper machine clothing grew at the rate of the long-term average. Specific consumption - the consumption of clothing per paper ton produced - continued to decline slightly. New forming fabric types, in particular, are increasingly durable. The consumption of felts and dryer fabrics is more in line with the growth of paper production. Filter fabrics used in the mining industry were in good demand. The market for filter fabrics for the paper and pulp industries was at the normal level. High-quality filter fabrics will be required in increasing quantities as stricter environmental standards are put in place. Competition from China and Southeast Asia has tightened the situation in some markets. The weakness of the dollar against the euro affected the profitability of the exports from Western Europe to North America and Asia.

PROFIT PERFORMANCE AND FINANCIAL POSITION

The Group's net sales grew 4.7% to 140.1 million euros. Net sales increased in all major markets excluding Finland. Foreign operations contributed 67.5% (62.6) of the consolidated net sales.

Tamfelt's consolidated operating profit was clearly ahead year-on-year. Operating profit was 21.6 million euros (15.9), corresponding to 15.4% (11.9) of the net sales. Profit for the period was 15.3 million euros (12.7). Return on net assets was 19.5% (15.7) and return on equity was 16.1% (13.7). Diluted earnings per share were up at 0.56 euros (0.46). The improvement was attributed to volume growth, good productivity trend and better cost efficiency.

The consolidated balance sheet total was 149.4 million euros (140.3). Consolidated equity was 99.4 million euros (90.8) and equity/assets ratio 66.7% (64.7). Gearing was 6.5% (11.5). Group liquidity was good throughout the year. On the balance sheet date, interest-bearing loans amounted to 14.1 million euros (15.4) and the book value of liquid assets to 7.7 million euros (4.9). The Group's net financial items totaled -0.8 million euros (0.4).

Tamfelt's order backlog is good. The volume of incoming orders was ahead year-on-year.

The parent company's net sales were 119.0 million euros (113.9). Operating profit was 16.3 million euros (10.0) and profit for the period 12.0 million euros (10.3). Exports accounted for 61.7% (56.0) of the parent company's net sales.

BUSINESS OPERATIONS AND KEY EVENTS

Tamfelt is a manufacturer of technical textiles for the paper and pulp, mining and chemical industries and for commercial laundries and wastewater treatment plants. Paper machine clothing (PMC) comprises forming fabrics, press felts and fabrics, shoe press belts and dryer fabrics. High-quality technical expertise, customer support and laboratory services back up the supplies. Tamfelt is one of the leading suppliers of paper machine clothing to wide and high-speed Western European paper machines. Tamfelt enjoys a strong position in the filter fabrics market for the paper and pulp industries. As a filter fabric supplier to the mining industry, Tamfelt concentrates on certain types of filters and has earned a significant presence in the market. Tamfelt is the leading supplier of ironer felts for commercial laundries.

The company runs manufacturing operations in Finland, Portugal, Brazil, China and Poland. Tamfelt's domestic plants are located in Tampere and Juankoski. The Tampere unit produces press felts and fabrics, dryer fabrics, shoe press belts and filter fabrics. Forming fabrics are made at Juankoski. The Portuguese unit concentrates on dry filtration products and ironer felts. Tamfelt's Brazilian operation produces filter fabrics for the pulp and mining industries, and the Chinese unit makes forming and dryer fabrics. The Polish plant is a manufacturer of filter fabrics for wet and dry filtration. Tamfelt operates sales companies in the United States and Canada.

The Group's net sales were up in all main market areas with the exception of Finland, where net sales decreased following a seven-week labor dispute in the paper industry. Thanks to intensive export efforts, however, Tamfelt's consolidated net sales remained on growth track. The heaviest growth came from China, North America and Sweden.

Sales volumes grew in shoe press belts, press felts and filter fabrics for the forest industry. In South America, strong economic growth was reflected in sharply rising demand for filter fabrics for the mining and forest industries. Intense competition from China and Southeast Asia has clearly reduced filter fabric shipments to the Russian market.

Tamfelt's strengthening market position was manifested in the amount of new orders, which was clearly ahead of the year before. Even domestic market shares were on the increase; the effect of declining domestic sales was less marked than the impact of the paper industry conflict on fabric consumption. In 2005, Tamfelt contributed as clothing supplier for a record number of paper and board machine start-ups. Major start-up orders were received from all main market areas, notably from China and Western Europe. For a clothing manufacturer, it is important to win contracts as a start-up supplier, because this opens up possibilities to establish a preferred supplier status. Fierce competition for new positions has affected the average price levels.

The increase of delivery volumes was achieved by investments in production bottlenecks and by measures to improve productivity. The growth in shoe press belts was enabled by a new production line commissioned in March, which doubled the manufacturing capacity. All the manufacturing units reached a new production record.

In November Tamfelt purchased a majority share in the Polish company Totaltex Sp. z o.o. Totaltex is Poland's leading supplier of wet filtration fabrics and the company also produces dry filtration products. Its products are an appropriate supplement to Tamfelt's range. A foothold in Poland is strategically important for Tamfelt. Poland and its neighbouring areas carry on plenty of mining and food industries, which need filter fabrics for their processes. Tightening environmental standards in Eastern Europe will also increase the need for filtration. Poland's reasonable cost levels will help improve Tamfelt's competitive shape in international markets.

EVENTS AFTER THE PERIOD UNDER REVIEW

Tamfelt Corp.'s share capital was increased by 12,000.00 euros on January 30, 2006. The increase was related to subscriptions made in December 2005 under stock options granted in year 2000. After the increase the company's share capital is 27,563,964.00 euros. The number of common shares is 10,119,198 and the number of preferred shares is 17,444,766.

INVESTMENTS

The Group's gross investments were 10.2 million euros (15.4). Most of the investments were made in machinery and equipment. The productivity of weaving and seaming was increased and cost efficiency was improved in the Tampere and Juankoski units. A heat treatment machine allowing the use of chemical coatings was taken into use in Tamfelt's Portuguese operation.

RESEARCH AND DEVELOPMENT

The cost of research and development in 2005 was 2.3% (2.7) of Tamfelt's net sales. Tamfelt's R&D is conducted in cooperation with customers, material suppliers, paper machine and filter manufacturers, as well as universities and research institutes. 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.

RISKS AND UNCERTAINTY FACTORS

Tamfelt takes out insurances to cover the risk of damage involved in its activities, as far as this is deemed financially or otherwise motivated. The coverage includes appropriate insurances against material damage and business interruption as well as product liability and completed operations liability insurances. Tamfelt focuses on identifying risks and works so as to reduce risks and risk-related damages. However, Tamfelt's business environment involves risks, which cannot be covered by insurances or eliminated by other means.

The paper and board industries are growing fastest in China and Southeast Asia and the mining industry is growing fastest in South America. Tamfelt's customers are increasingly relocating their production capacity to these areas. Even Tamfelt's competitors are shifting operations to these countries where cost levels are lower. Tamfelt must be able to increase productivity and to improve its performance and cost structure to be able to remain competitive. Tamfelt is increasingly operating in the South American and Chinese and Southeast Asian markets, where customers' liquidity may be less good and the risk of credit losses higher. Increasing consolidation of the company's customer base and declining specific consumption add pressures on the prices of Tamfelt's products. In certain raw materials, Tamfelt is dependent on a few suppliers. This adds uncertainties related to the availability, price and quality of materials. A more detailed account of the management of financial risks is in section 25 of the Notes.

PERSONNEL

The average Group employment was 1,333 people (1,325). The parent company employed an average of 1,032 people (1,047). On the last day of the year, the Group employed 1,401 (1,321) and the parent company 1,040 people (1,038). 50 persons of the increase followed from the incorporation of the Polish company at the end of the year. Also in Portugal, a few people previously hired in temporary agency work were now employed by the company.

The average length of employment in the Group was 13 years (13). At the end of 2005, the average age of personnel was 42 years (40). Labor turnover at the Group level was 6.8% (4.2). During the year 78 employees moved to new jobs within the parent company. The parent company hired 137 students for summer jobs. Absenteeism through sickness was 6.2% (6.4) of theoretical regular working time, and the average pension age rose from 60 to 62 years.

The primary means in the development of the personnel's competence were learning through work, learning through the company's internal and external networks and apprenticeship training. Focus areas included further development of management and leadership, sharing of empirical knowledge and best practices in the production process, and safety card training, which was completed by almost entire personnel over two years.

In the first year of the adopted equality plan, job titles were upgraded and issues of equality and well-being were established as a part of annual performance reviews. Employee well-being was monitored by a personnel survey regularly conducted in the parent company. At the end of the year, a similar survey was started at the Portuguese and Brazilian plants. Tamfelt publishes an annual personnel report, which provides more detailed information on the parent company personnel

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 2005 focused on measures required by the environmental permit granted to Tamfelt, on the improvement of material yield, on more effective recycling of cloth waste, and on preparations for emissions trading. The quality and environmental systems were audited by SFS in spring. The cost impact of waste was reduced by improved recycling in cooperation with companies specializing on the field. Because of practical difficulties in dealing with energy waste, more and more cloth waste has been channeled to manufacturers of plastic granulate. Efforts are made to increase this activity in 2006. Tamfelt's annual environmental report provides detailed information on the company's environmental performance.

CHANGES IN GROUP STRUCTURE

In November Tamfelt purchased an 80-% share in the Polish company Totaltex Sp. z o.o. Totaltex is located in the city of Łódź and employs 50 people.

Tamfelt Canada, Inc., an inactive sales company registered in the United States, was shut down in 2005.

FOREIGN BRANCHES

In China, Tamfelt's business is supported by Tamfelt Shanghai Representative Office.

CHANGES IN SHARE CAPITAL

In 2005, a total of 208,500 preferred shares were subscribed for under the options of Tamfelt's stock option program issued in the year 2000. Of these 196,500 preferred shares were registered by December 31, 2005, increasing the company's share capital by 196,500.00 euros. At the end of 2005, Tamfelt's share capital stood at 27,551,964.00 euros. The aggregate number of shares was 27,551,964, of which 10,119,198 were common shares and 17,432,766 preferred shares. The remaining 12,000 preferred shares were registered on January 30, 2006. Subscription under the option program of the year 2000 expires on March 31, 2006, but all shares included in this option program had been subscribed for by the end of 2005.

The Annual General Meeting of March 10, 2005 passed a resolution to grant stock options to the company's key executives. The 2005 option program entitles the option holders to subscribe for a total of 437,000 preferred shares, which represents a maximum of 1.6% of Tamfelt's share capital and 0.2% of the voting power at the end of the year. Under the 2005 stock option program Tamfelt's share capital can rise by a maximum of 437,000.00 euros. Subscription under this program begins for E options on November 1, 2007 and for F options on November 1, 2009.

OWN SHARES

The company held no own shares in 2005. The Board of Directors holds no current authorization to decide on the acquisition or conveyance of the company's own shares.

BOARD OF DIRECTORS, AUDITORS AND EXECUTIVE BOARD

Tamfelt Corp.'s Annual General Meeting of March 10, 2005 elected Vesa Kainu and Niklas Savander as new members of the Board of Directors. Mikael von Frenckell, Axel Cedercreutz, Martin Lilius and Jouko Oksanen were re-elected as the ordinary members of the Board of Directors. At the organization meeting, Mikael von Frenckell was elected to continue as Chairman and Axel Cedercreutz as Deputy Chairman.

Authorized Public Accountants Jari Paloniemi and Veikko Terho were elected to continue as the company's auditors. Authorized Public Accountant Jukka Lahdenpää and Authorized public accounting company Moore Stephens Rewinet Oy Ab were elected to continue as deputy auditors.

Jyrki Nuutila, former Deputy to the CEO, became the company's President & CEO and the Chairman of the Group Executive Board on April 1, 2005. Seppo Holkko, the Executive Vice President of the PMC Division, succeeds him as Deputy to the CEO.

Kimmo Pärssinen was appointed Chief Financial Officer from April 1, 2005 and Heikki Rehakka Executive Vice President of the Filter Fabric Division from May 16, 2005. In addition to the above, the Group's Executive Board consists of Technical Director Jukka Huhtiniemi, Executive Vice President of Corporate Planning Hannu Laine and, as personnel representatives Jarmo Järviö, Chief shop steward at the Tampere plant, Jaakko Räsänen, Chief shop steward at the Juankoski plant, and Pirkko Järvelä, Clerical personnel representative.

OUTLOOK FOR 2006

If global economic growth continues, the demand for paper will continue to grow and fabric consumption will increase at the normal rate even in 2006. In the mining industry, the market trend is expected to remain positive for iron and color metals, increasing the demand for filter fabrics.

Effective capital spending and productivity improvement will remain in the focus of special attention. Investment expenditure has been scaled to correspond to depreciation, and the company's cash flow remains robust.

If the conditions of the forest and mining industries evolve as anticipated and no unforeseen changes occur in global economy, Tamfelt's net sales are expected to grow and the return on equity and earnings are predicted to remain good.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

Consolidated distributable profits are 45,556,979.10 euros and the parent company's distributable profits are 35,238,851.26 euros, of which profit for the year is 12,013,755.02 euros. The Board proposes to the Annual General Meeting that the distributable profits be disposed of as follows:

– a dividend of 0.39 € a share be paid on 10,119,198 common shares, totaling 3,946,487.22 €
– a dividend of 0.41 € a share be paid on 17,444,766 preferred shares, totaling 7,152,354.06 €

Dividend, total	11,098,841.28 €
Retained earnings	24,140,009.98 €
	35,238,851.26 €

CONSOLIDATED STATEMENT OF INCOME

Jan. 1 - Dec. 31 (1 000 €)

	Ref.	2005	%	2004	%
CONTINUING OPERATIONS	Ref.				
Net sales	1.	**140 087**	100	**133 760**	100
Operating profit	3.-6.	**21 574**	15	**15 854**	12
Financial income	7.	555		6 203	
Financial expenses	8.	-1 351		-5 805	
Share of profit of associates	13.	23		30	
Profit before tax		**20 801**		**16 282**	
Income taxes	9.	-5 475		-3 549	
Profit for the period		**15 326**	11	**12 733**	10
Attributable to:					
Equity holders of the parent		15 439		12 716	
Minority interest		-113		17	
		15 326	11	**12 733**	10
Earnings per share calculated on profit attributable to equity holders of the parent (euro), continuing operations:	10.				
Basic		0.56		0.47	
Diluted		0.56		0.46	

CONSOLIDATED STATEMENT OF CASH FLOWS

Jan. 1 - Dec. 31 (1 000 €)

	Ref.	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES	Ref.		
Profit for the period		**15 326**	**12 733**
Adjustments to profit	27.	15 192	12 791
Change in working capital:			
Change in trade and other receivables		-3 238	-1 397
Change in inventories		-778	1 035
Change in trade and other payables		785	2 400
Change in provisions		-243	
Interest received		148	167
Interest paid		-595	-572
Other financial items, net		-302	-401
Taxes paid		-3 934	-5 468
Net cash flow from operating activities		**22 361**	**21 288**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries less cash and cash equivalents at acquisition date		-787	
Investment in property, plant and equipment		-8 996	-14 095
Investment in intangible assets		-382	-338
Investment in other financial assets			-918
Net cash flow from investing activities		**-10 165**	**-15 351**
CASH FLOW FROM FINANCING ACTIVITIES			
Subscription for stock options		1 091	79
Withdrawal of loans		1 587	3 500
Repayment of loans		-2 827	-974
Dividends paid		-9 372	-17 182
Net cash flow from financing activities		**-9 521**	**-14 577**
Change in cash and cash equivalents		2 675	-8 640
Cash and cash equivalents at the beginning of the period		4 947	13 332
Effect of exchange rate changes		-129	144
Effect of changes in the fair value of investments		183	111
Cash and cash equivalents at the end of the period		**7 676**	**4 947**

CONSOLIDATED BALANCE SHEET

Dec. 31 (1 000 €)

	Ref.	2005	%	2004	%
ASSETS					
Non-current assets					
Property, plant and equipment	11.	73 284		71 914	
Goodwill	12.	287		0	
Other intangible assets	12.	4 199		4 710	
Investments in associates	13.	291		269	
Other financial assets	14.	2 217		1 106	
Deferred tax assets	15.	561		503	
		80 839	54	78 502	56
Current assets					
Inventories	16.	32 195		31 417	
Trade and other receivables	17.	28 661		25 423	
Financial assets at fair value through profit or loss	26.	1 290		1 034	
Cash and cash equivalents	18.	6 386		3 913	
		68 532	46	61 787	44
Total assets		**149 371**	100	**140 289**	100
EQUITY AND LIABILITIES					
Issued capital and reserves attributable to equity holders of the parent					
Share capital	19.	27 552		27 355	
Share premium	19.	960		66	
Translation differences	19.	64		-509	
Fair value reserve	19.	822		0	
Retained earnings		69 758		63 691	
		99 156		90 603	
Minority interest		270		177	
Total equity		**99 426**	67	**90 780**	65
Non-current liabilities					
Deferred tax liabilities	15.	10 957		9 823	
Interest-bearing liabilities	23.	5 357		8 844	
		16 314	11	**18 667**	13
Current liabilities					
Trade and other payables	24.	23 929		23 549	
Tax liabilities based on taxable income for the period		405		0	
Provisions	22.	528		771	
Current interest-bearing liabilities	23.	8 769		6 522	
		33 631	23	**30 842**	22
Total liabilities		**49 945**		**49 509**	
Total equity and liabilities		**149 371**	100	**140 289**	100

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(1000 €)

	Issued capital and reserves attributable to equity holders of the parent							
	Share capital	Share premium	Translation differences	Fair value reserve and other reserves	Retained earnings	Total	Minority interest	Total equity
Equity Dec. 31, 2003	**18 228**	**4 430**			**70 130**	**92 788**		**92 788**
Effect of the adoption of IFRS					2 712	**2 712**	162	**2 874**
Restated equity Jan. 1, 2004	**18 228**	**4 430**			**72 842**	**95 500**	**162**	**95 662**
Translation differences			-509			**-509**	-2	**-511**
Profit for the period					12 715	**12 715**	17	**12 732**
Total recognised income and expenses for the period			**-509**		**12 715**	**12 206**	**15**	**12 221**
Bonus issue	9 114	-4 430			-4 684	**0**		**0**
Dividends					-17 182	**-17 182**		**-17 182**
Exercised stock options	13	66				**79**		**79**
Equity Dec. 31, 2004	**27 355**	**66**	**-509**		**63 691**	**90 603**	**177**	**90 780**
Translation differences			569			**569**	25	**594**
Change of fair value, financial assets available-for-sale				1 111		**1 111**		**1 111**
Tax on equity items				-289		**-289**		**-289**
Counter entry of share-based payments					4	**4**		**4**
Profit for the period					15 439	**15 439**	-113	**15 326**
Total recognised income and expenses for the period			**569**	**822**	**15 443**	**16 834**	**-88**	**16 746**
Dividends					-9 372	**-9 372**		**-9 372**
Exercised stock options	197	894				**1 091**		**1 091**
Acquisition of subsidiaries							181	**181**
Equity Dec. 31, 2005	**27 552**	**960**	**60**	**822**	**69 762**	**99 156**	**270**	**99 426**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMPANY PROFILE

Tamfelt Group's main products are technical textiles used in the paper, board and pulp industries, mining and chemical industries, and in wastewater treatment plants and commercial laundries. The biggest customer segment is the paper and pulp industry. Technical textiles make up the primary business segment. Geographic division is the secondary segment. The Group's manufacturing operations are concentrated on Finland, Portugal, Brazil, China and Poland.

The Group's parent company is Tamfelt Corp. The parent company's registered place of business is Tampere and its registered address is Yrittäjänkatu 21, 33710 Tampere, Finland.

Copies of the consolidated statements can be ordered at www.tamfelt.com or from the parent company at Yrittäjänkatu 21, 33710 Tampere, Finland.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This is the Group's first set of financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). Statements are based on the IAS and IFRS standards effective on December 31, 2005 and the SIC and IFRIC interpretations. In Finnish accounting legislation and provisions, International Financial Reporting Standards refer to standards and interpretations which are based on the procedure adopted for application in the E.U. according to E.C. regulation No. 1606/2002. Notes to consolidated statements also comply with Finnish accounting and corporate legislation.

The Group made a transition to IFRS in 2005 and has applied IFRS 1 *First-time adoption of IFRS* -standard. The date of transition is January 1, 2004. The March 2004 revisions of the standards IAS 32 *Financial Instruments: Disclosure and Presentation*, and IAS 39 *Financial Instruments: Recognition and Measurement* had no effect; the comparative data for 2004 is reconciled to IFRS. The Group has not voluntarily applied the IFRIC 4 *Determining Whether an Arrangement Contains a Lease i*nterpretation before it became effective on January 1, 2006.

The financial statements are based on the historical cost convention, excluding financial assets available-for-sale or held for trading and certain other financial receivables that are measured at fair value. Share-based payments are measured at fair value at the grant date. Goodwill for business combinations that took place before 2004 corresponds to goodwill based on the previous accounting standards, which is used as a deemed cost under IFRS. The classification and treatment of these acquisitions are not restated for the opening IFRS balance sheet. Monetary disclosures are in thousand euros.

The preparation of financial statements in conformity with IFRS requires Group management to make certain estimates and judgments regarding the application of accounting policies. Information on judgment that the management has exercised in applying the accounting policies and that has a significant effect on the disclosure is presented in "Accounting policies requiring management judgment and key uncertainty factors".

SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATED STATEMENTS

Subsidiaries

The consolidated statements comprise the parent company Tamfelt Corp. and all its subsidiaries. Subsidiaries are entities over which the Group exercises control. Control is based on the Group's holding more than half of the voting rights or other governing power. The existence of potential voting rights that are currently exercisable is considered when assessing the terms of control. Control means the right to govern the financial and operating policies of a company for the purpose of gaining benefit from the company's operations. Mutual stockholding is eliminated by the purchase method. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date on which control ceases. Inter-company transactions, balances, unrealized gains and internal profits are eliminated. Unrealized losses are not eliminated if they result from an impairment of the asset. Distribution of profit between parent company stockholders and minority stockholders is presented in connection with the income statement, and minority interest in equity is presented in the balance sheet as a separate component of equity. Minority interest in cumulative loss is recognized in the consolidated accounts up to the invested amount at the maximum.

Associated companies

Associated companies are entities over which the Group has significant influence. Significant influence is based on the Group's holding more than 20 % of the company's voting right or exercising other significant influence but not control. Associates are consolidated by the equity method. If the Group's share of losses in an associate exceeds the carrying amount of the investment, the investment is recognized in the balance sheet at zero, and losses exceeding the carrying amount are not consolidated, unless the Group has incurred an obligation on behalf of the associate. Unrealized gains between the Group and its associates are eliminated in proportion to the Group's interest in the associate. The Group's investment in associates includes goodwill identified on acquisition.

Joint ventures

Joint ventures are entities which the Group controls jointly with other venturers. The Group's interests in joint ventures are consolidated proportionally on a line by line basis. Consolidated statements include the Group's share in the joint venture's assets, liabilities, income and expenses.

Foreign currency translation

The results and financial position of all Group entities are measured in the currency of the primary economic environment in which the entity operates (functional currency). Consolidated statements are presented in euro, which is the functional and presentation currency of the parent company. Foreign currency transactions are translated into functional currency applying the exchange rates prevailing at the date of the transaction; in practice often the rate which approximately corresponds to the rate of the transaction date. Monetary items denominated in foreign currency are translated into functional currency using the exchange rates of the balance sheet date. Foreign currency denominated non-monetary items that are measured at fair value are translated into functional currency applying the exchange rates of the measurement date. Other non-monetary items are measured at the rate of the transaction date. Gains and losses on foreign currency transactions and translation of monetary items are recognized in the income statement. Exchange gains and losses related to business operations are included in the corresponding items above the operating profit line. Exchange gains and losses on foreign currency denominated loans are included in financial income and expenses, excluding loans which are designated as hedges of foreign net investments and perform effectively. Translation differences on such loans are recognized in equity. Forward exchange contracts used to hedge currency denominated sales are recognized under hedge accounting, and they are treated according to the cash flow hedging model, whereby they are recognized in the income statement concurrently with hedged sales. The earnings impact of the effective part of forward exchange contracts is recorded to adjust sales, and the ineffective part of the hedging relationship is disclosed in financial items. The income statements of foreign Group companies are translated into euros applying the weighted average rate of the period, and their balance sheets are translated at the rates of the closing date. The translation of profit at different rates in the income statement and balance sheet produces a translation difference, which is recognized in equity.

Translation differences arising from the elimination of cost of foreign subsidiaries or from post-acquisition movements in equity as well as changes in spot value of forward exchange contracts hedging a net investment are recognized in equity. Translation differences on the disposal of a subsidiary or a part of it are recognized in the income statement as a component of capital gain or loss. Translation differences arising before January 1, 2004 are recorded in retained earnings at the transition to IFRS, as permitted by the IFRS standard 1, and will not be recognized in the income statement on the disposal of a subsidiary. Translation differences arising on and after the transition date are recognized as a separate component of consolidated equity.

Since January 1, 2004, goodwill on acquisitions of foreign entities and subsequent fair value adjustments in the carrying amount of assets and liabilities of these acquisitions are treated as assets and liabilities of these foreign entities and translated into euro using the exchange rates of the reporting date. Goodwill on acquisitions made before January 1, 2004 and corresponding fair value adjustments are recorded in euro.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at their historical cost less accumulated depreciation and impairment. If an item of property, plant or equipment consists of several components with varying useful lives, each component is treated as a separate asset. In this case the cost of replacement is capitalized. In other case subsequent costs are included in the asset's carrying amount only when it is probable that the future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance costs are charged to the income statement as they are incurred. Depreciation on assets is calculated using the straight-line method over their estimated useful lives. Land is not recognized as a depreciable asset. The estimated useful lives are the following:

Buildings	25 to 40 years
Machinery and equipment	3 to 15 years

Residual values and useful lives are reviewed at each balance sheet date and, if appropriate, adjusted to reflect any changes in the expectation of economic benefit. Depreciation on property, plant and equipment ceases when the asset is classified as held for sale according to the IFRS standard 5 *Non-Current Assets Held for Sale and Discontinued Operations*. Capital gain or loss on the decommissioning and disposal of property, plant or equipment is included in other operating income or expenses.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Direct transaction costs associated with a certain borrowing are included in the amortized original cost of the borrowing.

Government grants

Government grants, such as grants for the purchase of property, plant or equipment, are recognized as deduction of the carrying amounts of these assets. Government grants are recognized as income in the form of lower depreciation over the useful life of the asset.

Investment property

The Group holds no property for the purpose of earning rental income or increment.

INTANGIBLE ASSETS

Intangible assets are only recorded in the balance sheet when the cost of the asset can be measured reliably and it is probable that the future economic benefit associated with the item will flow to the Group. Patents, trademarks and licenses with a limited useful life are stated in the balance sheet at original cost and charged to the income statement using the straight-line method over their known or estimated useful lives. Intangible assets with an indefinite useful life are not depreciable; instead, they are tested annually for impairment.

The estimated useful lives of the assets are the following:

Patents	10 years
R&D expenses	5 years
Computer software	3 to 10 years
Other	5 to 10 years

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets at acquisition of a company purchased after January 1, 2004. Goodwill on earlier business combinations corresponds to the carrying amount determined according to the previous accounting standards and used as deemed cost. The classification or treatment of these acquisitions is not adjusted for the opening IFRS balance sheet.

Goodwill (and other intangible assets with indefinite useful life) is not depreciable as regulated; instead, these assets are tested annually for impairment. For this purpose, goodwill is focused on entities producing cash flow or, in the case of an associate, goodwill is included in the cost of the associate. Goodwill is carried at original cost less impairment.

Research and development

Research expenditure is recognized as an expense in the income statement. Development expenditure of new or improved products is recognized as intangible assets in the balance sheet from the date on which the product is technically feasible and commercially viable and is expected to bring future economic benefit. Development costs previously recognized as an expense are not recognizable as an asset in a subsequent period. The asset is depreciated over its useful life commencing from the time it is ready for use. Assets not ready for use are tested annually for impairment. The useful life of capitalized R&D expenditure is 5 years, over which period capitalized assets are amortized on a straight-line basis.

INVENTORIES

Inventories are stated at the lower of cost or probable net realizable value. The cost is determined using the FIFO method. The cost of finished goods and work in progress comprises raw materials, direct labor costs, other direct costs and an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less estimated expenses required to finish the product and selling expenses.

LEASES

The Group has no tangible assets under lease agreements in which the Group has an essential share of ownership-related risks or benefits.

IMPAIRMENT OF ASSETS

At each balance sheet date, the Group determines whether there is any indication of impairment of an asset. If any such indication exists, the asset's recoverable amount is estimated. Besides, recoverable amounts of the following assets are estimated annually regardless of whether there is any indication of impairment: goodwill, intangible assets with indefinite useful life, and semi finished intangible assets.

The need for impairment is reviewed at the level of cash generating units, which is the lowest unit level that is mostly independent of other units and whose cash flows can be identified separately from other cash flows.

Recoverable amount is the higher of the fair value of the asset less costs to sell, or the value in use. Value in use means the estimated future net cash flows obtainable from the asset or a cash-generating unit, which are discounted to their present value. The recoverable amount of financial assets is either the fair value or the present value of expected future cash flows discounted at the original effective interest rate. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is immediately recognized in the income statement. If an impairment loss is recognized for a cash-generating unit, the loss is first allocated to reduce goodwill on the cash-generating unit and then to reduce other assets of the unit on a pro-rata basis. An impairment loss is reversed if there is a change of circumstances and the recoverable amount has changed since the last impairment loss for the asset was recognized. However, the reversal does not exceed the carrying amount the asset would have if an impairment loss had not been recognized. An impairment loss for goodwill is never reversed. Nor is any impairment loss reversed on equity investments classified as financial assets available-for-sale. Interest income is accrued after impairment recognition on receivables measured at amortized cost according to IAS 39 at the rate that was applied as discount interest rate for impairment calculation.

The Group had no goodwill value on the date of transition to IFRS (January 1, 2004).

EMPLOYEE BENEFITS

Pension liabilities

Pension schemes are classified as defined benefit plans and defined contribution plans. Contributions are charged to the income statement in the period to which the contributions relate. The Group's few defined benefit plans are recognized as expenses in the income statement and the liability is shown in the balance sheet.

Share-based payments

The Group has applied the IFRS 2 *Share-based Payments* standard to all stock options granted after November 7, 2002 and not vested before January 1, 2005. Any earlier option schemes are not expensed in the income statement. Stock options are recognized at fair value at the grant date and expensed on a straight-line basis over the vesting period. The expense determined at the grant date is based on the Group's estimate of the number of options which are assumed to vest at the end of the vesting period. Fair value is determined by the Black-Scholes option pricing model. The impacts of non-market conditions (including profitability and a certain profit growth target) are not included in the determination of the fair value of the stock option. Such impacts are included in assumptions about the number of options that are expected to become exercisable at the end of the vesting period. The Group updates the assumption of the final number of options on each balance sheet date. Changes in the assumptions are recognized in the income statement. As stock options are exercised, settlements received from subscriptions (adjusted with transaction expenses, if any) are recognized in equity (nominal value) and share premium.

PROVISIONS

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, payment is probable, and a reliable estimate can be made of the amount of the obligation. If some of the obligation is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset, but only when it is virtually certain that reimbursement will be received. Provisions are measured at the present value of the expenditure required to settle the obligation. The discount rate chosen to determine the present value reflects current market assessments of the time value of money at the time of review and the risks involved in the obligation.

A restructuring provision is recognized when the Group has prepared a detailed restructuring plan and begun its implementation or notified thereof. A restructuring plan includes the following information at least: the business subject to restructuring, principal places of business affected, the location, functions and estimated number of employees who will be paid benefits upon termination, costs involved, and the time of implementation of the plan.

Provisions will be recognized for loss-making contracts when the necessary expenses required for the fulfillment of obligations exceed the benefits received from the contract.

A provision for obligations regarding decommissioning or environmental rehabilitation is recognized when the Group is under obligation based on environmental legislation or the Group's environmental responsibility policies regarding the decommissioning of a plant, remedy of environmental damage, or relocation of equipment.

INCOME TAXES

The tax expense of the income statement consists of tax based on taxable profit for the period and deferred tax. The tax based on taxable profit for the period is calculated on taxable income applying the effective tax rate of each particular country. The tax is adjusted with prior year taxes, if any.

Deferred income tax is computed on all temporary differences between the carrying amount and tax base. The biggest temporary differences arise from the depreciation of property, plant and equipment, revaluation of derivative financial instruments, defined benefit pension plans, unused tax losses, and fair value measurement at acquisition.

Deferred income tax is not provided on non-deductible impairment of goodwill. Deferred income tax is not provided on retained subsidiary earnings to the extent that the difference is unlikely to reverse in the foreseeable future. Deferred income tax is computed using tax rates enacted by the balance sheet date. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

REVENUE RECOGNITION

Sales of goods and services

Revenue from the sales of goods is recognized when significant risks and rewards of ownership of goods have been transferred to the buyer. Revenue from the sale of services is recognized when the service has been rendered.

Construction contracts

The Group has no construction contracts referred to in IAS 11.

Interest and dividend

Interest income is recognized using the effective interest method, and dividend income is recognized when the right to receive payment is established.

Financial assets and liabilities

The Group has applied the IAS 39 standard *Financial Instruments: Recognition and Measurement* (amended in 2004) since January 1, 2004. Transaction costs are included in the original carrying amount of financial assets, when the item in question is not measured at fair value through profit or loss. All acquisitions and sales of financial assets are booked on the trade date.

Financial assets are derecognized when the Group has lost a contractual right to cash flows or transferred substantial risks and benefits out of the Group.

The category Financial assets stated at fair value through profit or loss is divided in two subcategories: financial assets held for trading and financial assets designated at fair value through profit or loss at inception. Financial assets held for trading are usually acquired for the purpose of short-term profit taking from changing market prices. Derivative contracts that do not meet the terms of hedge accounting are classified as being held for trading. Financial assets held for trading and financial assets expiring within 12 months are included in current assets. The items of this category are recognized at fair value, and the fair values of all investments of this category are based on current bid prices quoted in active markets at the balance sheet date. Both unrealized and realized gains and losses arising from changes in fair value are recognized in the income statement in the period in which they arise.

Held-to-maturity-investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. They are recognized at amortized cost in non-current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not held for trading. This category includes the Group's financial assets arising from the transfer of cash, goods or services to a debtor. They are recognized at amortized cost in current or non-current financial assets; in non-current financial assets if they expire in over 12 months.

Available-for-sale financial assets are non-derivatives that are specifically designated in this category or not classified in any of the other categories. They are included in non-current assets, unless they are intended to be disposed of within 12 months of the balance sheet date, in which case they are recorded in current assets. Available-for-sale financial assets may comprise shares and interest-bearing investments, and they are recognized at fair value. As a rule, the fair value of the investments of this category is based on current bid prices quoted in active markets at the balance sheet date. Changes in the fair value of available-for-sale financial assets are recognized in equity in fair value reserve including tax effect. Changes in fair value are removed from equity and recognized in the income statement upon disposal or impairment of the investment to the extent that an impairment loss has to be recorded.

Cash and cash equivalents comprise cash in hand, bank deposits held at call, and other highly liquid short-term investments. Items classified as cash or cash equivalents mature within three months or less from the date of acquisition.

Financial liabilities are initially measured at the fair value of consideration received. Transaction costs are included in the original carrying amount of financial liabilities. Financial liabilities may include current and non-current liabilities, which can be interest-bearing or interest-free.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group has not applied IFRS-based hedge accounting to derivative financial instruments which hedge currency-denominated items or probable future cash flows, even if they are acquired for hedging purposes. Forward exchanges are the principal hedging instrument for the Group's commercial cash flow. Non-hedging derivative financial instruments are measured at fair value and recognized in financial income and expenses.

In the balance sheet, non-hedging derivatives are included in other current receivables. The Group does not hold derivative financial instruments for speculation purposes.

The parent company Tamfelt Corp. has signed electricity forward contracts to even out the effects of fluctuating electricity rates in the company's units in Finland. The contracts are charged to the income statement as they mature. Liability for non-mature electricity forward contracts is presented in the Notes.

OPERATING PROFIT

The IAS 1 *Presentation of Financial Statements* does not define the concept 'operating profit'. The Group has defined the concept as follows: operating profit is the net total which is formed when other operating income is added to net sales and the following items are detracted: the cost of purchase adjusted by change in the inventory of finished goods and work in progress, as well as the cost of work performed by the company and capitalized, the cost of employee benefits, depreciation, loss of impairment and other operating expenses. All other items of the income statement are presented below the operating profit line. Exchange differences are included in operating profit if they arise from business-related items; otherwise they are recorded in financial items.

ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGMENT AND KEY UNCERTAINTY FACTORS

The preparation of financial statements requires the management to make estimates and assumptions concerning future events which require judgment in the application of accounting policies.

Impairment testing

The Group conducts annual impairment testing on goodwill, semi-finished intangible assets and intangible assets with infinite useful life, and assesses whether there is any indication of impairment as provided above in Significant Accounting Policies. Recoverable amounts of cash-generating units are determined based on value-in-use calculations. The calculation requires the use of estimates.

APPLICATION OF NEW OR AMENDED IFRS STANDARDS

In 2007 the Group will adopt the next new standard published by IASB in 2005: IFRS 7 *Financial Instruments: Disclosures.* The Group assumes that the new standard will mostly influence the presentation of Notes to Consolidated Statements.

1. SEGMENT INFORMATION

Segment information is presented according to the Group's business and geographical segments. The Group's primary segment is technical textiles. The services and products included in this segment do not differ from each other in terms of financial risks or profitability to the extent that they would warrant separate identification.

The Group's secondary segment, geographical segment, is divided in Finland, other Europe, and other countries. The net sales of the geographical segments are recognized according to customer location and the assets are stated acccording to their location.

Inter-segment pricing is determined by current market prices.

The assets and liabilities of the segment are operating items that the segment uses in its business operations or that can be allocated to the segment on a reasonable basis. Unallocated items contain tax and financial items and items that relate jointly to the whole company. Investments consist of increases of property, plant and equipment and intangible assets that are used over more than one financial period.

Geographical segments

1 000 €	**2005**	2004
Net sales		
Finland	46 759	51 039
Other Europe	57 689	56 202
Other countries	48 761	37 904
Elimination	-13 122	-11 385
Consolidated	**140 087**	133 760
Investments		
Finland	8 139	14 027
Other Europe	1 802	1 320
Other countries	224	32
Elimination		
Consolidated	**10 165**	15 379
Assets		
Finland	126 346	120 175
Other Europe	17 459	14 416
Other countries	11 906	10 269
Elimination	-6 340	-4 571
Consolidated	**149 371**	140 289

2. ACQUIRED BUSINESS

On November 23, 2005 the Group acquired 80% of the stock of Totaltex Sp. z o.o. in Poland. The company is Poland's leading supplier of wet filtration fabrics. In addition to pecuniary consideration the cost of acquisition includes legal fees and transfer tax. The company was consolidated at December 1, 2005. If it had been consolidated at the beginning of 2005, this would not have significantly affected the Group's net sales or profit. The parties have agreed not to publish the price or details of the transaction and, therefore, this information is not disclosed in the Notes.

The following assets and liabilities are recognized for the acquisition:

	Fair values at combination	Carrying amounts before combination
Non-current assets	452	188
Current assets	826	826
Other liabilities	-180	-130
Net assets	1 097	884
Group's share in the net assets of the acquisition	878	707

3. OTHER OPERATING INCOME

1 000 €	**2005**	2004
Gain on disposal of property, plant and equipment	128	33
Rent income	19	25
Other	93	99
	240	157

4. OPERATING COSTS

Materials, services and other operating expenses

1 000 €	**2005**	2004
Change in the inventory of finished goods and work in progress	490	1 709
Purchases during the period	28 689	28 743
Change in inventories	-1 138	-921
Rent expenses	348	332
Outsourced and subcontracted services	892	1 145
Loss on disposal and scrapping of property, plant and equipment	21	33
Other expense items	25 497	22 239
	54 799	53 280

Expenses from employee benefits

1 000 €	**2005**	2004
Payroll		
Members of the Boards of Directors and Presidents	768	671
Other salaries	44 419	43 321
	45 187	43 992
Pension costs	5 805	8 280
Granted stock options settled in equity or in cash	4	
Other social expenses	4 086	4 217
	55 082	56 489
Number of employees		
Average	1 333	1 325
At the end of the period	1 401	1 321

Information on management benefits and loans is presented in Note 30.

5. DEPRECIATION AND IMPAIRMENT

1 000 €	**2005**	2004
Depreciation per asset groups		
Property, plant and equipment		
Buildings	675	610
Machinery and equipment	7 296	6 778
Other tangible assets	13	13
Intangible assets		
Other intangible assets	888	893
	8 872	8 294

6. RESEARCH AND DEVELOPMENT COSTS

In 2005 the Group's R&D costs were 3,289,000 euros (3,593,000 euros in 2004.)

7. FINANCIAL INCOME

1 000 €	**2005**	2004
Interest income	148	167
Dividend income	88	4 666
Exchange rate gains	37	1 201
Gain on disposal of financial assets held for trading	99	58
Change in fair value of the financial assets at fair value through profit or loss	183	111
	555	6 203

Items above the operating profit line include 645,000 euros of exchange rate gains/losses in 2005. (-345,000)

8. FINANCIAL EXPENSES

1 000 €	**2005**	2004
Interest expenses	642	634
Exchange rate losses	605	932
Remeasurement of forward exchanges not in hedge accounting	84	501
Loss on disposal of financial assets held for trading	20	3 738
	1 351	5 805

9. INCOME TAX

1 000 €	**2005**	2004
Tax based on taxable income for the period	4 753	4 325
Taxes for prior periods	-25	4
Deferred taxes	747	-780
	5 475	3 549

Reconciliation between income statement tax expense and taxes computed at the Group's domestic tax rate (26% in 2005, 29% in 2004):

1 000 €	**2005**	2004
Profit before tax	**20 801**	16 282
Taxes computed at domestic tax rate	5 408	4 722
Taxes for prior periods	-25	4
Different tax rates in foreign subsidiaries	114	-23
Taxfree income	-126	-130
Non-deductible expenses	86	103
Use of previously unrecorded fiscal losses	-195	
Change in deferred taxes	213	-210
Deferred tax income due to lower domestic tax rate		-916
Taxes in the income statement	**5 475**	3 549

10. EARNINGS PER SHARE

Undiluted earnings/share are computed by dividing profit attributable to parent company stockholders by the weighted average number of outstanding shares during the period.

1 000 €	**2005**	2004
Profit for the period attributable to equity holders of the parent, continuing operations	15 439	12 716
Weighted average number of shares in the period (1,000)	27 388	27 342
Basic earnings per share (euro), continuing operations	0.56	0.47

In the computation of diluted earnings per share, the weighted average number of shares includes the dilutive effect following from the conversion into shares of all diluting potential shares. In the Group, stock options are an instrument increasing the number of shares. Stock options have a dilutive effect when the subscription price is lower than the fair value of the share. Dilutive effect is the number of shares which must be issued without consideration, because the proceeds received from exercised stock options would not enable the Group to issue the same number of shares at fair value. The fair value of a share is based on the average price of shares during the period.

1 000 €	**2005**	2004
Profit for the period attributable to equity holders of the parent, continuing operations	15 439	12 716
Weighted average number of shares in the period (1,000)	27 388	27 342
Effect of stock options	0	18
Weighted average number of shares for the calculation of diluted earnings per share	27 388	27 360
Diluted earnings per share (euro), continuing operations	0.56	0.46

11. PROPERTY, PLANT AND EQUIPMENT

1000 €	Land	Buildings	Machinery and equipment	Other tangible assets	Pre-payments	Total
Cost Jan. 1, 2005	942	23 564	149 423	469	1 664	**176 062**
Increase		199	10 188	5	254	**10 646**
Acquisition of subsidiary		273	128			**401**
Decrease			-583		-1 650	**-2 233**
Exchange rate differences			161			**161**
Cost Dec. 31, 2005	**942**	**24 036**	**159 317**	**474**	**268**	**185 037**
Depreciation and impairment Jan. 1, 2005		-10 098	-93 711	-338		**-104 147**
Depreciation		-675	-7 296	-13		**-7 984**
Decrease			502			**502**
Exchange differences			-125			**-125**
Depreciation and impairment Dec. 31, 2005		**-10 773**	**-100 630**	**-351**		**-111 754**
Carrying amount Jan. 1, 2005	942	13 472	55 704	132	1 664	**71 914**
Carrying amount Dec. 31, 2005	942	13 263	58 687	123	268	**73 284**
Machinery and equipment, undepreciated portion Dec. 31, 2005						**56 010**
Cost Jan. 1, 2004	942	20 541	139 590	1 580	780	**163 433**
Increase		3 023	10 216		1 659	**14 898**
Decrease			-309	-1 111	-775	**-2 195**
Exchange differences			-74			**-74**
Cost Dec 31, 2004	**942**	**23 564**	**149 423**	**469**	**1 664**	**176 062**
Depreciation and impairment Jan. 1, 2004		-9 482	-87 171	-324		**-96 977**
Depreciation		-610	-6 778	-13		**-7 401**
Decrease			187			**187**
Exchange differences			43			**43**
Depreciation and impairment Dec. 31, 2004		**-10 092**	**-93 719**	**-337**		**-104 148**
Carrying amount Jan. 1, 2004	942	11 059	52 419	1 256	780	**66 456**
Carrying amount Dec. 31, 2004	942	13 472	55 704	132	1 664	**71 914**
Machinery and equipment, undepreciated portion Dec. 31, 2004						**53 369**

12. INTANGIBLE ASSETS

1000€	Goodwill	Other intangible assets	Total
Cost Jan. 1, 2005	1 059	10 751	**11 810**
Increase		382	**382**
Acquisition of subsidiary	287		**287**
Exchange differences		-6	**-6**
Cost Dec. 31, 2005	**1 346**	**11 127**	**12 473**
Depreciation and impairment Jan. 1, 2005	-1 059	-6 041	**-7 100**
Depreciation		-888	**-888**
Exchange differences		1	**1**
Depreciation and impairment Dec. 31, 2005	**-1 059**	**-6 928**	**-7 987**

1 000€	Goodwill	Other intan-gible assets	**Total**
Carrying amount Jan. 1, 2005		4 710	**4 710**
Carrying amount Dec. 31, 2005	287	4 199	**4 486**
Cost Jan. 1, 2004	1 059	9 306	**10 365**
Increase		1 449	**1 449**
Exchange differences		-4	**-4**
Cost Dec. 31, 2004	**1 059**	**10 751**	**11 810**
Depreciation and impairment Jan. 1, 2004	-1 059	-5 151	**-6 210**
Depreciation		-893	**-893**
Exchange differences		3	**3**
Depreciation and impairment Dec. 31, 2004	**-1 059**	**-6 041**	**-7 100**
Carrying amount Jan. 1, 2004		4 114	**4 114**
Carrying amount Dec. 31, 2004		4 710	**4 710**

The Group has been granted 19,384 tonnes of CO_2 emission rights, fair value 650,000 euros on December 31, 2005. The rights are assumed to suffice to cover the Group's obligation to account for emission rights.

13. INVESTMENTS IN ASSOCIATES

1 000 €	**2005**	2004
At the beginning of the period	269	239
Share of profit for the period	23	30
At the end of the period	291	269

Details of associates including their combined assets, liabilities, net sales and loss/profit:

Alakoski Oy, domicile Tampere

1 000 €	**2005**	2004
Assets	1 141	1 261
Liabilities	51	136
Net sales	216	219
Profit/loss	59	76
Shareholding (%)	38,89	38,89

Alakoski Oy is a hydroelectric power plant operating in Tampere.

14. OTHER FINANCIAL ASSETS

The Group did not sell equity investments during the period. Change in the fair value of available-for-sale financial assets is recognized in the fair value reserve in equity.

1 000 €	**2005**	2004
Publicly quoted equity investments	2 030	919
Non-quoted equity investments	187	187
	2 217	1 106

15. DEFERRED TAX ASSETS AND LIABILITIES

Change in deferred tax in 2005

1000€	Jan. 1, 2005	Charged to income statement	Charged to equity	Dec. 31, 2005
Deferred tax assets				
Internal margin in inventories	503	31		534
Amortization differences		27		27
	503	**58**		**561**
Deferred tax liabilities				
Cumulative depreciation difference	8 153	662		8 815
Fair value measurement of other investments			289	289
Fair value measurement of derivatives	22	-22		
Acquisition of subsidiaries				40
Other remeasurement differences	707	19		726
Amortization differences	941	146		1 087
	9 823	**805**	**289**	**10 957**

Change in deferred tax in 2004

1000€	Jan. 1, 2004	Charged to income statement	Charged to equity	Dec. 31, 2004
Deferred tax assets				
Internal margin in inventories	372	131		503
	372	**131**		**503**
Deferred tax liabilities				
Accumulated depreciation difference	8 688	-535		8 153
Fair value measurement of derivatives	170	-148		22
Other remeasurement differences	485	222		707
Amortization differences	1 132	-191		941
	10 475	**-652**		**9 823**

16. INVENTORIES

1 000 €	**2005**	2004
Materials and supplies	10 195	9 412
Work in progress	9 424	9 481
Finished products	12 576	12 524
	32 195	31 417

Expenses recognized on the carrying amount of inventories were 1,077,000 euros (111,000).

17. TRADE AND OTHER RECEIVABLES

1 000 €	**2005**	2004
Trade receivables	27 282	22 706
Accrued income	1 088	2 308
Loan assets	291	410
	28 661	25 424

Significant items related to accrued income relate to personnel-associated amortization. The Group recognized a loss of 516,000 euros (21 000).

18. CASH AND CASH EQUIVALENTS

1 000 €	**2005**	2004
Cash on hand and in banks	4 736	1 913
Certificates of deposit	1 650	2 000
	6 386	3 913

19. EQUITY

1000 €	Qty (1 000)	Share capital	Share premium
1.1.2004	18 228	18 228	4 430
Bonus issue	9 114	9 114	-4 430
Exercised stock options	13	13	66
31.12.2004	**27 355**	**27 355**	**66**
Exercised stock options	197	197	894
31.12.2005	**27 552**	**27 552**	**960**

Minimum capital stock according to Tamfelt Corp.' Articles of Association is 10,000,000 euros and maximum capital stock 80,000,000 euros. On December 31, 2005 the company's capital stock was 27,551,964 euros and the number of shares was 27,551,964. The shares were divided as follows:

	2005		2004	
	Qty	euro	Qty	euro
Common share (20 votes/share)	10 119 198	10 119 198	10 119 198	10 119 198
Preferred share (1 vote/share)	17 432 766	17 432 766	17 236 266	17 236 266
	27 551 964	**27 551 964**	27 355 464	27 355 464

Dividends

The Board of Directors proposes to the Annual General Meeting that dividend should be distributed as follows:

Common share	0.39 euros/share
Preferred share	0.41 euros/share

Description of reserves

Translation differences

Translation difference reserve contains differences arising from the translation of the statements of foreign entities. In the opening IFRS balance sheet, cumulative translation differences of foreign entities are recognized as zero.

Fair value reserve and other reserves

Fair value reserve consists of the difference between the fair value and the carrying value of financial assets available-for-sale adjusted by deferred tax liability.

Mandatory redemption clause

A shareholder whose percentage of the company's aggregate stock or number of votes equals or exceeds 33 1/3 per cent shall be liable to redeem the shares held by other shareholders or securities entitling thereto, irrespective of the class of share, in so far as other shareholders demand their right of redemption, on the conditions detailed in Article 12 of the Articles of Association.

Detailed information in Stock analysis.

20. SHARE-BASED PAYMENTS

The Group has run stock option programs since April 1, 1998. Stock options granted after November 7, 2002 and not vested before January 1, 2005 are recognized according to IFRS 2 *Share-based Payments* standard. In Tamfelt's statements for 2005 this applies only to E and F stock options of the year 2005. Stock options granted before November 7, 2002 are not recognized as an expense in the statements. The E options vest at November 1, 2007 and the F options at November 1, 2009 and both mature at May 30, 2011. The 2005 options vest also if the holder's employment at Tamfelt ends before November 1, 2009 for a reason other than death or retirement on a pension.

Other key conditions of stock options effective during the year are presented in the table on the following page.

Option scheme

	Share-based E options, granted to key executives	Share-based F options, granted to key executives
Nature of the scheme	granted stock options	granted stock options
Grant date	May 10, 2005	May 10, 2005
Number of granted instruments	218 500	218 500
Exercise price, euro	9.20	9.20
Share price at grant date. euro	8.10	8.10
Agreed term in years	5.10	5.10
Expected volatility, %	1.04	1.04
Time to maturity, years	2.42	4.33
Risk-free interest, %	2.87	2.87
Fair value of instrument at grant date. euro	0.00	0.55
Valuation model	Black-Scholes	Black-Scholes

Expected volatility is determined by calculating the historical volatility of the Group's stock price for 2003 through 2005.

Changes and weighted average redemption prices of the stock options during the period are:

	2005 E-options		2005 F-options	
	Exercise price as weighted average euro/share	Qty	Exercise price as weighted average euro/share	Qty
At the beginning of the period				
Granted new options	9.20	218 500	9.20	218 500
Forfeited options				
Exercised options				
Expired options				
Exercisable options at the end of period	9.20	218 500	9.20	218 500

The redemption prices and deadlines of options outstanding on the accounting date are the following:

Maturity year	2005 Exercise price (euro)	2005 Qty
2007	9.20	218 500
2009	9.20	218 500

Fair value of shares in option programs under which shares are granted is based on quoted stock price.

21. PENSION LIABILITIES

Pension plans for the Group companies are operated by insurance corporations, and most of them are defined contribution plans. A few foreign Group companies run defined benefit plans, in which case the liability is presented in the balance sheet and change for the period as an expense in the income statement. In defined contribution plans, contributions are made to the insurance corporation, after which the company has no other payment liabilities.

The Group's payments to the defined contribution plans are recognized as an expense for the period which the charge relates to.

In the Finnish employment pension system (TEL), disability pension is treated as defined contribution. A change of January 1, 2006 in the basis of calculation did not lead to any changes in the statements for 2005 and 2004.

1 000 €	**2005**	2004
Defined benefit pension liability in balance sheet	576	565

22. PROVISIONS

1 000 €	**2005**	2004
Pension provision	528	771

23. INTEREST-BEARING LIABILITIES

1 000 €	**2005**	2004
Non-current		
Pension loans	4 750	7 917
Other long-term loans	607	927
	5 357	8 844
Short-term		
Pension loans	3 167	2 000
Other long-term loans	602	1 022
Bank loans	5 000	3 500
	8 769	6 522

Maturity dates of long-term loans

Year 2005

1 000 €	**2006**	**2007**	**2008**
Pension loans	3 167	3 167	1 583
Other long-term loans	602	509	98
	3 769	3 676	1 681

Year 2005

1 000 €	**2005**	**2006**	**2007**	**2008**
Pension loans	2 000	3 167	3 167	1 583
Other long-term loans	1 021	320	509	98
	3 021	**3 487**	**3 676**	**1 681**

All interest-bearing long-term liabilities are in euro

24. TRADE AND OTHER PAYABLES

1 000 €	**2005**	2004
Short-term		
Trade payables	3 483	3 936
Advances received	240	42
Accrued liabilities	16 268	15 972
Other liabilities	3 938	3 601
	23 929	23 551

Significant items of accruals consist of staff costs and amortized taxes.

25. FINANCIAL RISK MANAGEMENT

The objective of the Group's financial risk management is hedging against the impact of unfavorable changes in the financial market. The goals and limits of the Group's financial operations are defined in the financial policy adopted by the company's Board of Directors. Currency risk is the primary financial risk.

Currency risk

Some 24% of the Group's sales and 1.4% of purchases are conducted in foreign currencies. The U.S. dollar is the principal sales currency. As a rule, currency-specific net positions are reviewed in one-year term, and the Group's policy is to hedge at least 0 to 100% of the positions. The main hedging instruments are 1 to 12-month forward exchange contracts that are not covered by cash flow hedging. Currency risk related to the equity of foreign subsidiaries is not hedged. The Group has no liabilities denominated in foreign currency.

Interest risk

Current money market investments expose the Group to cash flow interest rate risk, but the overall impact is not significant. Most of the Group's income and operative cash flows are independent of the fluctuations of the market rate of interest. The Group is most exposed to fair value interest risk, which is mainly associated with the loan portfolio. On the balance sheet date 99.9% of loans were fixed-rate loans with the duration of 2.6 years. The Group may take out loans at fixed or variable interest rates and use interest rate swaps to achieve the goals of its financing policy. The Group had no open interest rate swaps on the balance sheet date. Changes in the fair values of derivative interest-rate contracts are immediately recognized in the income statement.

Investment market risk

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. According to principles confirmed by the Board of Directors, investment risks and counterparty risks can only be taken with counterparties of certain level of creditworthiness, whose market value and risk profile can be monitored regularly and reliably.

Price risk

The risk involved in the price of electricity required by the manufacturing process of the Group's domestic units is hedged with electricity derivatives.

Cash flow and fair value credit risks

The Group financial policy determines requirements of creditworthiness for customers' investment transactions and derivative contracts and for investment policy. The Group's customer base is spread worldwide and does not entail any significant concentration of credit risk. Customers' credit limits and financial standing are continuously monitored. The Group's maximum credit risk is the carrying amount of financial assets at December 31 less cash in hand and in bank and secured receivables.

Liquidity risk

The Group is committed to regular assessment and monitoring of the level of financing to ensure the adequacy of liquid assets to finance business activity and repay loans. The Group's financing instructions determine the optimum size of liquidity reserve in cash and liquid investments. The availability and flexibility of financing is guaranteed by unwithdrawn portions of credit limits and by relying on several banks and financing forms for funding. The amount of unwithdrawn portion of credit limit at December 31, 2005 was 15 million euros.

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial derivatives are recognized in the balance sheet at fair value, which is determined as the price at which parties would be willing to trade them in an ongoing event other than liquidation or forced sale. Fair values of forward exchange contracts are based on the prices of the balance sheet date. Commodity derivatives are measured at the market price of the balance sheet date.

1 000 €	**2005**	2004
Financial assets at fair value through profit or loss		
Fair value	1 290	1 026
Carrying amount	869	796
Forward exchanges, not in hedge accounting		
Fair value	6 375	1 468
Carrying amount	6 545	1 385
Fair value of electricity derivatives		
Fair value	799	608
Trading value	505	760

27. ADJUSTMENT OF CASH FLOWS FROM OPERATIONS

1 000 €	**2005**	2004
Other financial items, net	773	428
Depreciation	8 872	8 294
Employee benefits	4	0
Exchange differences of working capital and financial items	-22	565
Minority interests	113	-15
Taxes for the period	5 475	3 549
Share of profit of associates	-23	-30
	15 192	12 791

28. OTHER RENTAL AGREEMENTS

The Group has no non-cancellable operating leases referred to in IAS 17.35 a-d and IAS 17.56 a-c.

29. COLLATERALS AND CONTINGENT LIABILITIES

1 000 €	**2005**	2004
Collaterals on own behalf		
Mortgages on real estate	84	84
Other contingent liabilities		
Operational lease liabilities, maturity within 12 months	107	85
Operational lease liabilities, maturity in over 12 months	212	174
Liabilities on the basis of a bill of exchange		3
	403	346

30. RELATED-PARTY TRANSACTIONS

The Group's parent company/subsidiary relations are the following:

Company	Country of domicile	Share-holding (%)	Share of voting power (%)
Parent company Tamfelt Corp.	Finland		
Fanafel - Fábrica Nacional de Feltros Industriais Lda.	Portugal	100	100
Tamfelt (UK) Ltd.	Great Britain	100	100
Tamfelt - GMCC (Tianjin) Paper Machine Clothing Co., Ltd.	China	60	60
Tamfelt, Inc.	U.S.A.	100	100
Tamfelt Properties	Finland	100	100
Tamfelt PMC Canada, Inc.	Canada	100	100
Tamfelt PMC, Inc.	U.S.A.	100	100
Tamfelt Tecnologia em Filtração Ltda.	Brazil	99.99	99.99
Totaltex Sp. z o.o.	Poland	80	80
Tampereen Verkatehdas Oy	Finland	100	100

The following transactions were carried out with related parties

1 000 €	**2005**	2004
a) Purchases of services		
Associated companies	65	97
b) Employee benefits to executives in the Executive Board		
Salaries and other current benefits	1 092	1 128
Share-based payments	194	30
Salaries and fees		
President & CEO	257	230
Deputy CEO	196	187
Board members and deputy members		
Cedercreutz, Axel	18	18
Kainu, Vesa	14	
Karttunen, Martti	5	18
Lilius, Martin	18	18
Oksanen, Jouko	18	18
Savander, Niklas	14	
von Frenckell, Mikael	32	32

The President & CEO and Deputy CEO as well as executives who were members of the Executive Board as of January 1, 2005 can retire on an old-age pension earliest at the age of 60. The costs of reduced retirement age and other supplements to statutory pension security are covered by voluntary pension insurances

In addition to salary and bonuses, the members of the Executive Board are entitled to stock option benefits. The members of the Executive Board hold options from the 2002 phantom stock scheme and the 2005 option program. The management or other related parties have not been granted loans, guarantees or collaterals.

The President & CEO's period of notice to resign is twelve months if given by the company or six months if given by himself. The remuneration paid in case of a notice given by the company equals the salary payable for the period of notice.

31. IFRS TRANSITION

As mentioned in Accounting Principles in the Notes, this is the first statement of the Tamfelt Group reported in accordance with IFRS. Before the adoption of IFRS, the Group's financial statements were prepared according to Finnish accounting standards. Adoption of IFRS has involved changes in the financial statements, notes to the financial statements and significant accounting policies. Significant accounting policies are applied to the statements for the period which ended on December 31, 2005, to the comparative figures for the period which ended on December 31, 2004, and to the opening IFRS balance sheet at January 1, 2004. (Consolidated statements also apply standards IAS 32 and IAS 39 at the transition date.)

The reconciliation and reports presented below illustrate the differences between IFRS accounting and the Finnish Accounting Standards (FAS) for year 2004 and for the transition on January 1, 2004. At the transition date Tamfelt did not apply the provisions of IFRS 1, which allow certain exceptions to the presentation of financial instruments included in the scope of IAS 32 and 39.
Restatements between the closing date of the comparative period at December 31, 2004 and the opening IFRS balance sheet are stated further on in a separate reconciliation.

Reconciliation of equity Jan. 1, 2004 and Dec. 31, 2004

1 000 €	Ref.	FAS Dec. 31, 2003	Impact of transition to IFRS	IFRS Jan. 1, 2004	FAS Dec. 31, 2004	Impact of transition to to IFRS	IFRS Dec. 31, 2004
Assets							
Non-current assets							
Tangible assets	a)	66 457		66 457	71 914		71 914
Other intangible assets	b,c)	4 154	-40	4 114	4 710	0	4 710
Investments in associates	d)	1	238	239	1	268	269
Other financial assets		193		193	1 105		1 105
Deferred tax asset	l)		372	372		503	503
		70 805	**570**	**71 375**	**77 730**	**771**	**78 501**
Current assets							
Inventories	e)	29 625	2 827	32 452	28 807	2 610	31 417
Trade and other receivables	f)	23 442	585	24 027	25 341	83	25 424
Financial assets at fair value through profit or loss	g)	4 199	127	4 326	796	238	1 034
Cash and bank		9 006		9 006	3 913		3 913
		66 272	**3 539**	**69 811**	**58 857**	**2 931**	**61 788**
Total assets		**137 077**	**4 109**	**141 186**	**136 587**	**3 702**	**140 289**
Equity and liabilities	h,i)						
Issued capital and reserves attributable equity holders of the parent							
Capital stock		18 228		18 228	27 355		27 355
Share premium		4 430		4 430	66		66
Share of deferred tax liability in equity		20 361		20 361	23 204		23 204
Retained earnings	h)	49 769	2 712	52 481	37 507	2 471	39 978
		92 788	**2 712**	**95 500**	**88 132**	**2 471**	**90 603**
Minority interest	h)	162		162	177		177
Total equity		**92 950**	**2 712**	**95 662**	**88 309**	**2 471**	**90 780**
Non-current liabilities							
Deferred tax liability	l)	9 077	1 398	10 475	8 591	1 231	9 822
Non-current interest-bearing liabilities		11 783		11 783	8 844		8 844
		20 860	**1 398**	**22 258**	**17 435**	**1 231**	**18 666**
Current liabilities							
Trade and other payables		21 150		21 150	23 550		23 550
Provisions		771		771	771		771
Current interest-bearing liabilities		1 346		1 346	6 522		6 522
		23 267		**23 267**	**30 843**		**30 843**
Total liabilities		**44 127**	**1 398**	**45 525**	**48 278**	**1 231**	**49 509**
Total equity and liabilities		**137 077**	**4 109**	**141 186**	**136 587**	**3 702**	**140 289**

Reconciliation of profit for Jan. 1 through December 31, 2004

1000 €	Ref	FAS Jan. 1- Dec. 31, 2004	Effect of transition to IFRS	IFRS Jan. 1- Dec. 31, 2004
Net sales		**133 760**		**133 760**
Change in finished goods inventory and work in progress	e)	-1 492	-217	-1 709
Other operating income		157		157
Materials and services		-27 822		-27 822
Personnel expences		-56 489		-56 489
Depreciation and impairment	b)	-8 334	40	-8 294
Other operating expenses		-23 749		-23 749
Operating profit		**16 031**	**-177**	**15 854**
Financial income and expenses	f, g)	788	-390	398
Share of profit of associates	d)		30	30
Profit before taxes and minority interest		16 819	-537	16 282
Taxes	l)	-3 846	297	-3 549
Profit for the period		**12 973**	**-240**	**12 733**
Attributable to:				
Equity holders of the parent		12 956		12 716
Minority interest		-17		-17
Earnings per share calculated on profit attributable to equity holders of the parent (euro)				
Basic		0.47		0.47
Diluted		0.47		0.46

Notes to reconciliation of equity at January 1 and December 31, 2004 and profit for January 1 through December 31, 2004.

The effect of deferred taxes on the reconciliation items mentioned below is stated in l)

a) **Property, plant and equipment**
Adoption of IFRS had no impact on the reporting of the Group's property, plant and equipment.

b) **Goodwill**
According to Finnish accounting standards, goodwill on consolidation is recognized as the difference between cost and the book value of subsidiary equity at acquisition and allocated on the items which the difference is deemed to arise from. Business combinations before January 1, 2004 are based on initial measurements and allocations, as permitted by IFRS 1. The opening balance sheet contains no goodwill on consolidation.

c) **Other intangible assets**
Other intangible assets do not capitalize any expenses which would not meet the requirements of IAS 38.

d) **Investments in associated companies**
Associated companies are consolidated according to their capital contribution, as provided in IAS 28. The carrying amount of associates is restated considering the change of the investor's share of the net worth of the investment after the date of acquisition. According to the IFRS standard, the Group's share in the profit of associated companies is shown as a separate item after operating profit. The IFRS balance sheet values of associated companies do not differ from the balance sheet values of the Finnish Accounting Standard.

e) **Inventories**
Contrary to previous practice, the cost of inventories includes a portion of the fixed costs of purchase and manufacture.

f) **Trade and other receivables**
The increase of trade and other receivables in the opening balance sheet at January 1, 2004 is due to forward exchange contracts recognized at fair value in the balance sheet. Changes of fair value are stated through profit or loss. Forward exchange contracts do not meet the conditions of hedge accounting. The change of this item is recognized in the income statement as financial income or expenses.

g) **Financial assets at fair value through profit or loss**
Financial assets stated at fair value through profit or loss consist of domestic shares and certificates of claim which, contrary to the previous accounting practice, are recognized at fair value through profit or loss in the income statement and in current assets in the balance sheet. The change of this item is recognized in financial income or expenses of the income statement.

h) **Equity and minority interest**
The table below presents a summary of the effect of the adoption of IFRS on the Group's retained earnings.

1 000 €	Jan. 1, 2004	Dec. 31, 2004
Retained earnings according to FAS	**70 130**	**60 711**
IFRS restatement		
IAS 2 Inventories	2 827	2 610
IAS 12 Income tax	-1 026	-727
IAS 28 Handling of associates in the statements	238	268
IAS 32, 39 Financial instruments	712	320
IFRS 1 Writedown of goodwill	-40	
Retained earnings according to IFRS	**72 842**	**63 182**

As provided in IAS 1, minority interest in equity is presented as a separate equity item while, according to the Finnish Accounting Standard, it was presented separately from equity attributable to parent company stockholders.

i) **Translation differences**
Translation differences arisen from foreign units are not presented as a separate equity item, if they were generated before the adoption of IFRS. This has no effect on the Group's net assets or profit.

j) **Pension liabilities**
Investigations revealed that transition to IFRS does not change the criteria for recognition of pension liability in consolidated balance sheet at January 1, 2004. The Group's pension plans are contribution-based and covered by insurance companies.

k) **Provisions, interest-bearing liabilities and other liabilities**
The adoption of IFRS had no effect on the presentation of the Group's provisions, interest-bearing liabilities or other liabilities.

l) **Deferred tax assets and liabilities, income tax**
Changes in accounting principles at the adoption of IFRS increased the deferred tax asset at January 1, 2004 by 1,026,000 euros and at December 31, 2004 by 728,000 euros. The biggest change follows from the measurement basis of inventories, which increased deferred tax liability at January 1, 2004 by 819,000 euros and at December 31, 2004 by 679,000 euros. According to Finnish accounting standards, deferred tax assets used to be netted against deferred tax liabilities. In IFRS accounting, deferrend tax assets do not meet the conditions of offsetting provided in IAS 12, and thus netting has been eliminated.

m) **Depreciation and other operating expenses**
The adoption of IFRS had no effect on depreciation or other operating expenses.

CONSOLIDATED FINANCIAL SUMMARY

1 000 €	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Net sales	140 087	133 760	125 698	126 206	130 525
Change, %	4.7	6.4	-0.4	-3.3	5.3
Exports and foreign subsidiaries	94 556	83 692	75 607	78 119	82 231
% of net sales	67.5	62.6	60.1	61.9	63.0
Operating income	21 574	15 854	12 608	16 076	22 708
% of net sales	15.4	11.9	10.0	12.7	17.4
Net income before extraordinary items, taxes and minority interest	20 801	16 282	12 618	17 005	24 064
% of net sales	14.8	12.2	10.0	13.5	18.4
Net income before taxes and minority interest	20 801	16 282	12 618	17 005	19 880
% of net sales	14.8	12.2	10.0	13.5	15.2
Return on equity, %	16.1	13.7	9.1	11.2	14.8
Return on net assets, %	19.5	15.7	11.7	14.8	20.7
Equity/assets ratio, %	66.7	64.7	67.8	74.3	76.1
Gearing, %	6.5	11.5	-0.1	-2.9	-12.5
Gross investment	10 165	15 379	3 398	16 444	17 355
% of net sales	7.3	11.5	2.7	13.0	13.3
R&D expenditure	3 289	3 593	3 578	3 366	3 300
% of net sales	2.3	2.7	2.8	2.7	2.5
Average employment during the period	1 333	1 325	1 344	1 384	1 362

RETURN ON EQUITY, %

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

RETURN ON NET ASSETS, %

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

EQUITY/ASSETS RATIO, %

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

GEARING, %

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

PARENT COMPANY STATEMENT OF INCOME

Jan. 1 - Dec. 31 (1 000 €)

	Ref.	2005	%	2004	%
Net sales	1.	**118 973**	100	**113 902**	100
Change in finished goods inventory and work in progress		-518		-2 028	
Other operating income	2.	274		241	
Materials and services	3.	-21 092		-20 220	
Personnel expences	4.	-49 283		-51 027	
Depreciation and impairment	5.	-7 566		-7 141	
Other operating expenses		-24 498		-23 684	
		-102 439		-102 072	
Operating profit		**16 290**	14	**10 043**	8
Financial income and expenses	6.	-223		3 834	
Profit before extraordinary items, appropriations and taxes		**16 067**	14	**13 877**	12
Extraordinary items	7.	2 140		1 544	
Profit before appropriations and taxes		**18 207**	15	**15421**	14
Appropriations		-2 328		-2 235	
Direct taxes	8.	-3 865		-2 936	
Profit for the period		**12 014**	10	**10 250**	9

PARENT COMPANY CASH FLOW STATEMENT

Jan. 1 - Dec. 31 (1 000 €)

	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	**16 290**	**10 043**
Adjustments to profit, depreciation	7 566	7 141
Change in working capital:		
Change in trade and other receivables	-3 495	-196
Change in inventories	196	1 051
Change in trade and other payables	-659	-948
Change in provisions	-243	0
Interest received	66	118
Interest paid	-1 098	-964
Other financial items, net	809	4 680
Taxes	-3 865	-2 936
Net cash flow from operating activities	**15 567**	**17 989**
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in property, plant and equipment	-7 724	-10 149
Investment in intangible assets	-380	-337
Other investments	-1 165	-911
Net cash flow from investing activities	**-9 269**	**-11 397**
CASH FLOW FROM FINANCING ACTIVITIES		
Subscription for stock options	1 158	79
Withdrawal of loans	2 717	6 500
Repayment of loans	-2 137	-919
Dividends paid	-9 372	-17 182
Group subsidy received	2 140	1 544
Net cash flow from financing activities	**-5 494**	**-9 978**
Change in cash and cash equivalents	804	-3 386
Cash and cash equivalents at the beginning of the period	461	3 847
Cash and cash equivalents at the end of the period	**1 265**	**461**

PARENT COMPANY BALANCE SHEET

Dec. 31 (1 000 €)

	Ref.	2005	%	2004	%
ASSETS					
Non-current assets					
Intangible assets	10.	4 238		4 665	
Tangible assets	11.	58 100		57 137	
Investments	12.	38 603		37 437	
		100 941	68	**99 239**	70
Current assets					
Inventories	13.	21 987		22 183	
Long-term receivables	14.	140		201	
Short-term receivables	15.	23 599		20 043	
Cash and bank		1 265		461	
		46 991	32	**42 888**	30
Assets total		**147 932**	100	**142 127**	100
LIABILITIES AND STOCKHOLDERS' EQUITY					
Equity	16.				
Share capital		27 552		27 355	
Share premium		960		66	
Equity issue		67			
Retained earnings		23 225		22 347	
Profit for the period		12 014		10 250	
		63 818	43	**60 018**	42
Accumulated appropriations	18.	**30 536**	21	**28 208**	20
Statutory provisions	19.	**528**	0	**771**	1
Liabilities					
Long-term liabilities	20.	4 933		8 068	
Short-term liabilities	20, 21.	48 117		45 062	
		53 050	36	**53 130**	37
Liabilities and stockholders' equity total		**147 932**	100	**142 127**	100

SIGNIFICANT ACCOUNTING POLICIES
The statements are prepared in compliance with the accounting standards applicable at the beginning of the financial period.

NET SALES
For the calculation of net sales, indirect taxes, discounts and exchange rate differences were deducted from sales revenue.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES
Foreign currency denominated receivables and liabilities are recognized at the average official exchange rate of the balance sheet date. Current hedging instruments for foreign-denominated items are recognized at the value of the date, including the effect of interest. Hedging instruments to cover the order-book backlog are valued applying the prudence concept.

MEASUREMENT OF NON-CURRENT ASSETS
Non-current assets are recognized in the balance sheet at cost less annual depreciation according to plan. Change in total accelerated depreciation is recognized as a separate item in appropriations.

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

Intangible rights	3 to 10 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 cost of inventories is defined using the direct cost of purchase or manufacture on the FIFO principle.

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

Nominal interest income from certificates of claim is booked in interest income. The difference between 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 recorded in other financial income and a loss in other financial expenses.

RESEARCH AND DEVELOPMENT EXPENDITURE
The R&D expenditure is recognized 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
Calculated estimates of taxes are recognized in the income statement.

PENSION LIABILITIES IN FINLAND
Liability for working employees is covered by insurances with pension insurance corporations. Future expenditure in old-age pensions is booked in statutory provisions. The parent company is responsible for voluntary, unregistered old-age pensions. This liability is recognized as an expense.

ENVIRONMENTAL EXPENDITURE
Environmental expenditure is recognized in the financial period during which it arose, with the exception of machinery and equipment, which are depreciated according to plan over 3 to 5 years on a straight-line basis.

1. NET SALES

(Tamfelt's line of business: technical textiles)

Net sales per segments

1 000 €	**2005**	%	2004	%
Finland	45 531	38	50 068	44
Other Europe	44 495	37	42 228	37
Other countries	28 947	24	21 606	19
	118 973	**100**	113 902	100

2. OTHER OPERATING INCOME

1000 €	**2005**	2004
Gain on disposal of propety, plant and equipment	95	22
Rent income	105	109
Other	74	110
	274	241

3. MATERIALS AND SERVICES

1000 €	**2005**	2004
Purchases during the period	19 634	19 406
Change of inventories	-322	-977
Outsourced and subcontracted services	1 780	1 791
	21 092	20 220

4. PERSONNEL EXPENSES

1000 €	**2005**	2004
President & CEO and his deputy	453	417
Members of the Board of Directors	120	103
Other salaries and fees	40 214	39 306
Pension costs	5 187	7 687
Other social expenses	3 309	3 514
	49 283	51 027
Employment		
Average	1 032	1 047
At the end of period	1 040	1 038

5. PLANNED DEPRECIATION

1000 €	**2005**	2004
Intangible rights	607	576
Other long-term expenditure	202	202
Buildings	125	125
Machinery and equipment	6 619	6 225
Other tangible assets	13	13
	7 566	7 141

Information on related party transactions is presented in Note 30.

6. FINANCIAL INCOME AND EXPENSES

1000 €	**2005**	2004
Dividend income		
Dividend income from Group companies	1 363	3 513
From others	32	4 600
	1 395	8 113
Interest income on long-term investment	3	7
Other interest and financial income from others	67	410
Financial income total	1 465	8 530
Interest expenses and other financial expenses		
To Group companies	-456	-396
To others	-1 232	-4 300
Financial expenses total	-1 688	-4 696
	-223	3 834

Interest and financial income include net exchange loss of 588,000 (538,000 in 2004)

7. EXTRAORDINARY ITEMS

1000 €	**2005**	2004
Group subsidies	2 140	1 544

8. DIRECT TAXES

1000 €	**2005**	2004
Income tax on extraordinary items	556	448
Income tax on regular operations	3 309	2 488
	3 865	2 936

9. ENVIRONMENTAL COSTS

Environmental costs have no significant impact on the view given by the financial statements.

10. INTANGIBLE ASSETS

1000 €	**2005**	2004
Intangible rights		
Cost Jan. 1	8 883	8 546
Increase	380	337
Cost Dec. 31	**9 263**	8 883
Accumulated depreciation and impairment Jan. 1	-5 415	-4 839
Depreciation	-607	-576
Accumulated depreciation and impairment Dec. 31	**-6 022**	-5 415
Carrying amount Dec. 31	3 241	3 468
Other long-term expenditure		
Cost Jan. 1	2 001	890
Transfer between items		1111
Cost Dec. 31	**2 001**	2 001
Accumulated depreciation and impairment Jan. 1	-803	-601
Depreciation	-202	-202
Accumulated depreciation and impairment Dec. 31	**-1 005**	-803
Carrying amount Dec. 31	997	1 197

11. TANGIBLE ASSETS

1000 €	2005	2004
Land		
Cost Jan. 1	767	767
Cost Dec. 31	**767**	767
Carrying amount Dec. 31	767	767
Building		
Cost Jan. 1	4 888	4 888
Cost Dec. 31	**4 888**	4 888
Accumulated depreciation and impairment Jan. 1	-859	-734
Depreciation	-125	-125
Accumulated depreciation and impairment Dec. 31	**-984**	-859
Carrying amount Dec. 31	3 904	4 029
Machinery and equipment		
Cost Jan. 1	131 781	122 691
Increase	9 120	9 242
Decrease	-150	-152
Cost Dec. 31	**140 751**	131 781
Accumulated depreciation and impairment Jan. 1	-81 236	-75 013
Depreciation	-6 619	-6 225
Decrease	142	2
Accumulated depreciation and impairment Dec. 31	**-87 713**	-81 236
Carrying amount Dec. 31	53 038	50 545
Carrying amount of production machinery Dec. 31	51 145	48 892
Other tangible assets		
Cost Jan. 1	469	1 580
Increase	5	
Transfer between items		-1 111
Cost Dec. 31	**474**	469
Accumulated depreciation and impairment Jan. 1	-338	-325
Depreciation	-13	-13
Accumulated depreciation and impairment Dec. 31	**-351**	-338
Carrying amount Dec. 31	123	131
Advances paid and construction in progress		
Cost Jan. 1	1 664	604
Increase	236	1 658
Decrease	-1 632	-598
Cost Dec. 31	**268**	1 664
Carrying amount Dec. 31	268	1 664

12. INVESTMENT

1000 €	2005	2004
Shares in Group companies		
Cost Jan. 1	35 641	35 641
Increase	1 165	
Cost Dec. 31	**36 806**	35 641
Carrying amount Dec. 31	36 806	35 641
Shares in associates		
Cost Jan. 1	1	1
Cost Dec. 31	**1**	1
Carrying amount Dec. 31	1	1

Group companies and associates are detailed in Notes 13 and 29.

1000 €	2005	2004
Other shares		
Cost Jan. 1	1 103	192
Increase		918
Decrease		-7
Cost Dec. 31	**1 103**	1 103
Carrying amount Dec. 31	1 103	1 103
Receivables from Group companies		
Cost Jan. 1	692	692
Cost Dec. 31	**692**	692
Carrying amount Dec. 31	692	692

13. INVENTORIES

1000 €	2005	2004
Materials and supplies	7 858	7 536
Work in progress	9 038	8 991
Finished products	5 091	5 656
	21 987	22 183

14. LONG-TERM RECEIVABLES

1000 €	2005	2004
Other loan assets	140	201

15. SHORT-TERM RECEIVABLES

1000 €	2005	2004
Trade receivables from others	19 407	16 202
Trade receivables from Group companies	3 319	1 918
Loan assets from associates		35
Other loan assets	113	120
Accrued income	759	1 768
	23 598	20 043

Significant items in accrued income		
Staff-related amortization	308	437
Tax amortization	123	724
Other amortization	328	607
	759	1 768

16. EQUITY

1000 €	2005	2004
Share capital Jan. 1	27 355	18 228
Bonus issue		9 114
Subscriptions under stock options	197	13
Share capital Dec. 31	**27 552**	27 355
Share premium Jan. 1	66	4 430
Bonus issue		-4 430
Subscriptions under stock options	894	66
Share premium Dec. 31	**960**	66
Unregistered subscriptions under stock options	**67**	
Retained earnings Jan. 1	32 597	44 213
Bonus issue		-4 684
Dividend	-9 372	-17 182
Retained earnings Dec. 31	**23 225**	22 347
Net profit for the period	**12 014**	10 250
Total equity	**63 818**	60 018

17. STATEMENT OF DISTRIBUTABLE ASSETS

1000 €	2005	2004
Retained earnings	23 225	22 347
Net profit for the period	12 014	10 250
	35 239	32 597

18. ACCUMULATED APPROPRIATIONS

Accumulated appropriations consist of accumulated depreciation difference.

19. STATUTORY PROVISIONS

1000 €	2005	2004
Pension provision	528	771

20. INTEREST-BEARING LIABILITIES

1000 €	2005	2004
Long-term		
Pension loans	4 750	7 917
Other long-term loans	183	151
	4 933	8 068
Short-term		
Pension loans	3 167	2 000
Other long-term loans	85	137
Bank loans	5 000	3 500
Other loans from Group companies	18 700	17 600
	26 952	23 237

Maturity dates of long-term loans:

Year 2005		**2006**	**2007**	**2008**
Pension loans		3 167	3 167	1 583
Other long-term loans		85	85	98
		3 252	**3 252**	**1 681**

Year 2004	**2005**	**2006**	**2007**	**2008**
Pension loans	2 000	3 167	3 167	1 583
Other long-term loans	86	85	85	98
	2 086	**3 252**	**3 252**	**1 681**

21. TRADE AND OTHER PAYABLES

1000 €	2005	2004
Short-term		
Advances received	240	42
Trade payables	2 448	2 713
Trade payables to Group companies	277	432
Other liabilities	2 907	2 902
Accrued liabilities	15 294	15 736
	21 166	21 825
Significant items in accrued liabilities		
Personnel expenses amortization	9 856	10 241
Other amortization	5 438	5 495
	15 294	15 736

22. COLLATERALS AND CONTINGENT LIABILITIES

1000 €	2005	2004
Collaterals on own behalf		
Mortgages on real estate	84	84
Other contingent liabilities		
Operational lease liabilities, maturity within 12 months	107	85
Operational lease liabilities, maturity within over 12 months	212	174
	403	343

23. DERIVATIVE FINANCIAL INSTRUMENTS

1000 €	2005	2004
Forward exchange contracts		
Fair value	6 375	1 468
Value of underlying asset	6 545	1 151
Electricity derivatives		
Fair value	799	608
Trading value	505	760

STOCK ANALYSIS

SHARE CAPITAL AND CLASSES OF SHARES

The share capital 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 carries one vote. If requested by the holder, a common share can be converted into a preferred share on the conditions specified in Article 3 a of the Articles of Association. Both classes of Tamfelt shares are quoted on the main list of the Helsinki Exchanges, at "Industrials". The trading lot is 50 units.

Tamfelt's registered share capital at the end of the financial period was 27,551,964.00 euros. The share capital consisted of 10,119,198 common shares and 17,432,766 preferred shares. The aggregate stock was 27,551,964 shares and the aggregate vote 219,816,726. In addition to the shares entered in the Trade Register, on December 31, 2005 the company was in the process of increasing the share capital based on subscriptions on the year 2000 stock options. On December 31, 2005, a total of 12,000 shares were yet to be entered in the Trade Register corresponding to a share capital of 12,000.00 euros. The share capital increase was entered in the Trade Register on January 30, 2006. The company's minimum share capital is 10,000,000.00 euros and maximum share capital 80,000,000.00 euros. Within these limits the share capital can be increased or decreased without amending the Articles of Association.

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. All shares subscribable under this program had been subscribed for by December 31, 2005. The total number of C and D options granted under the 2000 program was 88,000, which entitled to the subscription of 264,000 preferred shares. The options were covered by a stockholding plan, whereby the holder agrees to invest 10% of derived gross benefit in the company's stock.

Tamfelt Corp.'s Annual General Meeting held on March 10, 2005 decided to grant stock options to the company's key executives. A total of 437,000 E and F options were granted in the 2005 program. Each option entitles its holder to subscribe for one preferred share in Tamfelt Corp. The E and F options entitle to the maximum subscription of 437,000 preferred shares, which corresponds to 1.6% of the company's share capital and 0.2% of the voting power as of December 31,2005. The maximum increase of the share capital with the 2005 stock options is 437,000.00 euros. Subscription for shares under the E options begins on November 1, 2007 and under the F options on November 1, 2009. The subscription for both ends on May 31, 2011. The subscription price for options from the year 2005 stock option program was 9.20 euros at December 31, 2005, from which prior-subscription dividends will be deducted. However, the minimum subscription price shall not fall below the accounting par value of the share. 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 terms and conditions of the stock option program are presented on the company's web pages at www.tamfelt.com.

The company also operates an incentive scheme from the year 2002 based on a phantom stock plan, which 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 and the yield on the B units in 2005. The potential yield on the C and D units will be paid in 2006 and 2007 provided that the person is still employed by the Group.
The stock option programs are a part of the key executive incentive scheme. In 2005, altogether 24 persons were covered by the 2000 and 2005 stock option programs.

TRENDS AND TRADE VOLUMES

In 2005, the HEX all-share index rose 31.1% and the HEX portfolio index rose 30.1%. The rate of Tamfelt's common share was up 6.8% and the rate of preferred share was up 0.9% over the year.

Trading in Tamfelt common shares on the Helsinki Exchanges in 2005 amounted to 3.4 million euros (9.8 million euros in 2004) and in preferred shares to 25.3 million euros (26.9). The units traded were 393,079 (787,866) common shares and 2,999,371 (2,161,862) preferred shares.

Turnover in common shares was 3.9% (11.2) of the company's total common stock. Turnover in preferred shares was 17.4% (18.1) of the total preferred stock.

The highest quotation for a common share in 2005 was 9.00 euros and the lowest 7.90 euros. The highest quotation for a preferred share was 9.00 euros and the lowest 7.50 euros. The closing rate for the common share at the year-end was 8.60 euros and for the preferred share 8.05 euros. The average rate of the common share was 8.63 euros. The average rate of the preferred share was 8.42 euros. The market capitalization of the company's total stock at the end of 2005 was 227,358,869.00 euros.

DIVIDEND POLICY AND PROPOSED DIVIDEND FOR 2005

According to Tamfelt's dividend policy, at least 50 per cent 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. Tamfelt's Board of Directors will propose to the 2006 Annual General Meeting that a dividend of 0.39 euros be paid on a common share and 0.41 euros on a preferred share. The aggregate proposed dividend is 11.1 million euros corresponding to 71.9% of the earnings, calculated according to the number of shares at Dec. 31,2005. The dividend record date is March 21, 2006 and the payment date is March 28, 2006.

SHARE CAPITAL OWNERSHIP

At the end of 2005 the company had 3,099 (2,948) stockholders and 2 (2) ownership registrations in the name of a nominee. Domestic ownership accounts for 94.7% of the share capital; of this 40.8% are private investors. The number of shares registered in the name of a nominee was 890,934 (136,609).

FLAGGING ANNOUNCEMENTS IN 2005

Waldemar von Frenckell Foundation announced on February 25, 2005 that its ownership of Tamfelt Corp. exceeded 5% of the voting power after a deal closed on February 25, 2005.

OWN SHARES AND AUTHORITIES OF THE BOARD OF DIRECTORS

Tamfelt does not hold its own shares, and the Board of Directors has no authorization to acquire or redeem its own shares.

STOCKHOLDER AGREEMENTS

The company is not aware of any current agreements on stock ownership or the use of voting power.

MANDATORY REDEMPTION

Tamfelt Corp.'s Articles of Association include an article concerning liability to redeem shares. The article provides that a shareholder whose percentage of the company's aggregate stock or number of votes equals or exceeds 33 1/3 per cent shall be liable to redeem the shares held by other shareholders, irrespective of the class of share, in so far as other shareholders demand their right of redemption, on the conditions detailed in Article 12 of the Articles of Association.

MANAGEMENT STOCKHOLDING

On December 31, 2005 the company's Directors, President & CEO, and Deputy to the CEO held a total of 562,666 (584,868) common and 230,432 (226,134) preferred shares corresponding to 2.9% (3.0) of the share capital and a 5.2% (5.4) voting power. The numbers also include the holdings of the persons closely associated with the management and of controlled corporation. The President & CEO and the Deputy to the CEO held a total of 100,000 stock options at the end of the year. These options entitle them to subscribe for maximum 100,000 preferred shares altogether, corresponding to 0.4% of the company's entire stock and 0.1% of the total voting power on December 31, 2005. The total number of share units in phantom stock held by the President & CEO and his Deputy was 60,000. The stock ownership of the company's senior management is detailed on pages 14 and 15 of this Annual Report.

STOCK OWNERSHIP ON THE BASIS OF CLASSIFICATION OF INSTITUTIONAL SECTORS DEC. 31, 2005

Class		Ownerships	%	Shares	%	Votes	%
100	Corporations	215	6.9	2 208 653	8.0	20 016 840	9.1
200	Financial and insurance institutions	18	0.6	2 918 627	10.6	27 212 768	12.4
300*	General government	12	0.4	5 135 793	18.6	32 853 126	15.0
400	Non-profit institutions	129	4.2	5 193 929	18.9	42 052 656	19.1
500	Households	2 695	87.0	10 653 865	38.7	90 796 397	41.3
600	Ownerships abroad	28	0.9	550 163	2.0	4 607 651	2.1
	Ownerships registered in the name of nominee	2	0.0	890 934	3.2	2 277 288	1.0
Total		3 099	100.0	27 551 964	100.0	219 816 726	100.0
Issued units				27 551 964	100.0	219 816 726	100.0

*) Authorized pension providers (pension insurance institutions) are included in 300 General government.

STOCK OWNERSHIP BY SIZE DEC. 31, 2005

Units	Ownerships	%	Shares	%	Votes	%
1 - 500	1 200	38.7	295 295	1.1	1 318 369	0.6
501 - 5 000	1 472	47.5	2 537 570	9.2	11 095 835	5.0
5 001 - 10 000	157	5.1	1 094 601	4.0	6 304 363	2.9
10 001 - 50 000	191	6.2	4 331 810	15.7	31 155 345	14.2
50 001 - 100 000	32	1.0	2 153 102	7.8	14 141 133	6.4
100 001 -	47	1.5	17 139 586	62.2	155 801 681	70.9
Total	3 099	100.0	27 551 964	100.0	219 816 726	100.0
Issued units			27 551 964	100.0	219 816 726	100.0

LARGEST OWNERSHIP REGISTRATIONS BY VOTING POWER DEC. 31, 2005 (DEC. 31, 2004)

			%	
1.	(1.)	Varma Mutual Pension Insurance Company	7.5	(7.5)
2.	(2.)	Sampo Life Insurance Company Limited	7.2	(7.3)
3.	(5.)	Waldemar von Frenckell Foundation	5.7	(4.0)
4.	(3.)	Ilmarinen Mutual Pension Insurance Company	4.6	(4.7)
5.	(4.)	Metso Corporation	4.5	(4.5)
6.	(6.)	Cedercreutz, Axel	3.6	(3.7)
7.	(8.)	Svenska Litteratursällskapet i Finland r.f.	3.2	(2.8)
8.	(7.)	Kaleva Mutual Insurance Company	3.2	(3.3)
9.	(9.)	Samfundet Folkhälsan i Svenska Finland r.f.	2.5	(2.5)
10.	(10.)	Snäll, Clara	2.3	(2.3)
		Total above	**44.3**	**(42.6)**
		Ownerships registered in the name of nominee	1.0	(0.4)
		Other	54.7	(57.0)
		Total	**100.0**	**(100.0)**

LARGEST OWNERSHIP REGISTRATIONS BY NUMBER OF SHARES DEC. 31, 2005 (DEC. 31, 2004)

			%	
1.	(1.)	Ilmarinen Mutual Pension Insurance Company	7.7	(8.5)
2.	(2.)	Varma Mutual Pension Insurance Company	5.9	(5.9)
3.	(3.)	Kaleva Mutual Insurance Company	3.0	(4.4)
4.	(4.)	Sampo Life Insurance Company Limited	2.9	(4.2)
5.	(5.)	Metso Corporation	2.6	(2.7)
6.	(6.)	Waldemar von Frenckell Foundation	2.6	(2.6)
7.	(13.)	Nordea Life Assurance Finland Ltd	2.3	(1.4)
8.	(7.)	Samfundet Folkhälsan i Svenska Finland r.f.	2.2	(2.2)
9.	(10.)	Svenska Litteratursällskapet i Finland r.f.	2.2	(1.6)
10.	(8.)	Tapiola Mutual Pension Insurance Company	2.1	(2.2)
		Total above	**33.5**	**(35.7)**
		Ownerships registered in the name of nominee	3.2	(0.1)
		Other	63.3	(64.2)
		Total	**100.0**	**(100.0)**

STOCK SUMMARY

The key figures have been adjusted for share issue.	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Earnings/share, basic, €	0.56	0.47	0.34	0.47	0.62
Earnings/share, diluted, €	0.56	0.46	0.34	0.47	0.62
Equity/share Dec. 31, basic, €	3.60	3.31	3.39	3.99	4.18
Equity/share Dec. 31, diluted, €	3.60	3.31	3.39	3.99	4.18
DIVIDEND					
Dividend, M €	11.1*	9.4	17.2	29.3	16.7
Dividend/share, €					
common	0.39*	0.33	0.62	1.07	0.62
preferred	0.41*	0.35	0.64	1.11	0.64
Dividend/earnings, %	71.9*	73.7	183.0	230.0	98.3
Effective dividend yield Dec. 31, %					
common	4.5*	4.1	5.5	11.8	7.2
preferred	5.1*	4.4	6.8	11.4	7.2
P/E ratio Dec. 31, basic					
common	15.4	17.3	31.7	19.0	13.6
preferred	14.4	17.2	26.2	20.1	13.8

* Board of Directors' proposal

STOCK SUMMARY

	2005	2004	2003	2002	2001
TRENDS AND TRADING					
Trading price at year-end, €					
common	8.60	8.05	11.20	9.13	8.67
preferred	8.05	7.98	9.27	9.67	8.83
Change of trading price, %					
common	6.83	-28.13	22.63	5.38	42.47
preferred	0.88	-13.88	-4.14	9.43	42.39
Highest trading price, €					
common	9.00	11.20	11.20	9.93	8.67
preferred	9.00	9.67	10.17	9.67	8.83
Lowest trading price, €					
common	7.90	7.83	7.33	8.38	5.83
preferred	7.50	7.81	6.97	8.43	5.83
Medium trading price, €					
common	8.63	8.42	9.09	9.01	6.99
preferred	8.42	8.69	8.65	9.00	6.63
Trading volume/total stock, %					
common	3.9	11.2	5.8	3.5	3.0
preferred	17.4	18.1	20.7	11.7	15.1
CAPITAL STOCK AND NUMBER OF SHARES					
Capital stock Dec. 31, M €	27.6	27.3	18.2	14.9	14.9
common	10.1	10.1	6.7	5.7	5.7
preferred	17.4	17.2	11.4	9.2	9.2
Market capitalization Dec. 31, M €	227.4	219.0	272.9	251.5	233.1
Number of shares Dec. 31 (1,000)	27 552	27 355	18 228	17 720	17 720
common	10 119	10 119	6 746	6 746	6 746
preferred	17 433	17 236	11 482	10 974	10 974
Average number of shares (1,000) basic	27 388	27 342	17 763	17 720	17 720
Average number of shares (1,000) diluted	27 388	27 360	17 763	17 720	17 720
Number of shares Dec. 31 (1,000) basic	27 552	27 355	18 228	17 720	17 720
Number of shares Dec. 31 (1,000) diluted	27 552	27 374	18 228	17 720	17 720
Number of shareholders Dec. 31	3 099	2 948	2 521	1 933	1 857
Nominee-registered ownerships Dec. 31	2	2	2	1	1

EARNINGS/SHARE

$$\frac{\text{Net income before extraordinary items, taxes and minority interest - taxes - minority interest}}{\text{Average number of shares diluted/undiluted for issue during the fiscal period}}$$

EQUITY/SHARE

$$\frac{\text{Equity}}{\text{Year-end number of shares diluted/undiluted for issue}}$$

PRICE/EARNINGS (P/E)

$$\frac{\text{Year-end trading price undiluted for issue}}{\text{Earnings/share (EPS)}}$$

SIGNATURES TO THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

Helsinki, February 8, 2006

Mikael von Frenckell | Axel Cedercreutz
Martin Lilius | Jouko Oksanen
Vesa Kainu | Niklas Savander

Jyrki Nuutila
President and CEO

AUDITORS' REPORT

to the shareholders of Tamfelt Corp.

We have audited the accounting records, the financial statements and the administration of Tamfelt Corp. for the period January 1 - December 31, 2005. The Board of Directors and the Managing Director have prepared the Annual Report and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements in accordance with prevailing regulations in Finland, that includes parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements and the parent company's financial statements and 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 misstatement. The purpose of our audit of administration is to examine that the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

Helsinki, February 8, 2006

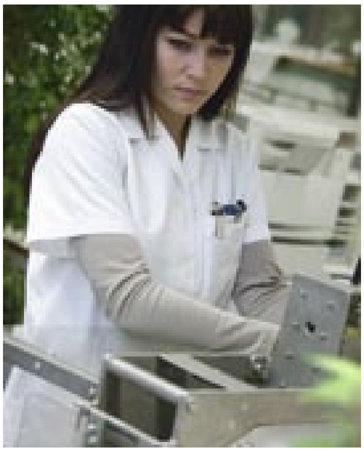
Jari Paloniemi
Authorized Public Accountant

Veikko Terho
Authorized Public Accountant

Samuli Halkola, needling department employee.

Tamfelt´s values:

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



DIVERSE PERSONNEL STRUCTURE
Parent company personnel report

The amount of personnel in the parent company remained almost unchanged. At the end of the year, the parent company employed 1,040 people (1,038 in 2004), of whom 729 (726) worked at Tampere and 311 (312) at Juankoski.

The percentage of shop-floor workers was 71 (71) and that of office staff 29 (29). Women accounted for 48% (48) and men for 52% (52) of Tamfelt's personnel. The average length of employment was 13 years (13). Nineteen per cent (24) of employees had been at Tamfelt for less than five years and 33% (31) for at least 20 years. The average employee age at year-end was 42 years. Twenty-nine per cent were younger than 36 and 27 per cent were over 50.

The employments were permanent and full-time. At the end of the year, 96% (95) of the staff were employed until further notice and 4% (5) for a fixed term. Fixed-term employments were held by 5% (6) of the women and 3% (3) of the men. Full-time employees accounted for 97% (98) and part-time employees for 3% (2). Part-time jobs were held by 4% (3) of the women and 1% (1) of the men.

External labor turnover, which describes the rate of personnel renewal, was 4.4% (3.9). The parent company hired 45 (41) new employees: 30 (24) workers and 15 (17) office staff. Seventy-three (46) employments terminated during the year; of these 52 (31) were workers and 21 (15) office staff. Internal labor turnover, reflecting the personnel's versatile skills and cumulative competence, was 9% (7). Altogether, 94 (74) people moved to new jobs within the company. Eight employees acquired international experience on fixed-term secondments in Germany, Portugal, the United States, Australia and China.

A noteworthy contribution was brought by 138 (145) employed trainees from vocational colleges and universities, and a numerous group of non-employed trainees and students who were being introduced to the world of work at Tamfelt. Over the year, 11 undergraduates were working on their academic degree papers on subjects related to Tamfelt's development projects. Four of these were master's theses and seven bachelor's theses.

At the end of the year, 65% (60) of shop floor workers and 94% (93) of office staff held professional degrees. The percentage of office staff with post-secondary level education was 29 (30); college engineers accounted for 29% (31), and 33% (31) held university or polytechnic degrees. One employee defended his doctoral thesis on the development and testing of filter fabrics and coatings for liquid filtration.

Flexibility in working life is appreciated as an important factor of well-being at different stages of life. During the year, 37 individuals benefited their option to full-time and nine to part-time child-care leave, 24 took job alternation leave and two study leave.

The average age of retirement was 62 years (60). Musculoskeletal diseases were the most common reason for retirement on a disability pension. At the end of the year, 12 (18) people were on part-time pension or part-time disability pension.

COMPETENCE DEVELOPMENT

Practicality and interaction were emphasized in competence development. Tamfelt's 2005 competence development plan focused on production and maintenance engineering, management and leadership, and safety at work. Competence development included

- Learning through work, participation in the improvement of one's own work and working conditions and, as far as possible, contribution to larger projects.

- Participation in long-term and multifaceted development programs focusing on the ability to apply the teachings in one's own job.

  A vocational competence project in weaving continued at Tampere. By the end of the year, 80 employees and their foremen had completed the program, in which empirical skills, everyday creativity and best practices are shared to common benefit. The program was extended to incorporate a group of supervisors and supplemented with a work instruction course and a skills survey comprising all workers engaged in the weaving of press felts, dryer fabrics and filter fabrics. The results of the survey will be used in work supervision and in continued planning of competence development.

  As part of the Tampere Business Campus joint initiative, fifteen employees studied in apprenticeship training programs designed to provide specialist qualification in leadership and technology, or vocational qualification in production and electrical engineering. At Juankoski, studies preparing for further vocational qualification in engineering continued under the joint initiative.

- Sharing of knowledge and experience through the company's internal and external networks. For example, 35 employees took part in experience sharing programs under the Tampere Business Campus initiative: a one to four day long "switch tour" in another company, a



ten-month long mentoring program, or meetings within "knowhow networks".

- Training courses leading to qualification for a "safety card" for the entire parent company personnel. Everyone at the Juankoski mill had been trained by spring 2005 and two-thirds of the Tampere staff by the end of the year.

- Acquisition of explicit knowledge and new stimuli from brief lectures and discussions. Discussion themes included early voicing of concerns, trust capital, and intelligent self-leadership.

SICK ABSENCES AND ACCIDENTS

The percentage of sick absences of the theoretical regular working hours was 6.2 (down from 6.3), while the overall industrial average in 2004 was 5.8%. At Tampere, 34% (27) of absenteeism through sickness was attributed to musculoskeletal diseases, 19% (16) to respiratory disorders, 14% (25) to injuries, 9% (8) to mental disorders, and 24% (24) to other illnesses. Twenty-eight per cent of days lost through illness were attributed to 30 individuals. The rate of sick absences involving less than three days was 12% (14) and that of sick absences involving more than 60 days was 36% (45).

Accidents accounted for 0.4% (0.5) of theoretical regular working time, corresponding to the industrial average for 2004. Altogether, accidents at work, commuting accidents or occupational diseases were the cause of 860 (932) days absent from work. In total, 84 (118) accidents during working hours were reported; of these 26 (41) led to more than three days of lost work time. The lost-time accident rate involving more than three days (number of accidents per one million worked hours) was 16 (25).

The number of accidents requiring more than three days of lost work time and the number of accident-free days are being monitored on a display on the shop floor. The number and frequency of accidents and near miss incidents is being recorded in monthly statistics.

MONITORING AND ENHANCING WELL-BEING AT WORK

A personnel research was conducted to survey employee well-being. 78% of the parent company personnel participated in the survey. At the end of the year, a similar survey was started at the Portuguese and Brazilian plants. Compared with the parent company results in 2002, overall satisfaction has remained more or less unchanged. The personnel's assessment of the functioning of the organization, leadership, decision-making, cooperation and commitment showed some improvement. Decisions on practical measures will be made as soon as the results of the survey have been dealt with throughout the organization.

Special emphasis will be placed on the harmonization of procedures, improvement of the ability and willingness to change, and further development of competence, well-being and working motivation.

Besides safety card training, focus areas in safety work included the updating of Tamfelt's safety guide and job-specific safety instructions, training in machine safety, improved reporting of near miss incidents, more comprehensive information on work safety issues, and more efficient monitoring of accidents.

An equality plan was introduced, including the upgrading of occupational titles. The prevention of occupational segregation was incorporated in the recruiting process. Special emphasis was put on openness, early intervention, and good manners. The objective is to establish a regular annual appraisal process of performance throughout the organization including discussions on issues related to equality and well-being at work.

The Tampere mill's own health services and staff restaurant have long traditions and they have retained their role as important providers of well-being from a decade to another. The Juankoski mill, too, has its own staff restaurant. The services of occupational health physicians and nurses are available at a health station in the vicinity of the plant.

According to an enquiry made at Tampere, the performance of the health station earned a good overall grade. Further visibility and higher investment in company health services were requested, though weekly visits at the workplace are a regular practice already. The premises of the health station were found good enough and the performance of nursing care was rated good. The skills and reliability of the health service personnel were graded excellent.

In a survey concerning the Tampere staff restaurant, the most positive feedback was given on customer service and the quality of food. Room for improvement was found in vending machine services for night and week-end shift workers and the facilities of the staff restaurant.

SUGGESTION SCHEMES

At the Tampere and Juankoski plants, more suggestions were submitted than in the previous year. Some 10% of the personnel contributed with suggestions. Suggestion campaigns were organized at both plants, and the suggestion scheme committees intensified their cooperation during the year.

HUMAN RESOURCES ACCOUNT

JAN. 1 – DEC. 31 (1 000 €)	2005	%	2004	%
NET SALES	118 973	100	113 902	100
Personnel expenses	49 590	42	51 255	45
Payroll for regular worktime	33 031	28	33 299	29
Payments by results	3 097	3	2 524	2
Payments for overtime	1 719	1	1 763	2
Personnel renewal				
Recruiting and job orientation	659	1	548	0
Vacation payments	6 971	6	6 908	6
Other holiday payments	2 459	2	2 435	2
Personnel development				
Training	488	0	466	0
Other measures to maintain and improve working ability	384	0	334	0
Sick payments	1 227	1	1 016	1
Disability pension expenses	-1 257	-1	884	1
Other pension expences	425	0	707	1
Other personnel expenses	386	0	371	0
Outsourced services	2 982	3	3 027	3
Other costs and expenses	52 885	44	51 812	45
Financing items	223		3 834	
Extraordinary items	2 140		1 544	
Taxes	-3 865		-2 936	
NET INCOME FOR THE YEAR	12 014	10	10 250	9

PERSONNEL STRUCTURE

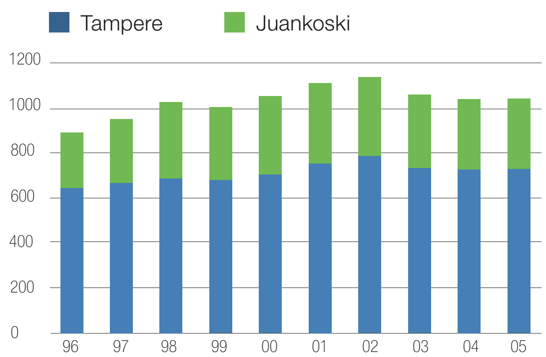
	2005 number	2004 number
Wage-earners	729	737
Salaried employees	311	301
Total	1 040	1 038

	%	%
Wage-earners	71	71
Salaried employees	29	29
Men	52	52
Women	48	48
Permanently employed	96	95
Fixed-term	4	5

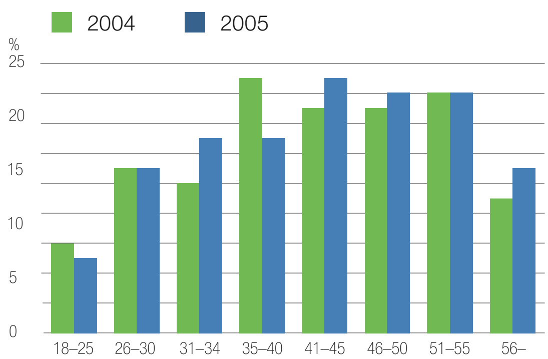
	2005 %	2004 %
Full-time employees	97	98
Part-time employees	3	2
Absenteeism through sickness	6.2	6.3
Labour turnover	4.4	3.9

	years	years
Average age	42	42
Average employment	13	13
Average retirement age	62	60

Personnel, 1996-2005



Age Composition



The otter is Tamfelt's mascot.

ENVIRONMENTAL POLICY

1. Tamfelt is committed to sustainable development in all operations. Products, production processes and activities are developed applying the best available technologies.
2. The goal is to increase material yield to over 90%.
3. Energy use is improved and unnecessary use of electricity, water and heat is avoided to save natural resources.
4. The amount of waste is reduced annually by 10%. Most importantly, the amount of slow-decaying waste is reduced.
5. At least 70% of waste is reused.
6. All hazardous waste is treated appropriately.
7. Tamfelt does not use environmentally hazardous substances in production.
8. Tamfelt operates in compliance with environmental legislation, regulations and official guidelines.

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 decision-making involving environmental considerations of products and activities.

ENVIRONMENTAL ISSUES IN 2005
The key environmental issues in 2005 included the reduction of environmental impact of the Tampere and Juankoski plants, measures required by the environmental permit granted to the Tampere plant, emissions trading, and the improvement of waste recovery.

The Tampere plant joined the emissions trading scheme on January 1, 2005. The scheme is an approach used to reduce carbon dioxide emissions. Reporting on the initial emissions trading period and the management of emission allowances are dealt with in early 2006.

ENVIRONMENTAL POLICY AND ENVIRONMENTAL MANAGEMENT SYSTEM
Tamfelt's environmental policy and environmental management system have been designed in consideration of the environmental impacts of the Juankoski and Tampere plants and statutory requirements.

The goal is to use raw materials as effectively as possible and to avoid unnecessary consumption of energy and water. Efforts are made to reduce waste and to improve waste recycling. Waste hazardous to health or the environment is sent to the appropriate disposal contractor.

Tamfelt's environmental management system is based on the ISO 14001 standard, and the parent company was certified on March 2, 1998. The environmental management system will be upgraded and re-certified in 2006.

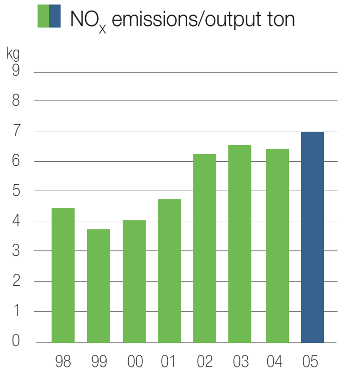
The company's senior management is responsible for the upgrading and enforcement of the environmental managements system.

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 of lake Kaukajärvi provide potential risks, whereas hardly any risks are posed by the Juankoski plant.

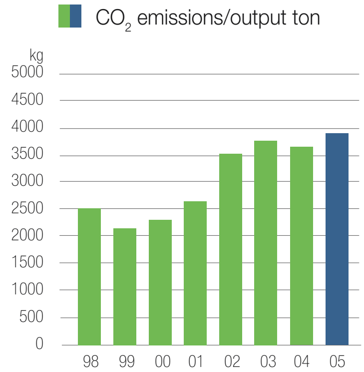
An earlier investigation revealed small amounts of metals at the bottom of the Tampere plant's equalizing reservoir. The reservoir will be removed from use in 2006.

MAJOR ENVIRONMENTAL IMPACTS AND THEIR TRENDS
The Tampere plant pumps service water from the nearby lake Kaukajärvi. The water has an important role in cooling the plant especially in summer. In 2005, the level of the lake remained within limits allowing the company to pump normal amounts of water. Tamfelt attends to the impounding dam of the lake outlet, which helps regulate the water level. The environmental permit allows the company to lead water used for air conditioning back to the lake.

Nitrogen Oxide Emissions, Tampere plant



Carbon Dioxide Emissions, Tampere plant



The Tampere plant discharges wastewater into the municipal sewerage system partly direct and partly through an equalizing reservoir located in the plant area. The discharged amounts remained in the limits of the environmental permit. Wastewater quality is regularly monitored by the company's own spot checks as well as sampling by a non-company laboratory.

The heating station of the Tampere facility is fueled by natural gas. The consumption of fuel per output ton decreased slightly during the year, partly thanks to mild weather conditions in the winter and consequent lower need for heating. Tamfelt joined the emissions trading scheme on January 1, 2005. The granted emission permit and emission allowances cover the years 2005 through 2007. In 2005 Tamfelt requested an amendment to the emission allowance because of a boiler rebuild. SFS-Inspecta Sertifiointi was chosen as the accredited verifier of emissions trading accounts.

Tamfelt contributed to an air-quality monitoring scheme run by the city of Tampere. An updated agreement was signed in 2005.

The consumption of electricity per output ton was slightly lower than in the previous year in Tampere and Juankoski.

At the two plants, most of the waste consists of raw material residue. The amount of landfill waste per output kilo was down at both locations a good 25% owing to more effective reclamation of raw material and improved recycling. The percentage of waste recycling was 55 at the Tampere plant and 40 at Juankoski.

Hazardous waste was treated by the appropriate disposal contractor. The amount of hazardous waste from both facilities is low. The amount of hazardous waste from the Tampere plant has been growing in recent years with increasing use of harmful chemicals in the manufacturing process.

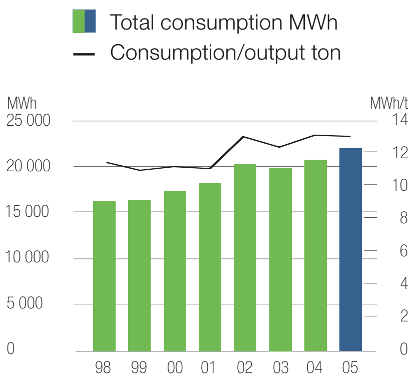
The targets set for raw material utilization and recycling of cloth waste were not reached at the Group level. Raw material utilization was up 2% and cloth waste recycling 15%. The recycling of cloth waste improved with increased cooperation with cloth residue users.

More than 90% of packaging supplied by Tamfelt is reused.

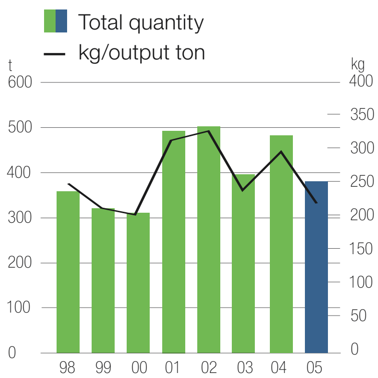
WASTE AS ENERGY

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

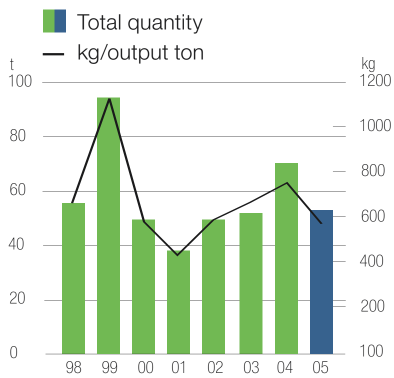
Electricity Consumption, Tampere plant



Landfill Waste, Tampere plant



Landfill Waste, Juankoski plant



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 to 18%. The contents of sulphur and chlorine are also low. Burning waste helps reduce atmospheric releases from energy production plants compared to fuels such as coal.

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

Finnish legislation concerning waste burning will be amended in 2006. Tamfelt follows up the developments in the legislation.

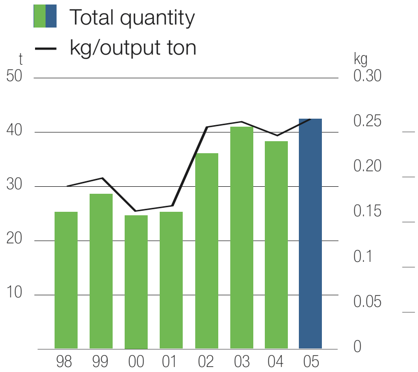
STAKEHOLDER RELATIONS

Tamfelt is in regular dialogue with public authorities on issues related to the environmental permit.

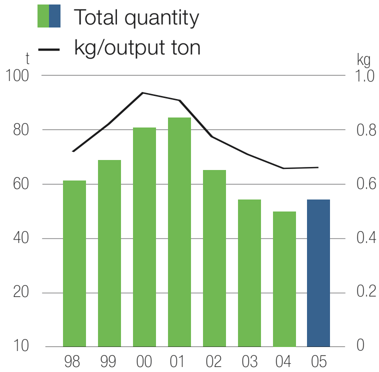
Tamfelt's personnel actively contribute to the improvement of the environmental program. They integrate environmental considerations into their regular work and have proposed a number of measures to reduce the company's adverse environmental impact.

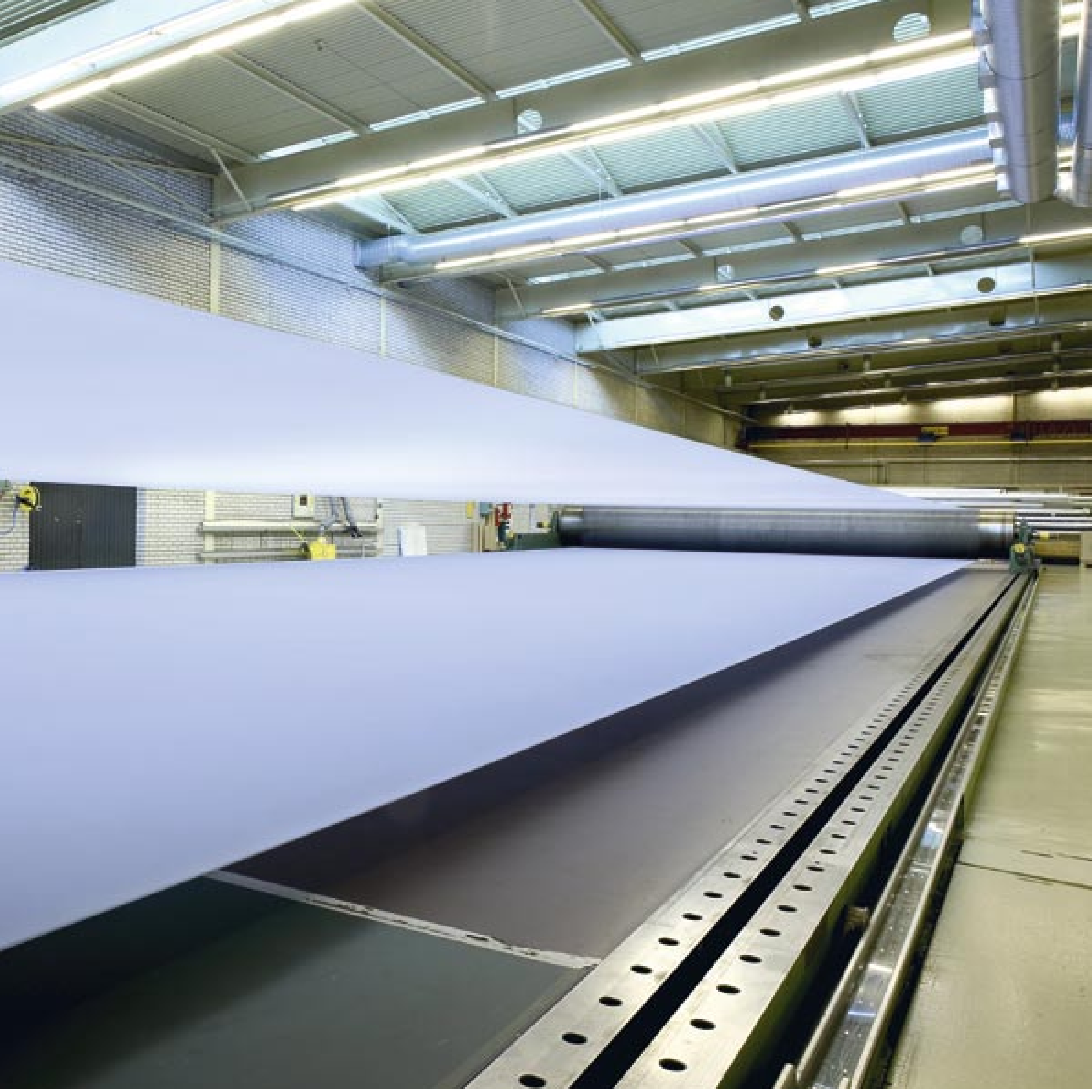
Tamfelt's customers have approached the company with assessments and questions about environmental issues. They have found the management of environmental issues to be at a high level.

Recovered Material, Tampere plant

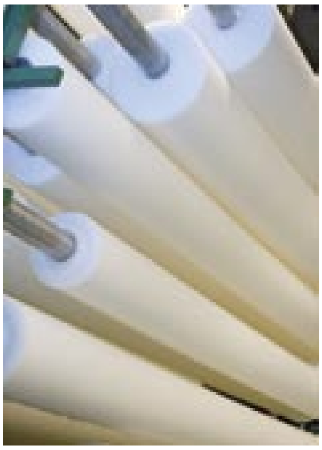


Recovered Material, Juankoski plant





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



AT THE FOREFRONT WITH INNOVATION AND EXPERTISE

Tamfelt is a world-leading supplier of technical textiles. Our main products are paper and board machine clothing, filter fabrics for the forest, mining and chemical industries, as well as ironer felts and dry filtration fabrics. All these are tailored to meet the specific requirements of the particular machine and position. We work in intensive cooperation with customers, machine manufacturers, material suppliers and research institutes.

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 fabrics ensure 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. In 2005, we contributed to a record number of start-ups on new machines and rebuilds. Apart from clothing, we also provide comprehensive expert assistance. We have engineered a start-up support concept, which is widely acknowledged. At the commissioning stage, Tamfelt's experts team up with the customer and the machine supplier to ensure an efficient start.

Forming fabrics

Forming fabrics for paper and board machines are produced at the Juankoski facility. They are woven from synthetic yarns and processed through heat-setting and seaming. Their key requirements are excellent runnability, even dewatering capability and consistently reliable quality.

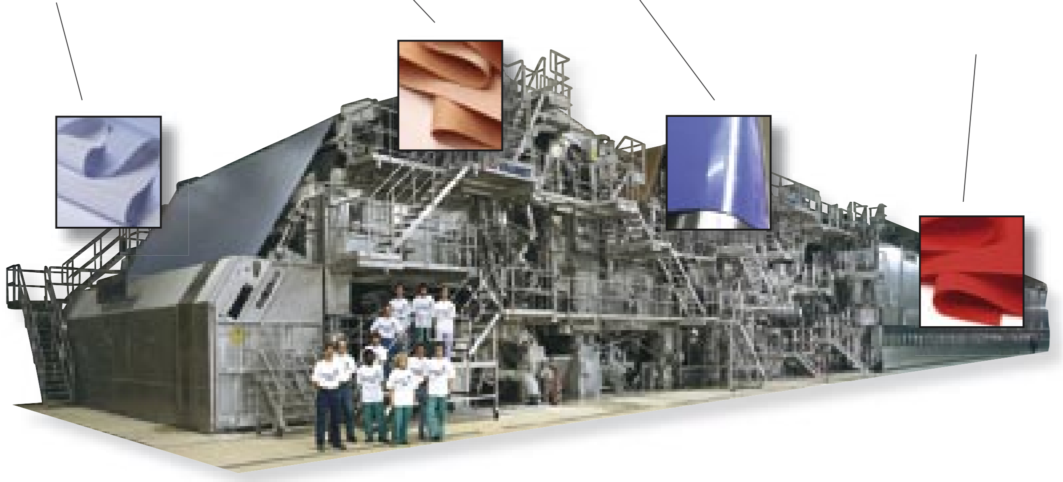
The share of triple-layer applications has steadied at 70 per cent of all forming fabrics. The **Gapmaster** triple-layer range has been specially engineered for the manufacture of top-quality paper on high-speed paper

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.



machines. The latest arrival in the Gapmaster family is Gapmaster Pro, a thin triple-layer application for the most sophisticated paper machine positions. The patented Gapmaster style has contributed to excellent machine performance, and it has been specially praised for good runnability and high wear resistance.

Packmaster is the newest addition to Tamfelt's forming fabrics line. These fabrics have been specially designed to boost the efficiency of packaging paper and board machines and to improve product quality.

Other Tamfelt forming fabrics include Hifi, Multistar, Optistar and Champion.

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, fast start-up, high dewatering performance and, above all, good runnability on the paper machine to ensure achievement of the targeted lifetime.

Transmaster Open (TMO) has continued to increase its market share. Tamfelt was the first in the world to introduce in 2002 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 delivered very good results on sophisticated wide and high-speed paper machines. The Transmaster range also includes a seamed version, **SeamMaster Open** (SMO) which, apart from all the good properties of Transmaster Open, is easily seamable. This allows a swift change of fabric even at unexpected shutdowns. The delivery volumes of seamed press felts and fabrics continue to grow at a steady rate both in Finland and other parts of the world. Another seamed press fabric style is **Tamseam.**

Aquastar is yet another press fabric, which excels in the fastness of start-up and non-marking structure. Aquastar features a non-woven base without any mark-sensitive knuckles.

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 reinforced with yarns. The volumes have grown heavily and the customers have reported good results. A completely new production line, which was commissioned in Tampere in spring 2005, doubles the company's belt manufacturing capacity. Belts are either smooth (**Tambelt S**), semigrooved (**Tambelt SG**), 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. Tamfelt's belts are also delivered to Metso Paper under the trade name Metso Belt.

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. Their essential requirements are good support to the paper or 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 high number of contact points ensure even pressure against paper. This keeps the product cleaner and provides maximum support in unirun positions. Unistar SL has contributed to outstanding performance on paper and board machines.

Tamdry DL and **DC** are two new-generation flat-yarn dryer fabrics, engineered for positions requiring an extra high evaporation capacity or air permeable open-mesh weaves. Tamdry DL and DC supplement Tamfelt's dryer fabric range, which also includes Tamstar, Optimax, Unisoft, Silverstar, Thermix and Thermax.

FILTER FABRICS

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

We offer expert know-how in the choice of individual filter fabrics and in technical solutions for comprehensive filtering processes.

Filter fabrics for the forest industry
Tamfelt has two major advantages as a filter fabric supplier to the pulp and paper industry: 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 a high number of different filtering equipment and washers. 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 world leading supplier of filter fabrics for causticization processes. Our position has been strengthened by many new causticization plants, for which we have supplied all start-up fabrics.

Waste water from paper and board plants are filtered before they are discharged into waterways. 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
- dewatering wires

In spring 2005 Tamfelt introduced the **WellBag** disc filter bag. The product features a unique weave structure, which forms a wavy surface when the bag shrinks. This provides a larger filtration surface than a conventional weave. Compared with traditional smooth-surface products, WellBag delivers up to 25 per cent higher filtering capacity.

Filter fabrics 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 program. High process temperatures, complex chemical environments and the variety of sludge set high 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 has been developed for horizontal belt filters and belt filter presses in the mining and chemical industries. The new polymer material improves filtering performance and extends fabric life. The product has delivered very good filtering results.

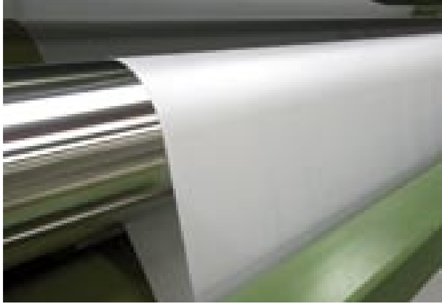
Dry filtration products

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 sector 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.

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**. Recent issues and further information on Tamfelt's products are found at www.tamfelt.com.



GROUP RESEARCH AND DEVELOPMENT

RESEARCH AND DEVELOPMENT

Tamfelt's R&D is conducted in cooperation with customers, material suppliers, process equipment suppliers, notably 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 2.3 per cent of the Group's net sales in 2005.

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 analyze 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 and board machines. 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 or filter problems
- help to the customer in paper quality or runnability problems
- provision of special measurements
- joint projects with customers
- development of new customer service surveys and equipment.

The results of measurements and laboratory analyses are an integral part of product application. They provide important information on fabric behavior 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 the start-ups of every new machine or 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.

Innovative high-performance products and competent technical support are the key to long-term cooperation.

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