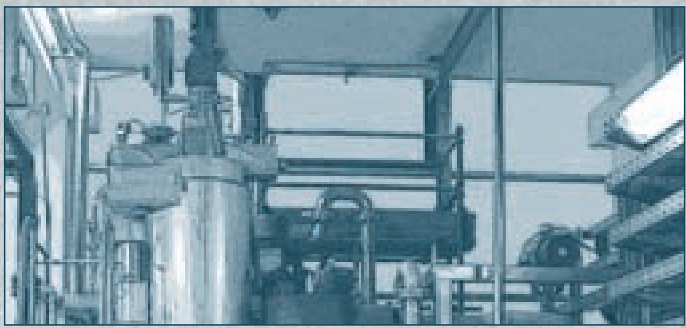
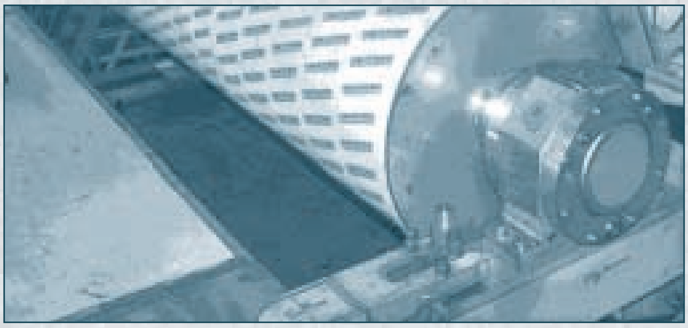
Annual Report

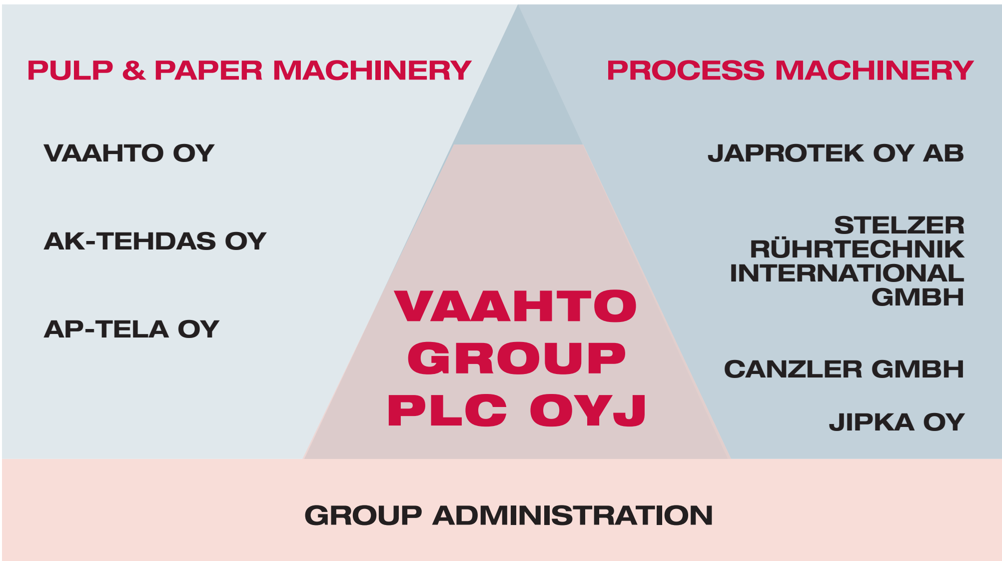
2001 - 2002





VAAHTO GROUP 1874

Group



Mission

- *Vaahto Group enhances the production processes used in the paper, board, pulp, and process industries by developing and supplying equipment and services that help client companies increase the efficiency of their production and the quality of their products.*

Vision

- *Vaahto Group's objective is to be a globally operating, well-known supplier creating innovations, high tech solutions and consulting services in the selected fields of paper making technology and process machinery.*

Vaahto Group

Vaahto Group boosts the competitiveness of its customers' businesses and production processes by developing their core processes through the provision of innovative, value-generating systems solutions, machinery, and services.

The Group has two core business areas: Pulp & Paper Machinery and Process Machinery. Other operations include the design and production of HVAC products, custom engineering services, and contract manufacturing.

The Group's paper-making technology operations focus on its core competence in paper and board machine rebuilds, roll covers and roll servicing, and other maintenance and servicing, as well as spare parts services for paper machines. In the area of process machinery, the Group's core competence lies in high-quality agitator technology and pressure vessels for demanding applications.

The Group's investments in product development have resulted in several new product innovations and patents. The quality of our design and output is guaranteed by the Group's ISO 9001 certified quality system, the certified quality systems of our production firms, and our familiarity with the official pressure vessel permits and standards required in the world's main markets.

Annual Report 2001-2002

Fiscal Period in Brief

Key figures M€	2001/2002 12 months	2000/2001 18 months	Change %
Turnover	65.8	80.5	-18
Operating profit	-0.6	2.1	-127
Return on investment (ROI) %	-1.7	9.7	-118
Equity ratio %	30.7	37.6	-18
Investments	3.2	4.0	-20
Total number of personnel (average)	580	453	28

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Vaahto Group Plc Oyj will be held on December 12, 2002, at 1:00 p.m. in Congress Room 5 in the Sibelius Hall, Ankkurikatu 7, Lahti.

The meeting is open to all shareholders entered by December 2, 2002, in the register of the company's shareholders maintained by Finnish Central Securities Depository Ltd. Shareholders whose shares have not been transferred to the book-entry security system may also attend but only if they were registered in the company's share register before March 31, 1995. In such a case, the shareholder must present a share certificate or other proof that his holding of the company's shares has not been transferred to a book-entry account.

Shareholders who wish to attend the meeting must register by 4:00 p.m. on December 5, 2001, either in writing to Vaahto Group Plc Oyj, Shareholders' Meeting, P.O. Box 5, FIN-15141 Lahti or by telephone to Taina Kajander at +358 3 880 5355. Proxies should be enclosed when registering.

Dividends

The Board will propose to the Annual General Meeting that no dividends be paid for the fiscal period September 1, 2001 – August 31, 2002, and that the operating profit from the period be transferred to the earnings account.

Financial information

During the fiscal period 2002–2003, Vaahto Group Plc Oyj will publish an interim report for the period September 1, 2002 – February 28, 2003. The interim report will be published on April 11, 2003, in both Finnish and English.

Our annual and interim reports can be ordered from:

Vaahto Group Plc Oyj
P.O. Box 5, FIN-15141 Lahti
tel. +358 3 880 511, fax +358 3 880 5301
(until January 6, 2003)
tel. +358 20 1880 511, fax +358 20 1880 301
(after January 7, 2003)
e-mail: taina.kajander@vaahtogroup.fi

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

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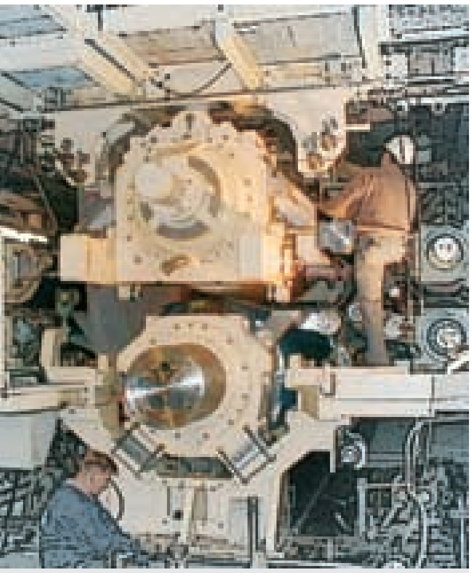
CEO's Review



At the beginning of the fiscal period, growth in the world economy turned into decline, which was deepened by the events of September 11, 2001. Capacity utilization rates and industrial production decreased in almost all industrialized countries. Investments declined as a result of the reduction in price of paper, pulp, and chemical industry products and raw materials. In Asia, economic growth continued, with the exception of Japan. In the US, consumer demand supported economic activity, but the demand for investment products decreased even there. In spite of expectations and forecasts, the economic turnaround and growth did not materialize; rather, the Group's operational environment remained difficult and very challenging.

Vaahto Group's turnover for the fiscal period ending in August 2002 was 65.8 million euros, with an operating loss of 0.6 million euros. Turnover decreased from the previous 18 months, but comparable turnover increased by a little more than 20%. Taken as a whole, the Group's economic development was highly unsatisfactory. In addition to the market situation, profits were adversely affected by the lower than expected turnover, cost overruns in few projects, and considerable expensed product development costs.

The Group's order backlog decreased markedly from the previous fiscal period, due to the weakened market conditions, and was 22.3 million euros at the end of the fiscal period, which is at best satisfactory. However, the volume of orders has increased since the end of the period, thanks to the increased demand of the past few months.

Strategically, the operations of the Group's companies have developed in line with the long-term goals. In the past few years, the Group's business volumes have grown annually. The Group's development and structural change continued with considerable investments in development of the roll servicing operations for paper machines. The German GEA Canzler GmbH's business was acquired in December 2001, to boost the competitiveness of the Process Machinery division. The 100% owned Canzler GmbH has been incorporated to continue the acquired business operations. The spiral heat exchanger production of the company has been moved from Germany to Finland.

Due to the investments in the know-how, the proportion of sales of the Group's own products has continuously increased and the share of contract manufacturing has declined. However, there are still great challenges in sales and market development, as well as in improving quality control operations and cost-effectiveness. Thanks to product development efforts, the delivery capacity and product range of the Group's companies have improved significantly.

The competitiveness of the Pulp & Paper Machinery division's products was further increased due to both product development and successful deliveries and positive customer experiences. With the introduction of the headbox, former, and shoe press technologies in particular, the division has strengthened its position in the market. Profitability objectives were not reached, however, as the investments made by the division in the poor market conditions have not yet had the desired effect on profits.

The long continued product development has demanded large efforts but it has opened up new markets and sales opportunities. This is shown in several deliveries to leading customers in the paper and board industry. Besides Finland, the major deliveries were made to the rest of Scandinavia, North America, and China.

The Group's roll servicing activities and delivery capacity have been enhanced by a large-scale investment program started during the fiscal period. AK-Tehdas Oy's roll servicing extension in Tampere, which will be finished by the end of 2002, will bring the paper machine roll servicing activities to a new international level.

The Process Machinery division came close to achieving its business goals, but the expected profit level was not reached. The Group's business development continued to focus on advancing production technology and expertise. The transfer of Canzler GmbH's spiral heat exchanger production to Finland was aimed at increasing the effectiveness of production. In Germany, the company will concentrate on heat transfer technology, i.e., primarily on thin film evaporator and evaporator systems as well as engineering.

In the agitator technology field, the company has a strong market position in Central Europe and Germany in particular. In combination with manufacturing reactors, agitator technology is in general a highly specialized field that requires knowledge of process technology and mechanical technology. During this fiscal period, the agitator business volume suffered as a result of the low amount of investment in the chemical industry in particular. The largest agitator deliveries were to the Asian market. Due to the low turnover, the Group's agitator business did not reach the profitability objectives. In contrast, reactor and tank manufacturing were closer to their objectives. The agitator business will be developed by combining the product solutions of the companies in Finland and Germany and by developing co-operation between the sales and marketing divisions.

The development of the global economy looks highly uncertain at the moment. Japan's economy has long been on the decline, and deflation threatens Germany, an important market. Other large European countries are not able to spur on international economic growth either. Growth relies on American consumer demand, which is anyhow threatened by the possible attacks on Iraq.

Assessing the future economic developments is very difficult, as the market outlook is very uncertain. Significant economic recovery and market improvement may be postponed for quite some time in the future. However, I believe that the order backlog and the new orders received should make it possible for the Group to increase its profitability in the current fiscal period in spite of the poor business conditions.

I would like to finish by thanking our customers for their confidence in Vaahto Group's products, services, and knowhow, and the Group's personnel for the efforts they have put into developing our operations.

Antti Vaahto
CEO

A new CNC turning/grinding machine of AK-Tehdas Oy for rolls up to 80 tons.

Products and service

- *paper and board machines*
- *paper, board, and pulp drying machinery rebuilds from the headbox to the reel (e.g., dilution controlled headboxes, formers, shoe presses, film size presses)*
- *components for paper machines: stretchers, guides, dewatering elements, etc.*
- *rolls and roll covering and servicing*
- *pulpers*
- *coating kitchens*
- *chemical and additive dosing systems*
- *consulting and start-up services*

Pulp & Paper Machinery

The Pulp & Paper Machinery division develops its customers' production processes by designing and manufacturing machinery and components for the paper, board, and pulp industries. The division specializes in rebuilds of paper, board, and pulp drying machines, as well as roll cover services and other servicing. The aim of the services provided by the division is to increase the productivity of the customers' paper and board machinery, to improve the quality of the products, to ensure troublefree production, and to improve customers' competitiveness. The Pulp & Paper Machinery division offers its customers comprehensive service, which includes design and development; manufacturing, installation, and start-up; and maintenance and spare parts services.

Demand decreased by the slowdown in economic growth

Demand for the Pulp & Paper Machinery division's products remained good until the end of 2001 but decreased at the beginning of 2002 due to the general slowing down of economic growth. Investments in paper technology decreased due to the weakened market climate in the customer industry. The division's order volume decreased slightly but remained at a satisfactory level. The orders consisted for the most part of several smaller projects. The division's profitability was taxed by the high product development costs during the period, cost overruns in a few projects, and the weakened market situation.

The majority of the orders was from Finland and the rest of Scandinavia. New delivery contracts were also made elsewhere in Europe, in North America, and in Asia - especially in the growing Chinese market. Most orders involved paper machine rebuilds and the associated machinery and equipment deliveries. The most significant order was the rebuild project at the Swedish Billerud Ab's Gruvön plant, which will be finished by the end of 2002. Demand for servicing and roll services remained good throughout the period. With the orders received, the Pulp & Paper Machinery division further strengthened its position as a supplier of paper, board, and pulp industry machinery rebuilds and a provider of machinery, equipment, and servicing within its selected product, customer, and market segments.

The division's investments in product development and new products continued, which was evidenced by the several patents received during the period. In addition to modern headbox and former technology, Vaahto Oy further developed its press technology, which is exemplified by the shoe press. The company delivered its first shoe press to Stromsdal Oyj in October 2001. In the course of the period, the company developed, for example, its own dilution valve for a dilution controlled headbox. Vaahto Oy and AK-Tehdas Oy's quality systems were updated to meet the ISO 9000/2000 standard.

The period saw several paper machine rebuilds, the most notable of which were deliveries performed for Assi Domän Frövi and Korsnäs Ab in Sweden, Stromsdal Oyj and Stora Enso's Kotka plant in Finland, and Interstate Paper's Riceboro plant in North America, which included replacing the wire section of a liner machine and providing a new On-Top former. During this fiscal period, the Pulp & Paper Machinery division also delivered, among other things, pulpers to Finland and for a new machine line in China, and also rebuilds and key components were provided to several paper, board, and pulp companies in Finland and the rest of Scandinavia and Europe.

Roll service capacity grows

The ratio of servicing, roll, and spare parts service to total output remained unchanged during the period. The Pulp & Paper Machinery division's capacity for roll manufacturing, servicing, and maintenance has increased, and technical delivery capacity will be boosted further when the plant extension of Tampere's AK-Tehdas Oy – which specializes in roll manufacturing, servicing, and coating – is finished by the end of the year and the new machinery and other equipment has been installed. The plant extension and the new machinery will also enable the manufacturing, coating, and servicing of large rolls, of up to 80 tons. Customers can be provided with roll services with practically no size constraints. Thanks to the investments made, the quality of the rolls can also be further improved, with respect to both dimension precision and balancing. Machinery investments were also made by AP-Tela Oy to improve competitiveness.

Competitiveness boosted by specialization

The Pulp & Paper Machinery division's goal is to further strengthen its position as one of the leading suppliers of technology in its field for the selected product, customer, and market segments. The group has established a firm foothold in these sectors of the Finnish and Swedish market, and has made significant inroads in North America and China during the period. It has strengthened its sales network in the European and Asian markets. In the area of paper machinery rebuilds, the division provides highquality, competitive technology – particularly for the renewal of small and middle-sized machines - and components and roll and maintenance services for large and fast machines as well.

First and foremost, the division's competitive advantages include customized, innovative solutions. Investments in product development during the period have further boosted the group's competitiveness and increased delivery opportunities.

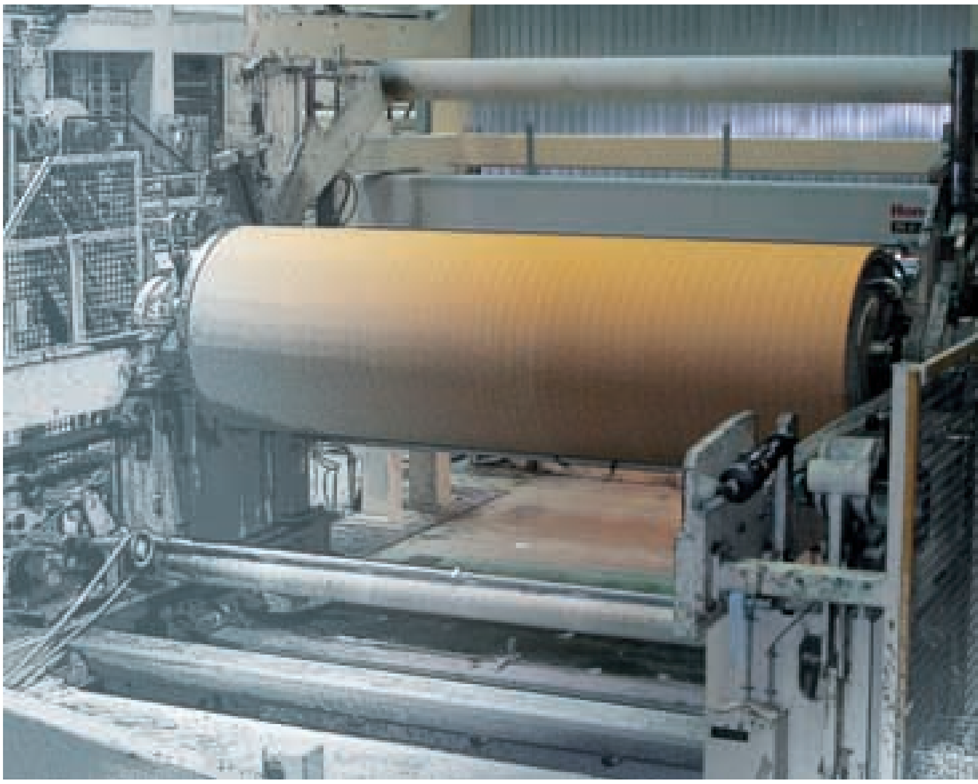
Markets growing slowly

The market situation in the paper, board, and pulp industries has remained poor throughout the period, which has decreased the utilization rate in the field and led to postponement of investment decisions. The global demand for paper has become stable and is estimated to keep growing at an average of 2–3 percent annually. However, in Asia and China in particular, the growth rate is higher than that in Scandinavia, the rest of Europe, or the Americas.

The market outlook for the Pulp & Paper Machinery division's customer industries is still unclear, but the situation is expected to improve slightly in the current period. Large paper machinery investments have been put off, but the demand for modernization projects as well as roll and maintenance services, which are less dependent on the cyclic nature of the paper industry, is estimated to remain at a satisfactory level. Thanks to the increased number of tender invitations and the investments made in product development and production, the division's opportunities to provide the paper and pulp industry with competitive solutions in its own areas of core competence have kept improving.

A headbox delivered to China.

An akhydril-coated reel drum delivered to M-real Oyj.



Process Machinery

Products and services

- *pressure vessels (also with agitators)*
- *agitators and mixing processes*
- *reactors and accessories*
- *columns with internal components*
- *tube, shell, and spiral heat exchangers*

The Process Machinery division enhances its customers' production processes by designing and manufacturing agitators, pressure vessels - such as columns and reactors - and heat exchangers for the process industry. Its customers are companies operating in basic industries such as wood processing, metallurgy, the chemical industry, food processing, and the pharmaceutical industry. The companies in the division, Finland's Japrotek Oy Ab and Germany's Stelzer Rührtechnik International GmbH and Canzler GmbH, represent a strong concentration of expertise which makes a major contribution to the division's operations. The division aims to continue expanding its market share in its main markets. Its operations cover product design and development; manufacture, installation, and start-up; and maintenance and spare parts services.

Market situation and business restructuring decrease demand

Structural changes in industry as a whole continued strongly worldwide during the fiscal period. The economic recession and several business restructuring operations for the Process Machinery division's customers in the metallurgy, chemical, and food processing industries prevented investment projects and led to the postponement of several projects and a decreased demand for equipment.

The Process Machinery division's operations concentrate on the precision production and development of reactors, agitators, and heat transfer and separation equipment. The division serves process industry customers worldwide. Its operations are characterized by the design and production of equipment in line with customer needs and meeting requirements for the applicable local standards and permits in various parts of the world. The division's pressure equipment is approved for use in nearly all markets, including the US, China, Russia, and several European countries, among them Switzerland, whose authorities granted approval this year.

The division's customers include companies from all main branches of the basic industry and the largest companies in the field. In the agitator technology area, the largest deliveries during the period were to the plastics industry in Asia, and in environmental technology to Central Europe. Very large plastics industry equipment deliveries were also made to Russia via a German engineering office. In the medical industry, the most significant deliveries were to Switzerland and Northern Europe. An important single deal was the delivery of a pulp boiler more than 60 meters high for a Brazilian project.

Market position strengthened by acquisition

Canzler GmbH, which was acquired by the Process Machinery division in December 2001, concentrates on heat transfer technology with a special emphasis on engineering, thin film evaporators, and membrane technology. The company possesses several different licenses and separation processes suitable for use in the production and use in equipment of many chemicals, including monoglycerins, fatty acids, esters, oils, and epoxies. The production of Canzler GmbH's spiral heat exchangers, whose main market areas are Central Europe and the US, has been moved to Finland.

In Europe, the Process Machinery division companies Stelzer Rührtechnik International GmbH and Japrotek Oy Ab together have a significant market share as agitator technology experts and suppliers. However, the largest deliveries during the fiscal period were to the growing Asian market. Serving the global customer base requires the further expansion of sales and distribution channels.

The division's agitator technology products cover well the needs of the entire process industry, including environmental technology and waste water management. Steps are being taken inside the division to combine the agitator product families and increase production and cost-effectiveness. The Finnish company concentrates on producing agitators for the paper and pulp industry, metallurgy, and environmental technology applications, with a particular focus on large agitators, and the German company specializes in products for the chemical, pharmaceutical, and food processing industries. As the client companies focus increasingly on developing their core business operations and cost-effectiveness, the Process Machinery division aims to provide them with comprehensive service by delivering full reactor/agitator assemblies.

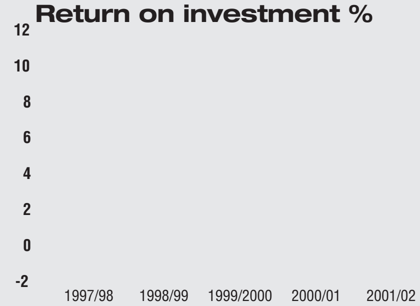
A Nutsch reactor delivered to Amersham Biosciences Ab.

An oxygen/peroxide reactor for bleaching for UPM-Kymmene.

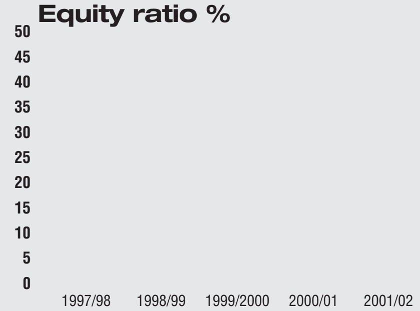
Turnover M€

Operating profit M€

Return on investment %



Equity ratio %



Consolidated balance sheet total M€

Review by the Board

Fiscal period September 1, 2001 – August 31, 2002

Business review

Vaahto Group's turnover for the fiscal period ending in August 2002 was 65.8 million euros (80.5 million euros). The turnover decreased by 18.2% from the previous fiscal period, which was 18 months long. The comparable turnover growth was 22.7%; i.e., the Group kept growing. The increase in turnover was mainly thanks to the increase in deliveries of paper and board machinery and components and the acquisition of the business of GEA Canzler GmbH. In spite of the increase, the Group's profitability decreased, and the operating loss was 0.6 million euros (operating profit 2.1 million euros).

The market situation was difficult for almost the whole period, and the expected change for the better did not happen. Overall investment in the client's industries remained at a relatively low level, and many planned investment projects were postponed or shelved altogether. Due to the weakened demand, the group's order backlog decreased to 22.3 million euros from the 30.0 million euros of the end of the previous fiscal period.

In December 2001, Vaahto Group acquired the business of the German GEA Canzler GmbH, which specializes in heat transfer technology. A new company, Canzler GmbH, was established to continue its operations. The company is wholly owned by the Group's parent company. The acquired business strengthens the Process Machinery division's operations and competitiveness. The rest of the Group remained structurally unchanged.

Pulp & Paper Machinery

The division's turnover kept growing, mainly thanks to an increase in deliveries of paper and board machinery and components. Turnover in the servicing, roll, and spare parts service areas remained almost unchanged. Even though the division's turnover increased, turnover and profitability objectives were not reached. High product development costs in the period, cost overruns in a few projects, and increased competition took their toll on turnover.

Most of the Pulp & Paper Machinery division's deliveries were still to Finland, the rest of Scandinavia, and Central Europe. The successful board machine rebuild project in the US is strengthening the Group's position in the North American market. Several orders have been received from China as a result of active sales efforts, and other Asian countries too constitute an increasingly important market. Due to the weakened market situation, the division's order backlog has decreased slightly from the previous fiscal period.

The Pulp & Paper Machinery division's goal is to further strengthen its position as one of the leading suppliers of technology in its field for the selected product, customer, and market segments. In addition, a special emphasis has been placed on increasing the cost-effectiveness and profitability of the division's business.

Process Machinery

The Process Machinery division retained its strong position in the main markets despite the increased competition. The division's order backlog decreased significantly from the previous fiscal period but remained satisfactory. The division did not reach its turnover and profitability objectives. The most difficult market situation was in the agitator business, whose turnover decreased and profitability was poor. In order to boost operations and increase profitability, overall responsibility for this business area was transferred to the Group's German agitator company. In addition, the production and assembly of agitators in Finland will be gradually taken over by Vaahto Oy.

Canzler GmbH's business, which consists of production and supply of spiral heat exchangers, thin film evaporators and evaporator systems, engineering services, and tanks, will strengthen the division's competitive position in the long term. In accordance with the decisions made, the company will from now on concentrate on heat transfer technology, i.e., mostly thin film evaporators and evaporator systems, and engineering. The company will continue marketing and selling heat exchangers, but it was decided in June 2002 that the production of heat exchangers and the machinery used would be transferred to Vaahto Oy. Production, starting in Finland in November 2002. The company's sales company established in the US will begin operation before the end of 2002.

The Process Machinery division's primary objective is to increase its profitability by boosting sales and customer service, adding product value, and enhancing the cost-effectiveness of operations. The centralization of production and assembly work that has been carried out plays a major part in this.

Results

Vaahto Group's operating loss for the fiscal period was 0.6 million euros (operating profit 2.1 million euros). The operating loss was 0.9% of turnover (operating profit 2.6%). Loss before extraordinary items totaled 1.1 million euros (profit 1.2 million euros), and the return on investment was -1.7% compared to 9.7% in the previous fiscal period. The Group's profitability decreased markedly from the previous fiscal period, and the targets set were not achieved, despite many business development projects and cost savings as well as layoffs. The results were decreased by the Pulp & Paper Machinery division's investments in growth and product development, cost overruns in a few projects, the weakened market situation, and the decreased turnover of the Process Machinery division as a result of tightened competition.

The adaptation of personnel involved in Canzler GmbH's structural reorganization did not adversely affect the results, as the contract stated that the seller would bear the costs up to the sum agreed for the reorganization. Release of the accrual against the costs generated constitutes the majority of the other profits for the Group's business activities. At the end of the period, the remaining accrual still corresponds to the costs to be generated.

Financing

The Group's cash flow was - 0.9 million euros (6.9 million euros). The cash flow decreased significantly from the previous fiscal period due to reduced profitability and increased working capital. The increase in working capital was affected most by a notable reduction in advance payments received. The Group's net financial expenses were 0.5 million euros, i.e., 0.8% of its turnover. This was a drop of 0.3% from the previous fiscal period. Investment cash flow for the period was -3.3 million euros (-3.7 million euros), which was slightly less than in the previous period. The shortage in financing was covered using cash funds and withdrawing new long- and short-term loans.

Total assets and liabilities on the consolidated balance sheet stood at 44.0 million euros, a decrease of 2.3 million euros from the previous fiscal period. The parent company's balance sheet totaled 10.8 million euros. The Group's equity ratio was 30.7% compared to 37.6% in the previous fiscal period. The equity ratio was decreased by the weakened profitability and the increase shown on the balance sheet as a result of the acquisition of Canzler GmbH.

Investments

The Group's gross investments in capital assets for the fiscal period were 3.2 million euros (4.0 million euros). The investments mainly dealt with increasing production capacity, boosting the efficiency of production, and performing replacement investments. The largest single investment was in AK-Tehdas Oy's plant extension, which will be implemented gradually during the current fiscal period. The investment will help the Group provide more extensive services in paper machine roll servicing and enhances competitiveness.

Research and development

The Group's research and development activities still concentrated for the most part on improving the competitiveness of the Pulp & Paper Machinery division's products. Development of the first shoe press, which was delivered in October 2001, has been continued. The shoe press is technically very successful and has surpassed the customer's expectations. Most of the patents pending have to do with product development work for paper and board machinery. Vaahto Oy has been one of the companies with the most patents pending in Finland. The Process Machinery division's research and development efforts focused on improving the production technology for more demanding products, such as various pressure vessels and agitators. The scope of the Group's research and development activities remained the same as in the previous fiscal period.

Information systems

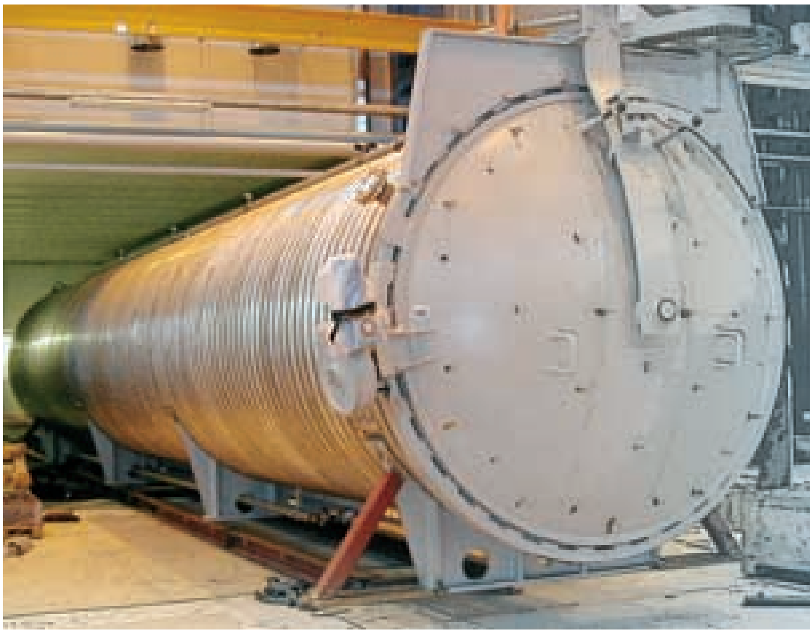
The Group's information and information management systems have been developed by the parent company in accordance with the centralized operation model. The development work concentrated on more effective utilization of the Group's ERP system in the larger companies in the Group. There were no significant changes to the system or investments during the fiscal period. Purchases mainly involved upgrading work-stations and servers and improving data security.

Personnel

Group personnel averaged 580 over the fiscal period. The number of personnel grew by 127, a fact mainly due to the business acquisition in Germany. The number of Canzler GmbH's personnel has already decreased as planned.

Shareholders' equity

The Board of Directors has no authorization to issue new shares, convertible bonds, or bonds with warrants, nor the authorization to obtain or surrender shares.



An autoclave for vulcanizing rolls.

Administration

The Annual General Meeting on 12 December, 2001, elected the following members to the Board of Vaahto Group Plc Oyj:

Seppo Jaatinen, chairman
Ilkka Vaahto, vice-chairman
Martti Unkuri, member
Antti Vaahto, member
Mikko Vaahto, member

Antti Vaahto served as CEO throughout the fiscal period.

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

Forecast of future development

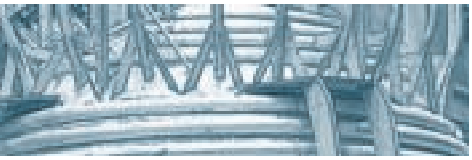
As the world economy has slowed down, the expected change for the better has not occurred, and there are many political incertainties. Vaahto Group exists in a challenging business environment. In this situation, it is very hard to forecast economic developments and the development of the Group's results in the near future. The predictability of the Group's development is also made more difficult by the seasonal variation typical of the Group's deliveries and the sometimes large fluctuations in turnover caused by the Group's system of income recognition. In spite of the difficult market situation and increased competition, it is possible for the Group to improve its profitability. This possibility is enhanced by many business development and rationalization procedures and cost savings.

Proposal for distribution of profits

Group funds available for distribution of profit total 3,595,265.93 euros. Parent company funds available for distribution of profit total 5,215,332.52 euros, of which 771.01 euros represents profit for the fiscal period.

The Board will propose to the Annual General Meeting that the operating profit be transferred to the earnings account and no dividends be paid.

Board of Directors

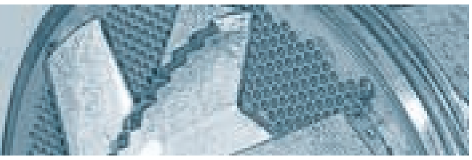


Income Statement

1 000 €	Group 1.9.2001-31.8.2002 12 months	Group 1.3.2000-31.8.2001 18 months	Parent 1.9.2001-31.8.2002 12 months	Parent 1.3.2000-31.8.2001 18 months	Note
TURNOVER	**65 846**	**80 503**	**1 458**	**1 842**	**1**
Change in products and work in progress	-3 539	7 724	0	0	
Production for own use	287	191	0	0	
Share of result in affiliate company	0	181	0	0	
Other operating income	3 485	425	0	16	2
Purchases	-19 916	-32 945	0	0	
Increase (-) or decrease (+) in inventories	-501	122	0	0	
External services	-10 912	-12 340	0	0	
Personnel expenses	-22 775	-27 399	-404	-464	4
Depreciation	-2 095	-2 663	-100	-136	5
Other operating expenses	-10 444	-11 703	-755	-785	
OPERATING PROFIT / LOSS	**-564**	**2 097**	**198**	**473**	**3**
Financial income and expenses	-530	-852	155	222	6
PROFIT BEFORE EXTRAORDINARY ITEMS	**-1 093**	**1 245**	**353**	**694**	
Extraordinary expenses	0	0	-350	0	7
PROFIT BEFORE INCOME TAXES	**-1 093**	**1 245**	**3**	**694**	
Increase (-) or decrease (+) in accelerated depreciations	0	0	0	9	
Income taxes	308	-383	-2	-207	8
MINORITY INTEREST	**9**	**-93**	**0**	**0**	
PROFIT FOR THE FISCAL YEAR	**-777**	**769**	**1**	**495**	

Balance Sheet

1 000 €	Group 31.08.2002	Group 31.08.2001	Parent 31.08.2002	Parent 31.08.2001	Note
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	2 763	2 771	126	35	
Group goodwill	175	203	0	0	
Tangible assets	14 787	14 280	175	223	
Investments	73	73	8 103	7 576	
NON-CURRENT ASSETS TOTAL	**17 798**	**17 328**	**8 404**	**7 834**	**10**
CURRENT ASSETS					
Inventories	11 442	14 613	0	0	
Long-term receivables	140	11	0	520	
Short-term receivables	9 459	7 344	370	812	
Deferred tax assets	211	153	0	0	15
Receivables total	9 810	7 508	370	1 332	
Other securities	1 138	2 455	699	0	
Cash and bank deposits	3 861	4 401	1 308	2 293	
CURRENT ASSETS TOTAL	**26 250**	**28 977**	**2 377**	**3 625**	**11**
TOTAL ASSETS	**44 048**	**46 304**	**10 781**	**11 459**	
LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital	2 872	2 872	2 872	2 872	
Revaluation reserve	6	6	0	0	
Reserve fund	229	229	0	0	
Share premium account	1 995	1 995	2 228	2 228	
Share from accumulated accelerated depreciation booked to equity	1 921	2 057	0	0	
Retained earnings	4 399	4 355	5 215	5 581	
Profit for the fiscal year	-777	769	1	495	
SHAREHOLDERS' EQUITY TOTAL	**10 645**	**12 283**	**10 316**	**11 177**	**12**
MINORITY INTEREST	**884**	**951**	**0**	**0**	
Accumulated accelerated depreciation	0	0	9	9	
APPROPRIATIONS TOTAL	**0**	**0**	**9**	**9**	**13**
OBLIGATORY PROVISIONS TOTAL	**2 766**	**142**	**0**	**0**	**14**
LIABILITIES					
Long-term liabilities	9 149	8 209	0	0	16
Short-term liabilities	20 082	23 967	456	274	17
Deferred tax liability	522	752	0	0	15
LIABILITIES TOTAL	**29 753**	**32 929**	**456**	**274**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**44 048**	**46 304**	**10 781**	**11 459**	



Flow of Funds Statements

1000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
FLOW OF FUNDS FROM OPERATIONS				
Profit before extraordinary items	-1 093	1 245	353	694
Adjustment items:				
Depreciations according to plan	2 095	2 663	100	136
Other income and expenses, no payment related	2 624	-90	0	0
Financial income and expenses	530	852	-155	-221
Other adjustments / Share of result in affiliate company	0	-181	0	0
Flow of funds before the change in working capital	**4 155**	**4 489**	**299**	**609**
Change in working capital:				
Change in short-term receivables	-1 501	-171	-62	-203
Change in inventories	3 172	-8 830	0	0
Change in short-term non-interest bearing creditors	-6 251	12 826	-167	-3
Flow of funds before financial items and taxes	**-424**	**8 315**	**69**	**403**
Interest and other financial expenses from operations paid	-661	-1 111	0	-1
Dividends received	0	0	88	0
Interests received	131	259	67	222
Income taxes paid	20	-605	-2	-56
FLOW OF FUNDS FROM OPERATIONS	**-934**	**6 857**	**222**	**568**
FLOW OF FUNDS FROM INVESTMENTS				
Investments in tangible and intangible assets	-3 197	-3 991	-143	-173
Other investments	0	0	-528	-518
Increase caused by the change in Group structure	-749	-1 275	0	0
Income from sales of tangible and intangible assets	1 381	661	0	0
Granted loans	-744	0	0	-505
Increase in minority interest	0	951	0	0
Withdrawals of loans receivable	0	0	1 024	0
FLOW OF FUNDS FROM INVESTMENTS	**-3 309**	**-3 655**	**354**	**-1 196**
FLOW OF FUNDS FROM FINANCIAL ITEMS				
Withdrawals of short-term loans	2 365	0	350	0
Payments of short-term loans	0	-1 568	0	-168
Withdrawals of long-term loans	940	0	0	0
Payments of long-term loans	0	-754	0	0
Dividends	-919	0	-862	0
Group transfers	0	0	-350	0
FLOW OF FUNDS FROM FINANCIAL ITEMS	**2 386**	**-2 322**	**-862**	**-168**
Change of liquid funds	**-1 857**	**881**	**-286**	**-796**
Liquid assets at the beginning of the fiscal year	6 855	5 975	2 293	3 089
Liquid assets at the end of the fiscal year	4 999	6 855	2 007	2 293
Change in liquid assets according to the balance sheet	-1 857	881	-286	-796

Notes on Financial Statements

AK-Tehdas Oy's plant extension in Tampere.

Group consolidation

The parent company Vaahto Group Plc Oyj, Vaahto Oy, Japrotek Oy Ab, AK-Tehdas Oy, Jipka Oy, AP-Tela Oy, Stelzer Rührtechnik International GmbH, Canzler GmbH, and Profitus Oy form the group for which the consolidated financial statements have been drawn up. Profitus Oy had no business activity during the fiscal period. The business of GEA Canzler GmbH was acquired during the fiscal period, and the company Canzler GmbH was established to continue its operations. Canzler GmbH's data are included in the consolidated financial statements starting from December 18, 2001, the date on which the company started operations. Canzler GmbH established a sales company in the US in July 2002, which has not had any significant activity during the fiscal period and has not been consolidated.

Accounting principles for consolidated financial statements

Reference data

The data from the reference period 2000–2001 come from a period of 18 months.

Internal shareholding

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

Internal transactions and profits

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

Valuation of fixed assets

Fixed assets are valued at their direct acquisition cost. The planned depreciation periods are presented below under "Depreciation". The depreciation recorded in Stelzer Rührtechnik International GmbH's official financial statements comes to 32 thousand euros (previous fiscal period: 252 thousand euros) more than the depreciation entered in the consolidated financial statements in line with the consolidated accounting policy.

Revaluations

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

Appropriations

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

Inventory valuation

The values of inventories have been determined using the first-in, first-out method or entered at acquisition cost or at the expected sale value, if lower. In-house production included in the inventory is valued according to the direct acquisition cost.

Entering ongoing project results in the accounts

Long-term projects have been entered on the income statement as before, only on completion of the project.

Assets and liabilities in foreign currencies

In accordance with the principles of currency risk management, currency forward agreements are as a rule used to hedge against significant exchange rate risks. The currency forward agreements have been used to protect receivables and future assets. Assets and debts denominated in foreign currencies have been converted to euros at the European Central Bank's exchange rate on the day of the closing of the accounts.

Expenditure on research and development

During the fiscal period, research and development expenditure has not been capitalized. The item "Other tangible assets" includes testing equipment at a value of 27 thousand euros from development work in earlier fiscal periods. Other research and development expenditures have been entered under costs.

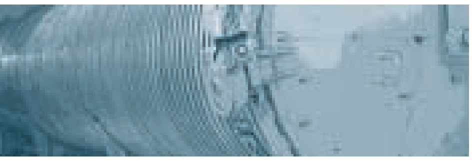
Pension liabilities

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

Taxes

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

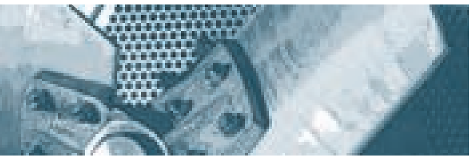
In addition to this, the consolidated financial statements also take account of the imputed tax claim and deferred taxes arising from appropriations, periodization differences, temporary differences, and Group consolidation measures. More detailed information is presented in item 13 of the Notes.



Appendix to Income Statement

1 000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
1. TURNOVER BY BUSINESSES AND MARKET AREAS				
By businesses				
Manufacturing	65 846	80 503	0	0
Administration	0	0	1 458	1 842
Total	**65 846**	**80 503**	**1 458**	**1 842**
By market areas				
Domestic	31 721	43 280	1 458	1 842
Other Europe	27 497	26 771	0	0
North-America	1 511	1 796	0	0
Other	5 117	8 656	0	0
Total	**65 846**	**80 503**	**1 458**	**1 842**
2. OTHER OPERATING INCOME				
Profit from sales of fixed assets	34	57	0	16
Decrease of the obligatory provision of Canzler GmbH	3 008	0	0	0
Tekes subvention	0	206	0	0
Other	443	162	0	0
Total	**3 485**	**425**	**0**	**16**
3. OPERATING PROFIT BY BUSINESSES				
Manufacturing	-564	2 097	0	0
Administration	0	0	198	473
Total	**-564**	**2 097**	**198**	**473**
4. PERSONNEL				
Average number of personnel				
Office staff	204	165	9	8
Workers	376	288	0	0
Total	**580**	**453**	**9**	**8**
Personnel expenses				
Wages and salaries	19 476	22 865	304	340
Pension costs	1 982	2 905	53	58
Other personnel expenses	1 317	1 629	47	66
Total	**22 775**	**27 399**	**404**	**464**
Management's salaries and benefits				
Managing directors	408	589		
Board members and substitute members	54	51		
Total	**462**	**639**	**65**	**62**

1 000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
5. DEPRECIATIONS AND DECREASED VALUES				
Fixed assets have been depreciated according to plan. Depreciation according to plan is calculated based on straight line depreciation, the economic life and the original purchase value of assets.				
The estimated economic lives (years)				
Other long-term assets	5-10	5-10	5-10	5-10
Buildings	35-40	35-40	35-40	35-40
Machinery and equipment	5-25	5-25	5-25	5-25
Group goodwill	10	10		
Goodwill	15	15		
Depreciations				
Depreciations from tangible and intangible assets	2 095	2 663	100	136
Total	**2 095**	**2 663**	**100**	**136**
6. FINANCIAL INCOME AND EXPENSES				
Income from other investments held as non-current assets				
From Group companies	0	0	88	0
Total	**0**	**0**	**88**	**0**
Interest income from long-term investments				
From Group companies	0	0	15	39
Other	0	3	2	3
Total	**0**	**3**	**17**	**42**
Other interest and financial income				
From Group companies	0	0	2	4
Other	131	256	47	176
Total	**131**	**256**	**50**	**180**
Interest and other financial expenses				
To Group companies	0	0	0	1
Other	661	1 111	0	0
Total	**661**	**1 111**	**0**	**1**
Financial income and expenses total	**-530**	**-852**	**155**	**221**
Currency gains included in financial income and expenses	**8**	**-49**	**0**	**0**
7. EXTRAORDINARY ITEMS				
Exraordinary expenses/Group transfers	0	0	350	0
Total	**0**	**0**	**350**	**0**
8. INCOME TAXES				
Income taxes from extraordinary items	0	0	-102	0
Income taxes from operations	-20	605	103	207
Change in deferred tax liabilities	-288	-222	0	0
Total	**-308**	**383**	**2**	**207**



Appendix to Income Statement

9. SHAREHOLDINGS

Group companies

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

All Group companies (except Canzler LLC) have been consolidated to financial statements.

APPENDIX TO BALANCE SHEET 1 000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
10. NON-CURRENT ASSETS				
Intangible assets *)				
Intangible rights				
Acquisition cost at the beginning of the fiscal year	524	357		
Increase	4	167		
Increase caused by the change in Group structure	9	0		
Accumulated depreciations at the beginning of the fiscal year	236	139		
Depreciation of the fiscal year	95	143		
Book value at the end of the fiscal year	**206**	**242**		
Goodwill				
Acquisition cost at the beginning of the fiscal year	2 668	2 668		
Accumulated depreciations at the beginning of the fiscal year	551	285		
Depreciation of the fiscal year	178	267		
Book value at the end of the fiscal year	**1 939**	**2 116**		
Other long term assets				
Acquisition cost at the beginning of the fiscal year	821	667	134	118
Increase	187	255	136	15
Increase caused by the change in Group structure	172	22	0	0
Accumulated depreciations at the beginning of the fiscal year	432	269	98	59
Depreciation of the fiscal year	129	261	45	40
Book value at the end of the fiscal year	**619**	**413**	**126**	**35**
Intangible assets total	**2 763**	**2 771**	**126**	**35**
Group goodwill				
Acquisition cost at the beginning of the fiscal year	277	138		
Increase	3	140		
Accumulated depreciations at the beginning of the fiscal year	74	46		
Depreciation of the fiscal year	31	28		
Book value at the end of the fiscal year	**175**	**203**		

1 000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
Tangible assets *)				
Land				
Acquisition cost at the beginning of the fiscal year	713	714		
Increase	12	290		
Increase caused by the change in Group structure	0	107		
Decrease	0	-50		
Decrease caused by the change in Group structure	0	-347		
Revaluations	30	30		
Book value at the end of the fiscal year	**755**	**744**		
Buildings				
Acquisition cost at the beginning of the fiscal year	7 747	7 079		
Increase	19	40		
Increase caused by the change in Group structure	0	629		
Accumulated depreciations at the beginning of the fiscal year	1 926	1 631		
Depreciation of the fiscal year	241	295		
Revaluations	335	335		
Book value at the end of the fiscal year	**5 935**	**6 156**		
Machinery and equipments				
Acquisition cost at the beginning of the fiscal year	11 791	9 316	510	393
Increase	688	1 731	7	158
Increase caused by the change in Group structure	527	1 055	0	0
Decrease	-71	-96	0	0
Transfers between items	0	2	0	2
Accumulated depreciations at the beginning of the fiscal year	6 274	4 995	287	233
Depreciations of transfers' and decrease items	0	-25	0	0
Depreciation of the fiscal year	1 253	1 521	55	96
Book value at the end of the fiscal year	**5 408**	**5 517**	**175**	**223**
Other tangible assets				
Acquisition cost at the beginning of the fiscal year	1 002	938		
Increase	68	77		
Increase caused by the change in Group structure	42	22		
Decrease	-2	-39		
Transfers between items	0	4		
Accumulated depreciations at the beginning of the fiscal year	469	263		
Depreciations of transfers' and decrease items	0	-10		
Depreciation of the fiscal year	169	194		
Book value at the end of the fiscal year	**471**	**555**		
Advance payments and unfinished investments				
Acquisition cost at the beginning of the fiscal year	1 308	104	0	2
Increase	2 218	1 291	0	0
Decrease	-1 308	-81	0	0
Transfers between items	0	-6	0	-2
Book value at the end of the fiscal year	**2 218**	**1 308**	**0**	**0**
Tangible assets total	**14 787**	**14 280**	**175**	**223**
*) The classification of the fixed assets in the balance sheet has been changed in the fiscal period and the figures of the period of comparison has been changed accordingly.				
Revaluations				
Land				
Value at the beginning of the fiscal year	30	30		
Value at the end of the fiscal year	**30**	**30**		

Appendix to Income Statement

1 000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
Buildings				
Value at the beginning of the fiscal year	335	335		
Value at the end of the fiscal year	335	335		
Investments				
Shares in Group companies				
Acquisition cost at the beginning of the fiscal year			7 553	7 010
Increase			528	518
Transfers between items			0	25
Book value at the end of the fiscal year			**8 081**	**7 553**
Shares in affiliate companies				
Acquisition cost at the beginning of the fiscal year	0	25	0	25
Transfers into the item Shares in Group companies	0	-25	0	-25
Book value at the end of the fiscal year	**0**	**0**	**0**	**0**
Other shares				
Acquisition cost at the beginning of the fiscal year	73	73	23	23
Book value at the end of the fiscal year	**73**	**73**	**23**	**23**
Investments total	**73**	**73**	**8 103**	**7 576**
11. CURRENT ASSETS				
External short-term receivables				
Trade receivables	6 266	5 956	0	0
Loan receivables	615	0	0	0
Other receivables	1 248	627	1	1
Prepaid expenses and accrued income	1 331	760	195	40
Total	**9 459**	**7 344**	**195**	**41**
Prepaid expenses and accrued income consist of:				
Prepaid social security costs	393	253	12	2
Prepaid taxes	228	0	160	0
Income from delivered contracts	173	170	0	0
Prepaid lease commitments	118	0	0	0
Prepaid insurance premiums	45	61	15	20
Interest receivables	28	34	6	14
Subvention receivables	0	182	0	0
Other items	345	60	1	5
Prepaid expenses and accrued income total	**1 331**	**760**	**195**	**40**
Short-term receivables from Group companies				
Trade receivables			175	263
Loan receivables			0	505
Prepaid expenses and accrued income			0	4
Total			**175**	**771**
Short-term receivables total	**9 459**	**7 344**	**370**	**812**

1 000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
External long-term receivables				
Loan receivables	140	11	0	0
Other receivables	0	0	0	8
Total	**140**	**11**	**0**	**8**
Long-term receivables from Group companies				
Loan receivables			0	511
Total			**0**	**511**
Long-term receivables total	**140**	**11**	**0**	**520**
Receivables total	**9 599**	**7 355**	**370**	**1 332**
12. SHAREHOLDERS' EQUITY				
Share capital at the beginning of the fiscal year	2 872	2 415	2 872	2 415
Capitalization issue	0	457	0	457
Share capital at the end of the fiscal year	**2 872**	**2 872**	**2 872**	**2 872**
Reserve fund at the beginning of the fiscal year	1 995	2 457	2 228	2 685
Capitalization issue	0	-457	0	-457
Change in Group structure	0	-5	0	0
Reserve fund at the end of the fiscal year	**1 995**	**1 995**	**2 228**	**2 228**
Share premium account at the beginning of the fiscal year	6	0		
Change in Group structure	0	6		
Share premium account at the end of the fiscal year	**6**	**6**		
Revaluation fund at the beginning of the fiscal year	229	229		
Revaluation fund at the end of the fiscal year	**229**	**229**		
Retained earnings at the beginning of the fiscal year	7 182	6 255	6 076	5 581
Change in Group structure	0	-1	0	0
Decrease of deferred tax liability from the depreciations not deducted in the taxation in the previous years	0	158	0	0
Dividends	-862	0	-862	0
Retained earnings in the end of the fiscal year	**6 320**	**6 413**	**5 215**	**5 581**
Profit for the fiscal year	**-777**	**769**	**1**	**495**
Shareholders' equity	**10 645**	**12 283**	**10 316**	**11 177**
Calculation on distributable assets				
Retained earnings	6 320	6 413	5 215	5 581
Profit for the fiscal year	-777	769	1	495
Capitalized R&D expenses, not meant in Accounting Act 5:8	-27	-65	0	0
Share from accumulated accelerated depreciation and voluntary provisions booked to equity	-1 921	-2 057	0	0
Distributable assets total	**3 595**	**5 059**	**5 215**	**6 076**
The distribution of shareholders' equity by series	**no.**	**€**	**no.**	**€**
A-share (1 vote/share)	1 452 751	1 452 751	1 452 751	1 452 751
K-shares (20 votes/share)	1 419 551	1 419 551	1 419 551	1 419 551
Total	**2 872 302**	**2 872 302**	**2 872 302**	**2 872 302**

Appendix to Income Statement

1 000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
13. APPROPRIATIONS				
Accumulated accelerated depreciation			9	9
Total			**9**	**9**
14. OBLIGATORY PROVISIONS				
Provision for restructuring (Canzler GmbH)	2 489	0		
Warranty provisions (Stelzer Rührtechnik International GmbH)	277	142		
Total	**2 766**	**142**		
15. DEFERRED TAX LIABILITIES AND ASSETS				
Deferred tax assets				
Consolidation differences	24	153		
Allocation differences	187	0		
Total	**211**	**153**		
Deferred tax liabilities				
Appropriations	423	655		
Provisional differences	97	97		
Consolidation differences	2	0		
Total	**522**	**752**		
16. LONG-TERM LIABILITIES				
External long-term loans				
Loans from financial institutions	7 625	6 405		
Pension loans	1 524	1 804		
Long-term liabilities total	**9 149**	**8 209**		
17. SHORT-TERM LIABILITIES TOTAL				
External short-term liabilities				
Loans from financial institutions	4 515	2 150	0	0
Pension loans	280	280	0	0
Advance payments received	6 444	11 118	0	0
Accounts payable	4 364	4 641	26	23
Other liabilities	999	858	51	71
Accrued liabilities and deferred income	3 480	4 920	30	179
Total	**20 082**	**23 967**	**106**	**274**
Accrued liabilities and deferred income consist of:				
Deferred social security costs	2 348	2 076	30	25
Expenses from delivered contracts	337	546	0	0
Interest expenses	44	46	0	0
Income taxes	38	413	0	152
Deferred insurance costs	25	33	0	0
Purchases not invoiced	0	637	0	0
Other items	688	1 171	0	3
Accrued liabilities and deferred income total	**3 479**	**4 920**	**30**	**179**
Short-term liabilities to Group companies				
Other liabilities			350	0
Total			**350**	**0**
Short-term liabilities total	**20 082**	**23 967**	**456**	**274**

OTHER INFORMATION 1 000 €	Group 2001/2002 12 months	Group 2000/2001 18 months	Parent 2001/2002 12 months	Parent 2000/2001 18 months
18. CONTINGENT LIABILITIES				
Debts that have been granted mortgages as security				
Pension loans	1 228	1 306		
Granted mortgages	1 207	1 177		
Loans from financial institutions	8 516	7 445		
Granted mortgages	11 111	6 775		
Granted mortgages total	**12 319**	**7 952**		
Other securities				
Other mortgages	4 614	4 357		
Pledged deposits	773	511		
Total	**5 387**	**4 868**		
For the contracts delivered by August 31, 2002 the Group companies have warranty liabilities.				
Granted securities by Group companies				
Pledged deposits	773	511	773	511
Total	**773**	**511**	**773**	**511**
19. LEASE COMMITMENTS				
Lease commitments to be paid				
To be paid during fiscal year 2002-2003	445	143	12	18
Later	1 750	205	6	18
Total	**2 196**	**348**	**18**	**36**
20. DERIVATIVE CONTRACTS				
Currency forward agreements				
Nominal value	1 868	595		
Market value	16	-5		
Nominal values state for the use of the currency forward agreements and they don't measure the risks. Market value of the currency exchange agreements states for the income or expenses the group would book if the agreements were closed at the end of the fiscal period.				
Interest rate cap agreements				
Nominal value	3 000	0		
Market value	18	0		
The interest rate cap agreement has been made to protect the financial institute loan from the interest rate risk. The agreement will end in 2007 and the strike price of the agreement is 4.75%. Market value is the cost of the agreement for the Group.				
21. ORDER BACKLOG				
Order backlog at the end of the fiscal year	22 262	30 042		
22. ACCOUNTING MATERIAL AND VOUCHERS				
List of accounting books, list of the sorts of vouchers and information of retaining the vouchers are included in the balance sheet book.				

Shares and Share Ownership

Vaahto Group Plc Oyj's paid-up share capital entered in the Trade Register on August 31, 2002, was 2,872,302 euros, representing a total of 2,872,302 shares. According to the company's Articles of Association, the company's minimum share capital is 2,800,000 euros and the maximum share capital 11,200,000 euros, within which limits the company's share capital can be raised or lowered without amending the Articles of Association. The company has two share series, A and K, the nominal value of each being one (1) euro. Each Series K share confers twenty (20) votes, and each Series A share one (1) vote at shareholders' meetings.

Quotation of shares

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

Share price and trading

During the fiscal period, 84,330 (5.8%) of Vaahto Group Plc Oyj's Series A shares and 37,100 (2.6%) Series K trades were traded. The lowest price of a Series A share was 3.01 euros, the highest 4.45 euros, the mean price 3.29 euros, and the last trading price in the fiscal period 3.40 euros. The lowest price for a Series K share was 3.00 euros, the highest 4.80 euros, the mean price 3.77 euros, and the last trading price in the fiscal period 3.40 euros. The total market capitalization on August 31, 2002, was 9.8 million euros.

Share issue authorizations

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

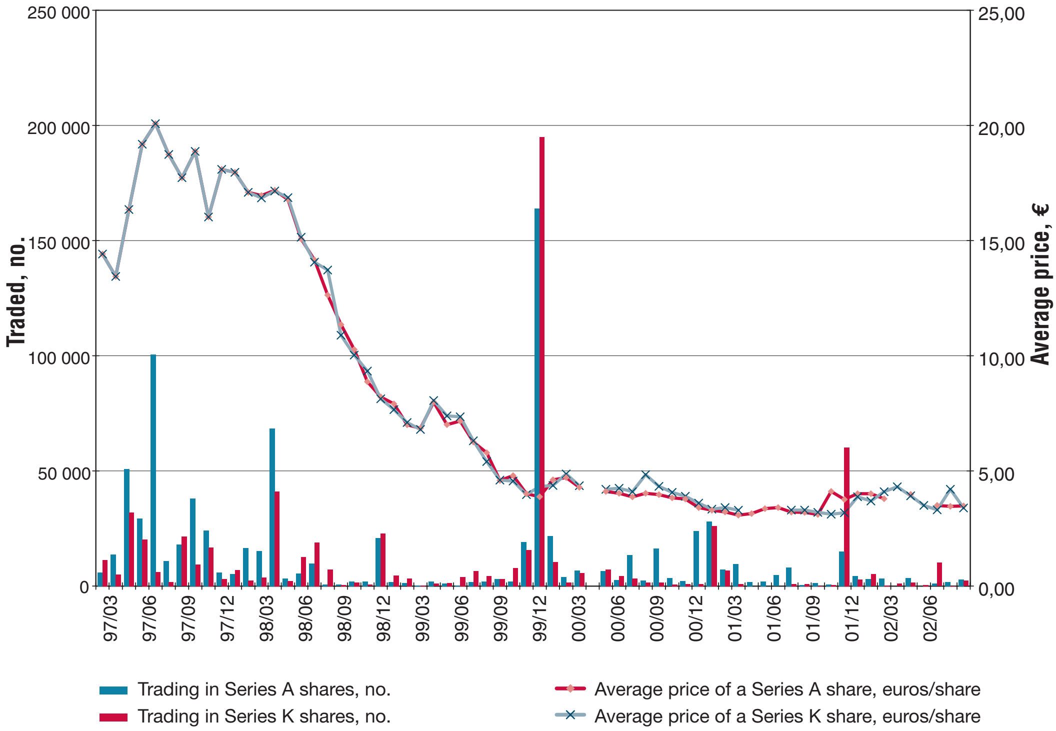
Dividends

The Board will propose to the Annual General Meeting on December 12, 2002, that no dividends be paid and the operating profit from the fiscal period be transferred to the earnings account.

Shareholders' and Board members' share ownership

At the end of the fiscal period on August 31, 2002, Vaahto Group Plc Oyj had 377 registered shareholders. There were in total 15,400 nominee-registered shares, representing 0.62% of the votes. On August 31, 2002, members of the Board of Directors and the CEO owned a total of 752,633 Series A shares and 752,800 Series K shares, representing 53.0% of the votes.

Share prices and number of shares traded



Major shareholders on August 31, 2002

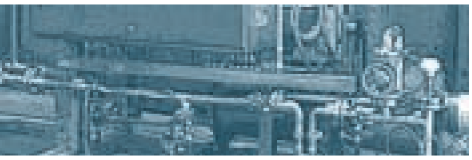
	A-shares no.	A-shares %	K-shares no.	K-shares %	Total no.	Total %	Votes %
Vaahto Antti	255 033	17.6	255 200	18.0	510 233	17.8	18.0
Vaahto Mikko	250 600	17.3	250 600	17.7	501 200	17.4	17.6
Vaahto Ilkka	247 000	17.0	247 000	17.4	494 000	17.2	17.4
Vaahto Heikki	0	0.0	384 700	27.1	384 700	13.4	25.8
Mutual Pension Insurance Company Ilmarinen	105 100	7.2	0	0.0	105 100	3.7	0.4
Mutual Insurance Company Pension-Fennia	49 220	3.4	53 520	3.8	102 740	3.6	3.8
Mutual Insurance Company Fennia	35 000	2.4	35 000	2.5	70 000	2.4	2.5
Sampo Life Insurance Company	66 200	4.6	0	0.0	66 200	2.3	0.2
The Local Governments Pension Institutions	61 500	4.2	0	0.0	61 500	2.1	0.2
If Casualty Insurance Company	38 300	2.6	3 300	0.2	41 600	1.4	0.3
Total for 10 largest	1 107 953	77.7	1 229 320	85.9	2 337 273	81.6	86.1

Breakdown of share ownership by amount of holdings on August 31, 2002

	Shareholders no.	Shareholders %	Shares no.	Shares %	Votes no.	Votes %
1 - 100	108	28.7	6 649	0.2	52 705	0.2
101 - 1 000	180	47.8	82 770	2.9	600 292	2.0
1 001 - 10 000	67	17.8	222 755	7.8	2 025 380	6.8
10 001 - 100 000	16	4.2	458 567	16.0	2 400 367	8.0
100 001 - 1 000 000	6	1.6	2 097 973	73.0	24 727 353	82.9
	377	100.0	2 868 714	99.9	29 806 097	99.9
Outside the book-entry securities system			3 588	0.1	37 674	0.1
			2 872 302	100.0	29 843 771	100.0

Breakdown of share ownership by category of owner on August 31, 2002

	Shareholders no.	Shareholders %	Shares no.	Shares %	Votes no.	Votes %
Companies	49	13.0	207 854	7.2	1 648 263	5.5
Financial and insurance institutions	6	1.6	286 645	10.0	1 045 600	3.5
Public corporations	2	0.5	164 240	5.7	1 181 120	4.0
Non-profit organizations	3	0.8	5 200	0.2	52 700	0.2
Nominee-registered	1	0.3	15 400	0.5	186 400	0.6
Households	316	83.8	2 189 375	76.2	25 692 014	86.1
	377	100.0	2 868 714	99.9	29 806 097	99.9
Outside the book-entry securities system			3 588	0.1	37 674	0.1
			2 872 302	100.0	29 843 771	100.0



Key Figures

Key figures

1000 €	2001/2002 12 months	2000/2001 18 months	1999/2000 12 months	1998/1999 12 months	1997/1998 12 months
Turnover	65 846	80 503	44 579	42 571	34 523
Change, %	-18.2 %	80.6 %	4.7 %	23.3 %	-24.1 %
Operating profit/loss	-564	2 097	1 096	-223	2 235
% of turnover	-0.9 %	2.6 %	2.5 %	-0.5 %	6.5 %
Profit/loss before extraordinary items	-1 093	1 245	487	-763	1 986
% of turnover	-1.7 %	1.5 %	1.1 %	-1.8 %	5.8 %
Profit/loss before taxes	-1 093	1 245	487	-763	1 966
% of turnover	-1.7 %	1.5 %	1.1 %	-1.8 %	5.7 %
Profit/loss before extraordinary items ./. taxes	-785	862	322	-595	1 459
% of turnover	-1.2 %	1.1 %	0.7 %	-1.4 %	4.2 %
Return on equity (ROE), %	-6.3 %	7.0 %	2.9 %	-4.9 %	11.1 %
Return on investment (ROI), %	-1.7 %	9.7 %	5.1 %	-0.2 %	11.6 %
Equity ratio, %	30.7 %	37.6 %	35.3 %	33.1 %	45.5 %
Current ratio	1.3	1.2	1.5	1.5	2.1
Gross investments in fixed assets	3 197	3 991	641	8 270	700
% of turnover	4.9 %	5.0 %	1.4 %	19.4 %	2.0 %
Order backlog	22 262	30 042	13 918	16 219	16 944
Consolidated balance sheet total	44 048	46 304	34 159	37 270	33 217
Total number of personnel (average)	580	453	407	405	341

Per share items

	2001/2002	2000/2001	1999/2000	1998/1999	1997/1998
Earning/share (EPS), euros	-0.27	0.18	0.11	-0.21	0.51
Shareholders' equity/share, euros	3.71	4.28	3.95	3.85	4.54
Dividend/share, euros 1)	0.00	0.30	0.00	0,00	0.50
Dividend payout, %	0.0 %	168.1 %	0.0 %	0.0 %	99.3 %
Effective dividend return, %	0.0 %	9.3 %	0.0 %	0.0 %	3.0 %
Price/earnings ratio (P/E)	-12.6	18.2	42.4	-33.0	33.3
No. of shares outstanding at the end of the period (1000)	2 872	2 872	2 872	2 872	2 872
No. of shares outstanding, average (1000)	2 872	2 872	2 872	2 872	2 872

1) Proposal by the Board

The length of the reference period 2000/2001 was 18 months, for which reason the figures per share for that period have been scaled down to correspond to a 12 month-period.

Share prices

€	2001/2002 12 months	2000/2001 18 months	1999/2000 12 months	1998/1999 12 months	1997/1998 12 months
A shares					
- high	4.45	4.70	8.70	18.16	21.02
- low	3.01	2.97	3.10	7.00	12.28
- average	3.29	3.56	4.08	14.90	18.16
- share price at the end of the fiscal year 2)	3.40	3.20	4.50	7.00	16.90
K shares					
- high	4.80	5.30	9.00	18.16	21.02
- low	3.00	3.30	3.50	6.75	11.44
- average	3.77	3.73	4.47	13.69	16.51
- share price at the end of the fiscal year 2)	3.40	3.30	4.81	6.75	17.15
Total market value, millions of euros					
A shares	4.9	4.6	6.5	10.2	24.6
K shares	4.8	4.7	6.8	9.6	24.3
Total	9.8	9.3	13.4	19.7	48.9
Number of shares traded during the fiscal year					
A shares	84 330	139 105	220 700	131 296	318 751
K shares	37 100	61 145	251 010	119 074	136 370
Shares traded, %					
A shares	5.8 %	9.6 %	15.2 %	9.0 %	22.0 %
K shares	2.6 %	4.3 %	17.7 %	8.4 %	9.6 %
Number of shareholders	377	376	415	373	378

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

Administration

Vaahto Group's administration is based on the General Corporation Law and the Articles of Association of the Group's parent company, Vaahto Group Plc Oyj. The administrative authority has been divided among the shareholders attending the Annual General Meeting, the Board of Directors, and the CEO.

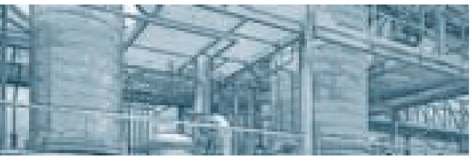
The company's highest decision-making body is the Annual General Meeting. The Meeting decides on the issues under its jurisdiction as determined by the General Corporation Law.

The parent company's Board of Directors is responsible for the Group's administration and appropriate operations and decides on issues that are highly significant concerning the scope of the Group's operations.

According to the Articles of Association, the Board of Directors includes a minimum of three and a maximum of six members, whose term of office ends at the end of the first full Annual General Meeting following the election. The chairman of the Board is selected by the Board from among its members. The Board also appoints the parent group's CEO.

The Group's business has been divided into division, whose operations and results are the responsibility of the Group subsidiaries belonging to them. The subsidiaries' managing directors report to the parent company's CEO.

The statutory audit is performed by one or two qualified auditors, whose term ends at the end of the first full Annual General Meeting after the election.



Formulas for the Key Figures and Financial Ratios

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

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

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

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

Formulas for per share items

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

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

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

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

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

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

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

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

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

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

Board of Directors' Proposal

Group funds available for distribution of profit total 3,595,265.93 euros. Parent company funds available for distribution of profit total 5,215,332.52 euros, of which 771.01 euros represents profit for the fiscal period.

The Board will propose to the Annual General Meeting that the operating profit be transferred to the earnings account and no dividends be paid.

Lahti, November 6, 2002

Seppo Jaatinen
Chairman of the Board

Martti Unkuri

Ilkka Vaahto

Mikko Vaahto

Antti Vaahto
CEO

Auditors' Report

To the shareholders of Vaahto Group Plc Oyj

We have audited the accounting, the financial statements and the corporate governance of Vaahto Group Plc Oyj for the period September 1, 2001 – August 31, 2002. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors and the consolidated and parent company income statements, balance sheets and notes to the financial statements. Based on our audit we express our opinion on the financial statements and on corporate governance.

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

In our opinion, the financial statements, which for the parent company indicate a profit of EUR 771.01, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's operating result and financial position. The financial statements, including the consolidated financial statements, can be adopted and the members of the Board of Directors and the 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.

Lahti, November 14, 2002

Risto Järvinen
CPA

Ernst & Young Oy
CPA Corporation
Pauli Hirviniemi
CPA

Administration

Board of Directors

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

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

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

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

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

Chief Executive Officer

Antti Vaahto
M. Sc. (Econ.), M. Sc. (Eng.), MBA
Managing Director 1984 –

Chief Financial Officer

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

Subsidiaries

AK-Tehdas Oy
Managing Director
Antti Kontiainen
M. Sc. (Eng.)

AP-Tela Oy
Managing Director
Pekka Viitasalo
Technician

Canzler GmbH
Managing Director
Joachim Schulze
Ph.D. (Chemistry)

Japrotek Oy Ab
Managing Director
Antti Vaahto
M. Sc. (Econ.), M. Sc. (Eng.), MBA

Jipka Oy
Managing Director
Seppo Kettunen
Engineer

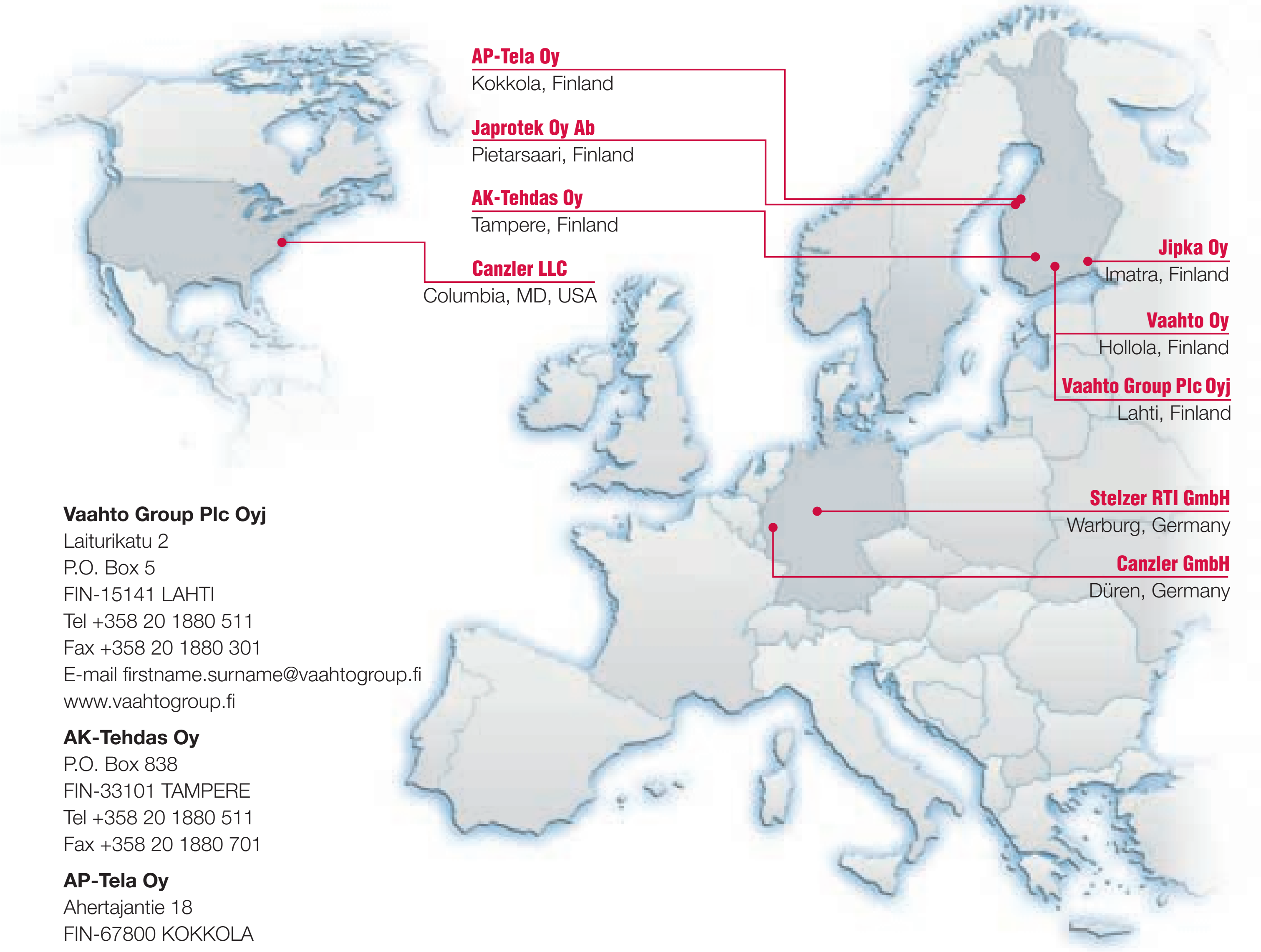
Stelzer Rührtechnik International GmbH
Managing Director
Ingo Engelmann
Ph.D. (Chemistry)

Vaahto Oy
Managing Director
Olavi Rahkonen
M. Sc. (Eng.)

Auditors

Risto Järvinen CPA
Ernst & Young Oy
Chief auditor
Pauli Hirviniemi CPA

Contacts



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The Finnish companys' telephone and fax numbers are valid after the 7th of January 2003.

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