Annual Report
2003 – 2004




VAAHTO GROUP
1874

Annual Report 2003-2004

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FISCAL PERIOD IN BRIEF

- **The turnover was 61.7 million euros (71.3 million euros). The turnover from continued operations increased by 1.8%.**
- **The result was a significant improvement. The operating profit, 2.8 million euros (-1.3 million euros) was the third highest in the Group's history.**
- **The profit per share was 0.61 (-0.57) euros. The Board proposes that a dividend of 0.12 euros per share be paid.**
- **The equity ratio increased considerably, to 33.2% (25.0%).**
- **Investments in new technology paid off. New products achieved success in the market. Both divisions strengthened their market position.**

Key Figures M€	**2003/2004 12 months**	**2002/2003 12 months**	**Change %**
Turnover	61.7	71.3	-13
Operating profit	2.8	-1.3	322
Return on investment %	10.8	-4.2	357
Equity ratio %	33.2	25.0	32
Investments	1.2	2.9	-58
Total number of personnel (average)	464	570	-18

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Vaahto Group Plc Oyj will be held on December 14, 2004, 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 3, 2004, 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 9, 2004, 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 20 1880 355. Proxies should be enclosed when registering.

Dividends

The Board will propose to the Annual General Meeting a dividend payment of 0.12 euros per share for the fiscal period September 1, 2003 - August 31, 2004. If the meeting approves the Board's proposal, the dividend will be payable to those shareholders entered in the register of the company's shareholders maintained by Finnish Central Securities Depository Ltd on the record date of December 17, 2004. The Board proposes that the dividend be paid on December 27, 2004.

Financial information

During the fiscal period 2004–2005, Vaahto Group Plc Oyj will publish an interim report for the period September 1, 2004 – February 28, 2005. The interim report will be published on April 14, 2005, 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 20 1880 511, fax +358 20 1880 301, 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.

Vaahto Group

Vaahto Group

Vaahto Group, established in 1874, is a supplier of high-quality implementations of technology and consulting services, serving the process industry globally in the fields of paper-making technology and process machinery.

The Group boosts its customers' competitiveness and increases the efficiency of their production by developing their core processes through the provision of innovative, value-generating systems solutions; machinery; and services. Over the past few years, investments in product development have expanded the selection of products offered by the Group and resulted in several new product innovations and patents.

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

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

Vaahto Group Plc Oyj's shares have been quoted on the I List of the Helsinki Exchanges since 1988.

Pulp & Paper Machinery

In paper technology, the Group's core competences are paper and board machine rebuilds, provision of roll covers and roll servicing, and other maintenance and servicing, as well as spare parts services for paper machines.

Process Machinery

In the area of process machinery, the Group's core competence lies in the provision of high-quality agitator technology, pressure vessels for demanding applications, and spiral heat exchangers.

VAAHTO GROUP

PULP & PAPER MACHINERY

VAAHTO OY

AK-TEHDAS OY

AP-TELA OY

PROCESS MACHINERY

JAPROTEK OY AB

STELZER RÜHRTECHNIK INTERNATIONAL GMBH

GROUP ADMINISTRATION

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, respected supplier of high-quality implementations of technology and consulting services in the areas of paper-making technology and process machinery.

Strategy

Vaahto Group's strategic goal is to generate added value for its customers by developing high-quality, comprehensive technology solutions and process services that improve the customers' core processes, product quality, and competitiveness.

CEO's Review

During the period under review the Group's operating environment remained relatively challenging. Global economic growth has remained uncertain and highly uneven. Situation in Iraq and increasing oil prices have contributed significantly to uncertainty in economic development.

In Finland, industrial production grew slowly in the beginning of the period and investment activity partially declined. The largest European economies suffered due to increased unemployment, and steps taken to control the overheating of the Chinese economy also restrained investment growth. In the US the rapid economic growth has been supported by domestic consumer demand, which has also contributed to the growing current account deficit and weakening dollar.

Vaahto Group's turnover during the fiscal year under review was 61.7 million euros (71.3). When the discontinued German operations are taken into account, the comparable turnover from the continued operations increased by 1.8%. Since 1984 the Group's average annual turnover growth rate has exceeded 13%.

The Group's profitability improved from the previous fiscal year and the operating profit reached 2.8 million euros. Operating results were hampered by difficulties during the early parts of the fiscal year but the operating profit was nevertheless quite satisfactory, being the third highest in the Group's history.

During the past few years the financing of the Group's growth has tied up significant amounts of operating cash flow and capital. With the improved results we reached the first targets in our program to improve the Group's equity ratio, as ratio was above 33 %.

The progress of the Pulp & Paper Machinery division's operations has been especially satisfying as was the continued global success last year of the long developed new products. These achievements and results give us confidence for future business developments.

In the Process Machinery division spiral heat exchanger sales exceeded our objectives. Overall the spiral heat exchanger business has developed very well. The operating efficiency and profitability of the Division still must be significantly improved.

The Pulp & Paper Machinery division has progressed according to our objectives. The market position, which has been achieved in Asia and China, is highly satisfactory. The scope and number of deliveries is increasing considerably. Service business and roll services have continued to developed as before. However, the last machine investments in the expansion of AK-Tehdas Oy's will come on stream during the current fiscal year.

In basic industries growth has been the strongest in Asia and particularly China. In the pulp and paper industry operating rates have improved with growing demand. In Asia paper and board making capacity continues to grow rapidly but the US paper industry investments remain at a very low level. The investment cycle in the paper industry is clearly better in Europe than in North America.

The current situation in the paper industry has favored machine modernization projects, investments in medium-sized machines, and service operations – all areas in which the Group companies specialize. The Group's operating model is also well suited for the demand structure in the Chinese market for new paper machines. The European trend favouring modernization projects is also beneficial for the Group.

The Pulp & Paper Machinery division has a good strategic competitive position. Its position is further strengthened by its advanced technology, successful delivery projects, know-how, and flexible and adjustable structure.

The Process Machinery division's sales were impacted by postponed orders during the early parts of the fiscal year, and the division's result for the whole fiscal year was negative. The division's operations were centralized during the fiscal period, and personnel was reduced to improve competitiveness.

In spiral heat exchanger and agitator businesses, the division is strategically among the world's leading suppliers. The spiral heat exchanger business and production, which was transferred from Germany to Finland last year, has got off to a very good start during the period under review.

In the future, the Process Machinery division will concentrate in improving its competitiveness on the current product range. The division's key products are reactors for demanding applications, spiral heat exchangers in the heat transfer technology, and mixing technology. In highly competitive conditions further emphasis is placed on own products, added value and know-how. A good indication of the Group's delivery capabilities and the trust that demanding customers place on the members of the Group is the first equipment order awarded to the Group for the new Olkiluoto nuclear power plant to be constructed in Finland.

From a strategic point of view, the operation of the Group companies has progressed according to our long-term objectives. Business development has focused on improving inter-company cooperation, project management, and purchasing activities.

The Group companies have aimed to enhance their competitiveness by means of strong cost cutting measures and reorganization activities. The Group has also strived simultaneously to increase its equity ratio. These objectives have been reached mainly by streamlining the operating procedures. These activities will be continued during the current fiscal period, and efforts will be made to further improve the cost-efficiency of operations and the capital structure of the Group.

The Group's order backlog at the end of the fiscal period was 19.7 million euros. Most of the orders are for export markets. Taking into account the orders received after the end of the fiscal period, the Group's order backlog is quite satisfactory, but some of the deliveries extend over a long period of time.

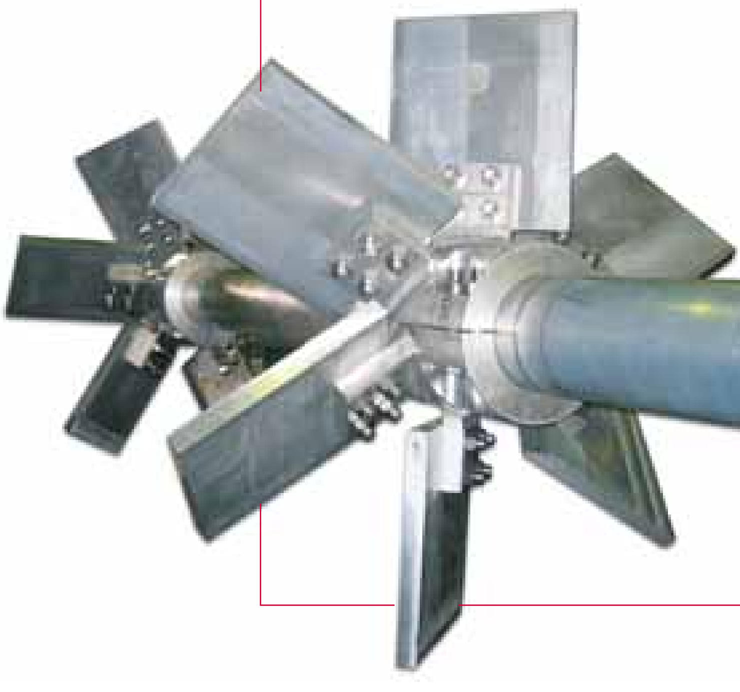
The global economic developments of the new fiscal period started are difficult to asses. The US and Chinese economies are on the growth path, but economic problems are solved slowly in the large European countries, and the expansion of the EU to the east is changing the allocation of resources. Energy price developments depend mostly on the situation in the Middle East.

However, the goal of economic policy everywhere is to ensure continued growth and demand, maybe even with a slightly higher risk of inflation. The increased industrial capacity utilization rates also promote demand for investment products, which is improving thanks to economic growth.

Considering the current global economic forecasts and our business development efforts, the prospects for the whole new fiscal year give reason to believe that the Group's profitability will continue, assuming that the global economy expands in a positive manner and investment activity improves.

I would like to thank all our customers, personnel, and partners for their confidence and excellent cooperation during the fiscal period. I hope our successful cooperation also continues in the future.

Antti Vaahto
CEO



Pulp & Paper Machinery

A headbox with dilution control delivered to Lee & Man, China.

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 trouble-free 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.

Business developments

The market situation for the Pulp & Paper Machinery division was satisfactory. Demand increased somewhat from that of the previous fiscal period. Sales of paper and board machines, and key components, were good in spite of the challenging market situation. Deliveries were mainly to Scandinavia and Central Europe, as well as to China, whose significance as a market area continued to grow.

Most of the new orders received were for advanced headboxes, formers, shoe presses, and components for new machines and key rebuilds. The relative position of roll service operations remained at the previous year's level.

The division's turnover was higher than in the previous fiscal year, profitability improved, and the division results were positive. The order backlog increased greatly at the beginning of the fiscal period but started to decline in the latter half. However, when the introduction of the percentage-of-completion method is taken into account, the division's order backlog at the end of the period under review was slightly better than in the previous year.

Technically demanding deliveries

The Pulp & Paper Machinery division's deliveries were technically demanding and diverse. The scope of deliveries covered services from the process design of an entire paper machine to the delivery of key machine components and the roll services operations. The proportion of deliveries related to new machines experienced the greatest growth. The majority of the deliveries were to the European and Asian markets, especially to China, where the division has gained a strong foothold.

The delivery made to China for Lee & Man's new large corrugating medium paper machine included a headbox with dilution control, top former, pope reel hydraulics, pulpers, and agitators. The machine uses recycled fiber as raw material. The delivery for Shandong Chenming's new paper machine in China included the design, three headboxes, the top former, key components for the wire and drying section, the most advanced rolls, hydraulics, and project and installation supervision.

Of the deliveries made in Europe, the most significant was the wet end rebuild of the Workington mill board machine of Iggesund Paperboards Ltd., an English company manufacturing high-quality, coated folding boxboard used in boxes for the cosmetics, pharmaceutical, and tobacco industries. The purpose of the rebuild was to improve the quality of the board, the fiber orientation profile in particular. The delivery included five headboxes and three formers. The delivery was successful. The erection took less than five days, which is a new record. The machine produced saleable board quality from the start-up day.

Increased competitiveness through continuous product development

The research and development activities concentrated on improving the competitiveness of paper and board machine key components and roll services. The advanced technology and know-how resulting from intensive product development is reflected in the division's strong technological position and the large number of new patents received and patent applications made during the fiscal period.

The product development work and roll servicing investments made have greatly influenced the development of sales. The division's strategic competitive position has improved thanks to determined product development work. The headboxes, formers, shoe presses, and other key components have been commercially and technically successful both in domestic and export markets.

Investments in roll services and other servicing

Demand for roll services and other service activities was satisfactory, and turnover remained at the previous year's level. The roll projects delivered during the period were small and they were mainly for the Finnish market. On the other hand, the size of the rolls serviced and covered increased thanks to the introduction of new capacity.

Development of the division's service operations continued following the investment program that was started earlier. The building extension and machine investments of AK-Tehdas Oy, which specializes in roll production, roll service, and roll covering, were taken into production during the fiscal period.

Thanks to the investment, customer service can be extended and rolls with practically no size limits can be serviced. The quality of the rolls can also be improved in terms of both dimension, precision and balancing. The most significant investment of the period was measuring equipment, representing the latest technology by which the dynamic behaviour of rolls can be examined more precisely than before.

With the increased capacity and new technology the competitiveness of roll services and maintenance operations have improved. Market outlook in the paper industry roll service and maintenance is good. Thanks to the new technology, the growth opportunities are best in export markets - particularly in Sweden, in the rest of Northern Europe, and Russia. In Finland, no significant growth is to be expected in the near future.

Improved market outlook

Market prospects of the Pulp & Paper Machinery division's customer industries have improved. Capacity utilization rates in the pulp and paper industry have increased, as has the demand for paper products. Paper making capacity and investments are still on the rise in Asia, and particularly in China, where paper demand grows faster than in the rest of the world. Paper industry investments are expected to continue in Europe and pick up in Russia. In North America, investment activity is at a very low level.

It is expected that demand will continue on a satisfactory level in the less cyclical parts of the paper industry business: in machine modernization projects, roll services and maintenance.

The division's goal is to further strengthen its position as one of the leading suppliers of technology in the selected product, customer, and market sectors. In the last few years, paper industry investments have focused on modernization projects, medium-sized machines, and roll services, all areas in which the division has a strong market position and high level of competitiveness.

For paper machine rebuilds, the division offers high-quality, competitive technology for small and medium-sized machines in particular, as well as components, roll covers and roll services for large and fast machines.

The Pulp & Paper Machinery division's strategic competitive position is good. It's advanced technology, process expertise, successful project deliveries, and efficient and flexible production make a good the foundation for growth in the demanding markets for paper and board machines.

Products and services

- 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 glue presses, components, pulpers, coating kitchens, chemical and additive dosing systems)
- rolls and roll covering and servicing
- consulting and start-up services

1. Five headboxes and three formers were delivered to Iggesund Paperboards Ltd., England, for a board machine rebuild.

2. The investments made in AK-Tehdas Oy's roll services and other servicing facilities enable the repair and servicing of rolls with no size constraints.

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Process Machinery

A spiral heat exchanger delivered for use in the pharmaceutical industry.

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 process industry applications all over the world. Its customers are companies operating globally in basic industries such as wood processing, metallurgy, the chemical industry, food processing, and the pharmaceutical industry. The companies in the division, which operate in Finland and Germany, represent a strong concentration of expertise in reactors, pressure vessels, and agitator and heat transfer technologies including spiral heat exchangers. The division provides its customers with comprehensive service, including product design and development; manufacture; installation and start-up; and maintenance and spare parts services.

Business developments

The market situation has been very challenging for the Process Machinery division. Demand for investment goods in the process industries became almost to a halt in Finland, and was also low in the export markets. Very few new investment projects were started. The demand was mainly concentrated in small maintenance projects. Operations restructuring within the large, international client companies also temporarily reduced their investment needs.

A special program was started to improve our operations efficiency and productivity. Reorganization was carried out in Finland by combining product design operations and introducing project management organization.

The reorganization of the agitator operations in Finland was completed. In Germany, a new production management system was introduced and a new sales unit for spiral heat exchangers was established. For quality improvements and productivity enhancement both training and new investments in production equipment were carried out. Personnel costs were adjusted with further layoffs and redundancies.

Despite difficult market conditions, the division has retained its strong market position in the demanding products sector. However, its turnover decreased from the previous year. This was mostly due to the elimination of Canzler GmbH, a heat transfer technology company, from the Group. Due to increased competition margins remained low. The effect of the development and rationalization measures were not yet fully reflected in the division's results, which were negative.

Significant deliveries

The demand during the period was lack lustre, particularly in the chemical industry. The demand for new investments was concentrated mostly in the pulp and paper industry. In the agitator business, the division focused on larger size agitators, plant projects, and special agitators. Agitator sales performed clearly better than other process machinery sales. Spiral heat exchanger sales were good, and we exceeded our sales objectives, even though sales did suffer due to the uncertainties caused by the transfer of business early in the fiscal period.

Process Machinery's deliveries were mainly for investment projects in the pulp and paper, chemical, metallurgy, and pharmaceutical industries in the division's established geographic markets: Scandinavia, Western Europe, and South Africa. The largest deliveries were pressure vessels for the chemical industry in Germany and the tanks and agitators for the pulp and paper industry in South Africa. A significant new opening was the equipment delivered for the CERN particle accelerator in Switzerland. Pulp and paper industry investments and orders increased in China and South America.

The most significant new orders received in the fiscal period were for wastewater agitators in Finland and Russia, polycarbonate tanks with agitators and pulp and paper storage tanks in Sweden, pulp towers with agitators in Western Europe, pressure vessels for an oil refinery in Finland and reactors for a significant new customer in Germany. Of particular importance to the division in Finland was the Olkiluoto nuclear power plant order of pressure vessels, which was received after the end of the fiscal period.

Although demand recovered a little this year, the division's order backlog was lower than at the end of the previous year.

Varied market prospects

The Process Machinery division's operating environment is still challenging. The greatest threat is that of postponement of planned process industry investments due to the ongoing rationalization of large international companies. Pulp and paper industry investments continue to grow in Asia and South America.

Domestic market outlook is uncertain. In Sweden, investments in our customer industries are expected to continue. It is presumed that our good references will help the division become involved in potentially demanding projects to be started by the German chemical industry. Demand for pressure vessels with agitators in demanding applications is expected to increase when the international industry reorganizations will be completed.

In the agitator business the division specialises in high value added and increasingly more demanding products. The importance of metallurgy and chemical industries and the demand for tank/agitator assemblies are expected to grow. Prospects for wastewater agitators look good particularly in Russia. Division's good references should increase the demand for our products in the pharmaceutical industry.

Strong market share in products for demanding applications

The division's key strengths include its in-house design operations, proven product solutions, good references, and rationalization of production. In difficult market conditions the division has retained its strong market position in Europe in agitator technology, in demanding pressure vessels and reactors.

The division's pressure equipment is approved for use in nearly all market areas, including the US, China, Russia, and several European countries. The division also has a strong foothold in the spiral heat exchanger market. The main markets for spiral heat exchangers are Western Europe and the US.

By refining its profile and focusing on deliveries of demanding pressure vessel/agitator assemblies made of stainless and other special materials the division has good possibilities of increasing its sales and market share all over the world. The Process Machinery division has a strong market position in Scandinavia, and even in Germany there are only a few competitors that specialize in demanding pressure vessel/agitator combinations. However, demand outlook for the current fiscal year shows no signs of any substantial growth.

Products and services

- pressure vessels (including those with agitators)
- agitators and mixing processes
- reactors and accessories
- columns with internal components
- tube, shell, and spiral heat exchangers
- consulting and start-up services

1. A heat exchanger delivered to a Danish energy plant.

2. An absorber delivered to Bakelite AG, Germany.

3. A storage tower delivered to SCA Graphic Sundsvall AB, Sweden.


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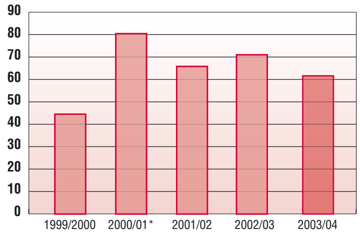
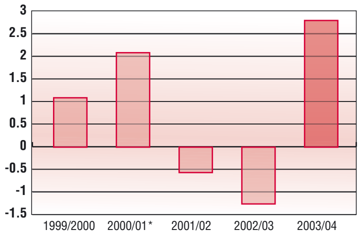
Review by the Board

Fiscal Period of September 1, 2003 – August 31, 2004

Turnover M€

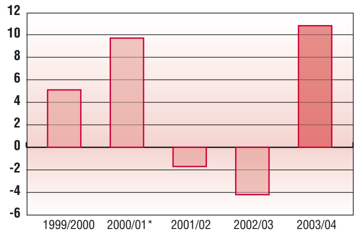


Operating profit M€

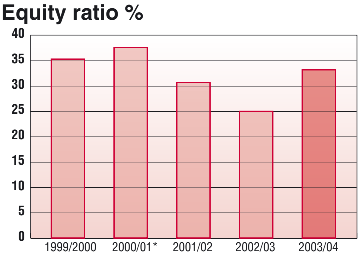


Personnel average

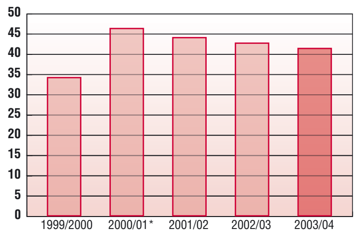
Return on investment %



Equity ratio %



Consolidated balance sheet total M€



*) Fiscal Period 2000/2001 18 months

Business developments

Vaahto Group's turnover for the fiscal period ending in August 2004 was 61.7 million euros (71.3 million euros). Turnover decreased by 13.4% from that of the previous fiscal period. Main reason for the decrease was the insolvency and removal from the Group of German heat transfer technology company Canzler GmbH, which occurred at the beginning of the fiscal period. Canzler GmbH's turnover for the previous fiscal period was 10.7 million euros, so turnover based on the current structure of the Group increased by 1.8%. The turnover for the latter half of the fiscal period was good, as expected, and the Group's operating profit for the fiscal period was 2.8 million euros, as compared to the operating loss of 1.3 million euros from the previous fiscal period.

Due to the increased size and duration of deliveries, the Group started recognizing long-term projects under the percentage-of-completion accounting method from the beginning of the period under review. The long-term projects to be recognized thusly are delivery projects that last a minimum of six months or are significant in some other way. Through use of the percentage-of-completion method, the Group's business can be portrayed more accurately and reliably. Transfer to the use of percentage-of-completion method increased the Group's turnover for the period under review by 8.2 million euros and increased the operating profit by 2.2 million euros. In addition, the Group started applying the full cost principle - i.e., the capitalization of fixed expenses - to inventory evaluation, which increased the operating profit by 0.4 million euros.

The reformation of Canzler GmbH's business, which went into insolvency at the beginning of the period, was completed as planned. Of the loss caused by Canzler GmbH in the previous fiscal period, 0.5 million euros was returned in the period under review, so the final loss caused by the company to the Group was 0.9 million euros.

The market situation for the Group's main products and in key countries was challenging throughout the fiscal period, and basic industry investments in Europe remained relatively low. The most significant exception was China, where economic growth remained high. The significance of China as a market area for paper and board machines as well as process machinery increased during the fiscal period, and it is still on the rise. The Group's order backlog increased considerably at the beginning of the fiscal period but started decreasing in the latter half, resulting in an order volume backlog of 19.7 million euros at the end of the period. When the introduction of the percentage-of-completion method is taken into account, the order backlog at the end of the period under review was slightly better than in the previous year.

Group structure

The most notable change in the Group's structure was the insolvency and removal from the Group of German heat transfer technology company Canzler GmbH, which occurred at the beginning of the fiscal period. Canzler GmbH's turnover was 10.7 million euros and operating loss 1.4 million for the previous fiscal period, and the company employed 77 persons. The redistribution of the company's business was completed as planned. To support the spiral heat exchanger production that was transferred to Vaahto Oy earlier, a sales office was established in Germany to continue the global sales and marketing of heat exchangers.

Pulp & Paper Machinery

The market situation for the Group's Pulp & Paper Machinery division improved to some extent during the period and was satisfactory. Sales of the division's paper and board machines and key components were good in spite of the challenging market situation. The division's sales were mainly to Scandinavia, Central Europe, and China, whose significance as a market area continued to grow. The majority of the new orders received were for advanced headboxes, formers, shoe presses, and other key rebuilds and components. The proportion of roll servicing operations remained at the previous year's level.

The division's turnover was higher than in the previous fiscal period, and the division managed to improve its profitability and see positive results. The division's order backlog increased greatly at the beginning of the fiscal period but started decreasing in the latter half. However, when the introduction of the percentage-of-completion method is taken into account, the division's order backlog at the end of the period under review was slightly better than in the previous year.

The Pulp & Paper Machinery division's strategic competitive position has improved thanks to determined product development work. The headboxes, formers, and shoe presses utilize advanced technology and provide a foundation for the growth of the division's business in the demanding paper and board machine market.

Process Machinery
The Process Machinery division's market situation was difficult during the period under review, and demand was modest. Process Machinery's sales were mainly in the division's established markets, areas such as Scandinavia and Central Europe. In agitator sales, the importance of China as a market area increased and is expected to continue growing. Sales of spiral heat exchangers suffered early in the fiscal period from the uncertainties caused by the transfer of business, but they have increased now that the situation has stabilized.

The division's turnover decreased from the previous year, profitability was weak, and the result for the fiscal period was still negative. Regardless of the profitability problems, the division has a strong market share in Europe when it comes to spiral heat exchangers and agitators as well as reactors and pressure vessels for demanding applications. To improve profitability, the division kept striving to make its operations more effective and to attain cost savings by means of personnel reduction, retrenchments, and business redistribution aiming at improved sales and production efficiency.

Results
Vaahto Group's operating profit for the fiscal period was 2.8 million euros, in sharp contrast to the operating loss of 1.3 million euros experienced in the previous fiscal period. The operating profit for the period was 4.6% (-1.8%) of the Group's turnover. Profits before extraordinary items and taxes totaled 2.2 million euros (-1.9 million euros), and the return on investment was 10.8% (-4.2%). The The Group's profitability improved from the previous fiscal period even when the change in the calculation principle is taken into account. The Group's Pulp & Paper Machinery division managed to improve its profitability despite the difficult market conditions, attaining highly satisfactory results. The Process Machinery division's results did not meet the targets set and were negative.

Financing
The Group's cash flow was 4.3 million euros (-1.7 million euros). The cash flow increased substantially from the previous fiscal period, mostly due to increased profitability and reduced working capital. The Group's net financial expenses were 0.6 million euros (0.6 million euros) - i.e., 1.0% of the turnover. The investment cash flow for the period was less than in the previous period, -1.2 million euros (-2.1 million euros). The decrease in interest-bearing net debt was 1.4 million euros.

Total assets and liabilities on the consolidated balance sheet stood at 41.4 million euros (42.7 million euros), and the parent company's balance sheet showed 10.7 million euros (10.5 million euros). The Group's equity ratio increased to 33.2% from the previous period's 25.0%.

Investments
The Group's investments in capital assets for the fiscal period totaled 1.2 million euros (2.9 million euros). Investments were considerably lower than in the previous fiscal period and mainly consisted of the completion of AK-Tehdas Oy's roll servicing extension investment, some smaller machinery and equipment acquisitions, and investments in information systems.

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 paper and board machines, key components, and roll servicing. The Process Machinery division aimed at increasing the value of its products and improving profitability. 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 systems and information management systems were further developed in accordance with the centralized operations model. The implementation of the access control and timekeeping system was continued in the Group's subsidiaries during the period under review. In addition, attention is still being paid to more efficient utilization of the Group's enterprise resource planning system, thus decreasing the amount of overlapping work and improving the manageability of business. These development efforts are being continued in the current fiscal period.

Personnel
Group personnel averaged 464 (570) over the fiscal period and numbered 432 (562) at the end of the period. The main reasons for the decrease in personnel were Canzler GmbH's removal from the Group and the rationalization and associated reductions in personnel in the Process Machinery division.

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

Administration
The Annual General Meeting on December 11, 2003, 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
Heikki Vaahto, member
until December 22, 2003

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 developments
It is still difficult to forecast world economic developments, even though the U.S. and Chinese economies have kept growing and prospects have improved. In Europe, on the other hand, the strength of the euro against the dollar is undermining economic growth and investments. The Group's operating environment is still challenging due to the hard-to-predict and rather weak market situation for the Group's main products. However, the actions taken to improve the efficiency of business and production, coupled with successful product development efforts, have increased the Group's competitiveness, laying a foundation for the growth of business, provided that the market situation develops positively and investments pick up.

Proposal for distribution of profits
Group funds available for distribution of profits total 4,793,325.79 euros. Parent company funds available for distribution of profits total 5,272,928.94 euros, of which 245,698.65 euros represents profits for the fiscal period.

The Board will propose to the Annual General Meeting that a dividend of 0.12 euros per share be paid- i.e., total 344,676.24 euros. The remaining operating profit is to be transferred to the earnings account.

Board of Directors

Income Statement

1,000 €	Group 1.9.2003-31.8.2004 12 months	Group 1.9.2002-31.8.2003 12 months	Parent 1.9.2003-31.8.2004 12 months	Parent 1.9.2002-31.8.2003 12 months	Note
TURNOVER	**61,700**	**71,271**	**1,422**	**1,530**	**1, 2**
Change in products and work in progress	-1,319	-2,788	0	0	
Production for own use	331	630	0	0	
Other operating income	915	1,461	0	0	3
Purchases	-20,210	-21,231	0	0	
Increase (-) or decrease (+) in inventories	-377	-237	0	0	
External services	-8,018	-10,375	0	0	
Personnel expenses	-18,940	-24,458	-423	-416	5
Depreciation	-1,999	-2,180	-91	-614	6
Other operating expenses	-9,271	-13,356	-842	-710	
OPERATING PROFIT / LOSS	**2,812**	**-1,261**	**66**	**-211**	**4**
Financial income and expenses	-645	-642	43	16	7
PROFIT BEFORE EXTRAORDINARY ITEMS	**2,167**	**-1,903**	**109**	**-195**	
Extraordinary items	0	0	160	0	8
PROFIT BEFORE INCOME TAXES	**2,167**	**-1,903**	**269**	**-195**	
Increase (-) or decrease (+) in accelerated depreciations	0	0	2	7	
Income taxes	-491	253	-25	0	9
MINORITY INTEREST	**62**	**7**	**0**	**0**	
PROFIT FOR THE FISCAL YEAR	**1,738**	**-1,644**	**246**	**-188**	

Balance Sheet

1,000 €	Group 31.8.2004	Group 31.8.2003	Parent 31.8.2004	Parent 31.8.2003	Note
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	2,089	2,410	119	91	
Group goodwill	119	147	0	0	
Tangible assets	14,459	15,862	97	130	
Investments	239	49	8,774	8,076	
NON-CURRENT ASSETS TOTAL	**16,907**	**18,468**	**8,989**	**8,297**	**11**
CURRENT ASSETS					
Inventories	5,415	7,886	0	0	
Long-term receivables	3	3	0	0	
Short-term receivables	14,347	13,126	828	517	
Deferred tax assets	79	230	0	0	16
Receivables total	14,429	13,359	854	517	
Other securities	2,450	55	0	0	
Cash and bank deposits	2,175	2,911	854	1,642	
CURRENT ASSETS TOTAL	**24,469**	**24,212**	**1,682**	**2,160**	**12**
TOTAL ASSETS	**41,375**	**42,679**	**10,671**	**10,457**	
LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital	2,872	2,872	2,872	2,872	
Share premium account	6	6	0	0	
Revaluation reserve	229	229	0	0	
Reserve fund	1,995	1,995	2,228	2,228	
Retained earnings	3,899	5,543	5,027	5,215	
Profit for the fiscal year	1,738	-1,644	246	-188	
SHAREHOLDERS' EQUITY TOTAL	**10,739**	**9,001**	**10,374**	**10,128**	**13**
MINORITY INTEREST	**816**	**878**	**0**	**0**	
Accumulated accelerated depreciation	0	0	0	2	
APPROPRIATIONS TOTAL	**0**	**0**	**0**	**2**	**14**
OBLIGATORY PROVISIONS TOTAL	**292**	**2,004**	**0**	**0**	**15**
LIABILITIES					
Long-term liabilities	5,448	8,097	0	0	17
Short-term liabilities	23,700	22,439	297	327	18
Deferred tax liability	381	261	0	0	16
LIABILITIES TOTAL	**29,528**	**30,797**	**297**	**327**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**41,375**	**42,679**	**10,671**	**10,457**	

Flow of Funds Statements

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
FLOW OF FUNDS FROM OPERATIONS				
Profit before extraordinary items	2,167	-1,903	109	-195
Adjustment items:				
Depreciations according to plan	1,999	2,180	91	87
Value adjustments	0	0	0	528
Other income and expenses, no payment related	-483	-762	0	0
Financial income and expenses	645	642	-43	-16
Other adjustments	-424	0	0	0
Flow of funds before the change in working capital	**3,905**	**156**	**157**	**404**
Change in working capital:				
Change in short-term receivables	-1,221	-4,282	-60	-147
Change in inventories	2,471	3,555	0	0
Change in short-term non-interest bearing creditors	59	-419	50	21
Flow of funds before financial items and taxes	5,214	-989	146	278
Interest and other financial expenses from operations paid	-716	-743	-3	-15
Dividends received	4	2	1	0
Interests received	67	98	46	31
Income taxes paid	-220	-28	-25	0
FLOW OF FUNDS FROM OPERATIONS	**4,349**	**-1,659**	**164**	**293**
FLOW OF FUNDS FROM INVESTMENTS				
Investments in tangible and intangible assets	-998	-2,884	-85	-7
Other investments	-190	0	-698	-500
Income from sales of tangible and intangible assets	406	10	0	0
Income from sales of other investments	55	24	0	0
Decrease caused by the change in Group structure	-516	0	0	0
Granted loans	0	0	-250	0
Withdrawals of loans receivable	0	752	0	0
FLOW OF FUNDS FROM INVESTMENTS	**-1,243**	**-2,097**	**-1,033**	**-507**
FLOW OF FUNDS FROM FINANCIAL ITEMS				
Withdrawals of short-term loans	1,567	3,833	0	0
Payments of short-term loans	-251	-1,604	-79	-151
Withdrawals of long-term loans	200	1,015	0	0
Payments of long-term loans	-2,963	-1,520	0	0
Group transfers	0	0	160	0
FLOW OF FUNDS FROM FINANCIAL ITEMS	**-1,447**	**1,724**	**81**	**-151**
Change of liquid funds	**1,659**	**-2,033**	**-788**	**-364**
Liquid assets at the beginning of the fiscal year	2,966	4,999	1,642	2,007
Liquid assets at the end of the fiscal year	4,625	2,966	854	1,642
Change in liquid assets according to the balance sheet	1,659	-2,033	-788	-364

Notes on Financial Statements

GROUP CONSOLIDATION

Parent company Vaahto Group Plc Oyj, Vaahto Oy, Japrotek Oy Ab, AK-Tehdas Oy, Akpija Oy (formerly Jipka Oy), AP-Tela Oy, Stelzer Rührtechnik International GmbH, and Profitus Oy form the group for which the consolidated financial statements have been drawn up. Profitus Oy had no business activity during the fiscal period. Canzler GmbH applied for insolvency on September 5, 2003, and the company has not been included in the consolidated financial statements since. Jipka Oy changed its name to Akpija Oy on August 31, 2004.

ACCOUNTING PRINCIPLES FOR CONSOLIDATED FINANCIAL STATEMENTS

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 134 thousand euros (previous fiscal period: 14 thousand euros) less than the depreciation entered on the consolidated financial statements in line with the consolidated accounting policy.

Revaluations

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

Appropriations

The difference between planned and book depreciation is divided in the consolidated financial statements between deferred taxes and shareholders' equity. The deferred taxes are calculated at 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. Starting from the period under review, in-house production included in the inventory is valued according to the full cost principle - i.e., the capitalization of fixed expenses. This means that the acquisition cost includes the direct costs and their proportion of the fixed acquisition and manufacturing costs. The introduction of this practice increased the operating profit for the period under review by 0.4 million euros.

Entering ongoing project results in the accounts

During the fiscal period, the Group decided to start recognizing long-term projects under the percentage-of-completion method. This means that income from projects that take a long time to complete is entered in the accounts on the basis of the percentage of completion. In this category are projects that are expected to take at least six months to complete or that are otherwise considered significant. The percentage of completion of long-term projects is defined by comparing the project's current costs to the estimated total costs.

The percentage-of-completion method increased the Group's turnover figure for the period under review by 8.2 million euros and increased the operating profit by 2.2 million euros. The percentage-of-completion items are presented in detail in item 2 of the Notes.

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

Research and development expenditures for the fiscal period 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 into account 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 16 of the Notes.

Introduction of international financial reporting standards

International financial reporting standards (IFRS) are to be applied in the Group in the fiscal period starting on September 1, 2005. The opening IFRS balance will be prepared as of September 1, 2004, and the first IFRS financial statement will be published for the fiscal period September 1, 2005 - August 31, 2006.

Notes on Financial Statements

APPENDIX TO INCOME STATEMENT 1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
1. TURNOVER BY BUSINESSES AND MARKET AREAS				
By businesses				
Manufactoring	61,700	71,271	0	0
Administration	0	0	1,422	1,530
Total	**61,700**	**71,271**	**1,422**	**1,530**
By market areas				
Finland	17,001	24,591	1,422	1,530
Other Europe	30,835	32,208	0	0
North America	9	116	0	0
Asia	12,199	4,933	0	0
Africa	1,478	1,267	0	0
Other	178	8,156	0	0
Total	**61,700**	**71,271**	**1,422**	**1,530**
2. LONG-TERM PROJECTS				
Turnover				
Turnover of long-term projects recognized under the percentage-of-completion method	24,705			
Other turnover	36,995			
Total	**61,700**			
The amount that has been recognized as revenue from the long-term projects recognized under the percentage-of-completion method (however, not yet delivered to the customer), during the fiscal period and during the earlier periods	8,171			
Order backlog				
Long-term projects recognized under the percentage-of-completion method	8,948			
Projects entered on completion of the project	10,796			
Order backlog total	**19,744**	**25,620**		
The amount of contract revenue recognized as revenue has been deducted from the order backlog per 31.8.2004. The percentage-of-completion method in recognizing the long-term projects has not been used during the reference period, so the reference figures are not comparable with the figures of the current period in this respect.				
3. OTHER OPERATING INCOME				
Profit from sales of fixed assets	407	30	0	0
Decrease of the obligatory provision of Canzler GmbH	0	954	0	0
Reverse of the losses from Canzler GmbH in the fiscal period 2002-2003	484	0	0	0
Other	23	477	0	0
Total	**915**	**1,461**	**0**	**0**
4. OPERATING PROFIT BY BUSINESSES				
Manufactoring	2,812	-1,261	0	0
Administration	0	0	66	-211
Total	**2,812**	**-1,261**	**66**	**-211**

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
5. PERSONNEL				
Average number of personnel				
Office staff	181	220	9	9
Workers	283	350	0	0
Total	**464**	**570**	**9**	**9**
Personnel expenses				
Wages and salaries	15,237	19,733	319	318
Pension costs	2,113	2,775	55	53
Other personnel expenses	1,590	1,950	49	45
Total	**18,940**	**24,458**	**423**	**416**
Management's salaries and benefits				
Managing directors	370	418	10	10
Board members and substitute members	40	38	39	38
Total	**410**	**456**	**48**	**47**
6. 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	
Buildings	35-40		35-40	
Machinery and equipment	5-25		5-25	
Group goodwill	10			
Goodwill	15			
Depreciations				
Depreciations from tangible and intangible assets	1,999	2,180	91	87
Value adjustments of non-current assets (shares in Canzler GmbH)	0	0	0	528
Total	**1,999**	**2,180**	**91**	**614**
7. FINANCIAL INCOME AND EXPENSES				
Income from other investments held as non-current assets				
Other	34	2	34	0
Total	**34**	**2**	**34**	**0**
Interest income from long-term investments				
Other	0	2	0	2
Total	**0**	**2**	**0**	**2**
Other interest and financial income				
Other	37	97	12	29
Total	**37**	**97**	**13**	**29**
Interest and other financial expenses				
To Group companies	0	0	3	15
Other	716	743	0	0
Total	**716**	**743**	**3**	**15**
Financial income and expenses total	**-645**	**-642**	**43**	**16**
Currency gains included in financial income and expenses	**23**	**21**	**0**	**0**

Notes on Financial Statements

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
8. EXTRAORDINARY ITEMS				
Exraordinary income/Group transfers	0	0	160	0
Total	**0**	**0**	**160**	**0**
9. INCOME TAXES				
Income taxes from extraordinary items	0	0	46	0
Income taxes from operations	220	28	-21	0
Change in deferred tax liabilities	270	-280	0	0
Total	**491**	**-253**	**25**	**0**

10. SHAREHOLDINGS

Group companies

Company		Registered Office	Number Shares	Group Ownership, %
AK-Tehdas Oy		Tampere	2,900	100.00
Akpija Oy		Joutseno	190	100.00
AP-Tela Oy		Kokkola	250	52.08
Japrotek Oy Ab		Pietarsaari	100,000	100.00
Profitus Oy		Hollola	1,600	100.00
Stelzer Rührtechnik International GmbH		Warburg, Germany		100.00
Vaahto Oy		Hollola	2,700	100.00

All Group companies have been consolidated to financial statements.

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
11. NON-CURRENT ASSETS				
Intangible assets				
Intangible rights				
Acquisition cost at the beginning of the fiscal year	94	94		
Increase	5	0		
Decrease caused by the change in Group structure	-9	0		
Accumulated depreciations at the beginning of the fiscal year	56	48		
Depreciation of the fiscal year	10	8		
Book value at the end of the fiscal year	**24**	**38**		
Goodwill				
Acquisition cost at the beginning of the fiscal year	2,664	2,664		
Accumulated depreciations at the beginning of the fiscal year	903	726		
Depreciation of the fiscal year	178	178		
Book value at the end of the fiscal year	**1,583**	**1,761**		
Other long-term assets				
Acquisition cost at the beginning of the fiscal year	1,718	1,620	272	269
Increase	96	85	77	3
Increase caused by the change in Group structure	-172	0	0	0
Decrease	0	-1	0	0

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
Transfers between items	0	15	0	0
Accumulated depreciations at the beginning of the fiscal year	117	841	181	144
Depreciations of transfers' and decrease items	-60	0	0	0
Depreciation of the fiscal year	213	266	49	37
Book value at the end of the fiscal year	**481**	**611**	**119**	**91**
Intangible assets total	**2,089**	**2,410**	**119**	**91**
Group goodwill				
Acquisition cost at the beginning of the fiscal year	280	280		
Accumulated depreciations at the beginning of the fiscal year	133	105		
Depreciation of the fiscal year	28	28		
Book value at the end of the fiscal year	**119**	**147**		
Tangible assets				
Land				
Acquisition cost at the beginning of the fiscal year	725	725		
Revaluations	30	30		
Book value at the end of the fiscal year	**755**	**755**		
Buildings				
Acquisition cost at the beginning of the fiscal year	9,809	7,766		
Increase	46	3		
Transfers between items	57	2,040		
Accumulated depreciations at the beginning of the fiscal year	2,462	2,166		
Depreciation of the fiscal year	302	295		
Revaluations	335	335		
Book value at the end of the fiscal year	**7,483**	**7,682**		
Machinery and equipments				
Acquisition cost at the beginning of the fiscal year	15,483	12,910	521	517
Increase	349	1,722	8	4
Decrease caused by the change in Group structure	-773	0	0	0
Decrease	-80	-73	0	0
Transfers between items	238	924	0	0
Accumulated depreciations at the beginning of the fiscal year	8,687	7,503	392	342
Depreciations of transfers' and decrease items	-265	-64	0	0
Depreciation of the fiscal year	1,167	1,249	41	50
Book value at the end of the fiscal year	**5,628**	**6,796**	**97**	**130**
Other tangible assets				
Acquisition cost at the beginning of the fiscal year	1,174	1,108		
Increase	11	66		
Decrease caused by the change in Group structure	-42	0		
Accumulated depreciations at the beginning of the fiscal year	792	636		
Depreciation of the fiscal year	101	156		
Book value at the end of the fiscal year	**249**	**382**		
Advance payments and unfinished investments				
Acquisition cost at the beginning of the fiscal year	247	2,218		
Increase	392	1,008		
Transfers between items	-295	-2,979		
Book value at the end of the fiscal year	**344**	**247**		
Tangible assets total	**14,459**	**15,862**	**97**	**130**

Notes on Financial Statements

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
Revaluations				
Land				
Value at the beginning of the fiscal year	30	30		
Value at the end of the fiscal year	**30**	**30**		
Buildings				
Value at the beginning of the fiscal year	335	335		
Value at the end of the fiscal year	**335**	**335**		
Investments				
Shares in Group companies				
Acquisition cost at the beginning of the fiscal year			8,581	8,081
Increase			698	500
Value adjustments of shares in Canzler GmbH			0	-528
Accumulated depreciations at the beginning of the fiscal year			528	0
Book value at the end of the fiscal year			**8,751**	**8,053**
Other shares				
Acquisition cost at the beginning of the fiscal year	49	73	23	23
Increase	190	0	0	0
Decrease	0	-24	0	0
Book value at the end of the fiscal year	**239**	**49**	**23**	**23**
Investments total	**239**	**49**	**8,774**	**8,076**
12. CURRENT ASSETS				
Long-term receivables				
External long-term receivables				
Loan receivables	3	3	0	0
Total	**3**	**3**	**0**	**0**
Long-term receivables total	**3**	**3**	**0**	**0**
Short-term receivables				
External short-term receivables				
Trade receivables	6,230	11,118	0	0
Other receivables	483	974	1	0
Prepaid expenses and accrued income	7,634	1,034	34	191
Total	**14,347**	**13,126**	**35**	**191**
Prepaid expenses and accrued income consist of:				
Accrued income from the long-term projects recognized under the percentage-of-completion method	6,660	0	0	0
Prepaid social security costs	313	261	12	11
Prepaid lease expenses	161	222	0	0
Prepaid insurance premiums	35	81	21	19
Insurance compensations	32	61	0	0
Prepaid taxes	22	174	0	159
Interest receivables	11	4	0	2
Income from delivered contracts	0	17	0	0
Other items	400	215	0	0
Prepaid expenses and accrued income total	**7,634**	**1,034**	**34**	**191**

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
Short-term receivables from Group companies				
Trade receivables			543	326
Loan receivables			90	0
Other receivables			160	0
Total			**793**	**326**
Short-term receivables total	**14,347**	**13,126**	**828**	**517**
Deferred tax assets (see no. 16)	**79**	**230**	**0**	**0**
Receivables total	**14,429**	**13,359**	**828**	**517**
13. SHAREHOLDERS' EQUITY				
Share capital at the beginning of the fiscal year	2,872	2,872	2,872	2,872
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	1,995	2,228	2,228
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	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	3,899	5,543	5,027	5,215
Retained earnings at the end of the fiscal year	**3,899**	**5,543**	**5,027**	**5,215**
Profit for the fiscal year	**1,738**	**-1,644**	**246**	**-188**
Shareholders' equity total	**10,739**	**9,001**	**10,374**	**10,128**
Calculation on distributable assets				
Retained earnings	3,899	5,543	5,027	5,215
Profit for the fiscal year	1,738	-1,644	246	-188
Capitalized R&D expenses, not meant in Accounting Act 5:8	0	-3	0	0
Share from accumulated accelerated depreciation and voluntary provisions booked to equity	-844	-1,366	0	0
Distributable assets total	**4,793**	**2,530**	**5,273**	**5,027**
The distribution of shareholders' equity by series	**no.**	**euros**	**no.**	**euros**
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**
14. APPROPRIATIONS				
Accumulated accelerated depreciation	0	0	0	2
Total	**0**	**0**	**0**	**2**
15. OBLIGATORY PROVISIONS				
Provision for pensions (Canzler GmbH)	0	1,647		
Provision for restructuring (Canzler GmbH)	0	66		
Warranty provisions (Stelzer Rührtehnik International GmbH)	292	291		
Total	**292**	**2,004**		

Notes on Financial Statements

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
16. DEFERRED TAX LIABILITIES AND ASSETS				
Deferred tax assets				
Consolidation differences	58	27		
Allocation differences	21	204		
Total	**79**	**230**		
Deferred tax liabilities				
Appropriations	284	164		
Provisional differences	97	97		
Total	**381**	**261**		
17. LONG-TERM LIABILITIES				
External long-term loans				
Loans from financial institutions	4,316	6,836		
Pension loans	1,133	1,261		
Total	**5,448**	**8,097**		
Long-term liabilities total	**5,448**	**8,097**		
18. SHORT-TERM LIABILITIES TOTAL				
External short-term liabilities				
Loans from financial institutions	8,510	7,309	0	0
Pension loans	263	262	0	0
Advance payments received	6,603	3,203	0	0
Accounts payable	3,749	5,681	21	13
Other liabilities	842	1,702	51	67
Accrued liabilities and deferred income	3,731	4,282	105	32
Total	**23,700**	**22,439**	**177**	**112**
Accrued liabilities and deferred income consist of:				
Deferred social security costs	1,769	1,773	32	32
Expenses from delivered contracts	839	376	0	0
Income taxes	235	65	73	0
Expenses from long-term projects	71	0	0	0
Deferred insurance costs	71	40	0	0
Interest expenses	5	47	0	0
Provision for costs of the projects transferred from Canzler GmbH	0	158	0	0
Other items	741	1,821	0	0
Accrued liabilities and deferred income total	**3,731**	**4,282**	**105**	**32**
Short-term liabilities to Group companies				
Other liabilities			120	199
Accrued liabilities and deferred income			0	15
Total			**120**	**214**
Short-term liabilities total	**23,700**	**22,439**	**297**	**327**

1,000 €	Group 2003/2004 12 months	Group 2002/2003 12 months	Parent 2003/2004 12 months	Parent 2002/2003 12 months
19. GRANTED SECURITIES				
Debts that have been granted mortgages as security				
Pension loans	1,000	983		
Granted mortgages	1,177	1,177		
Loans from financial institutions	7,903	9,116		
Granted mortgages	11,446	11,446		
Granted mortgages total	**12,623**	**12,623**		
Other securities				
Other mortgages	3,027	3,027		
Pledged deposits	541	989		
Total	**3,569**	**4,016**		
For the contracts delivered by August 31, 2004 the Group companies have warranty liabilities.				
Granted securities by Group companies				
Pledged deposits	541	989	541	989
Total	**541**	**989**	**541**	**989**
20. CONTINGENT LIABILITIES AND OTHER LIABILITIES				
Leasing commitments to be paid				
To be paid during fiscal year 2004-2005	665	485	169	94
Later	1,043	1,150	170	110
Total	**1,708**	**1,635**	**339**	**204**
Granted guarantees by Group companies				
Granted guarantees	565	257	565	257
Total	**565**	**257**	**565**	**257**
21. DERIVATIVE CONTRACTS				
Currency forward agreements				
Nominal value	84	110		
Market value	-1	4		
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	3,000		
Market value	11	14		
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.				
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 book.				

Shares and Share Ownership

Vaahto Group Plc Oyj's paid-up share capital entered in the Trade Register on August 31, 2004, 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 Stock Exchange.

Share price and trading

During the fiscal period, 558,800 (38.5%) of Vaahto Group Plc Oyj's Series A shares and 51,430 (3.6%) Series K trades were traded. The lowest price of a Series A share was 2.50 euros, the highest 3.55 euros, the mean price 2.84 euros, and the last trading price in the fiscal period 3.18 euros. The lowest price for a Series K share was 2.55 euros, the highest 3.90 euros, the mean price 2.91 euros, and the last trading price in the fiscal period 3.25 euros. The total market capitalization on August 31, 2004, was 9.2 million euros. Vaahto Group Plc Oyj and Nordea Bank Finland Plc have a market making agreement that meets the requirements of Liquidity Providing (LP) on the Helsinki Stock Exchange.

Board authorizations

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

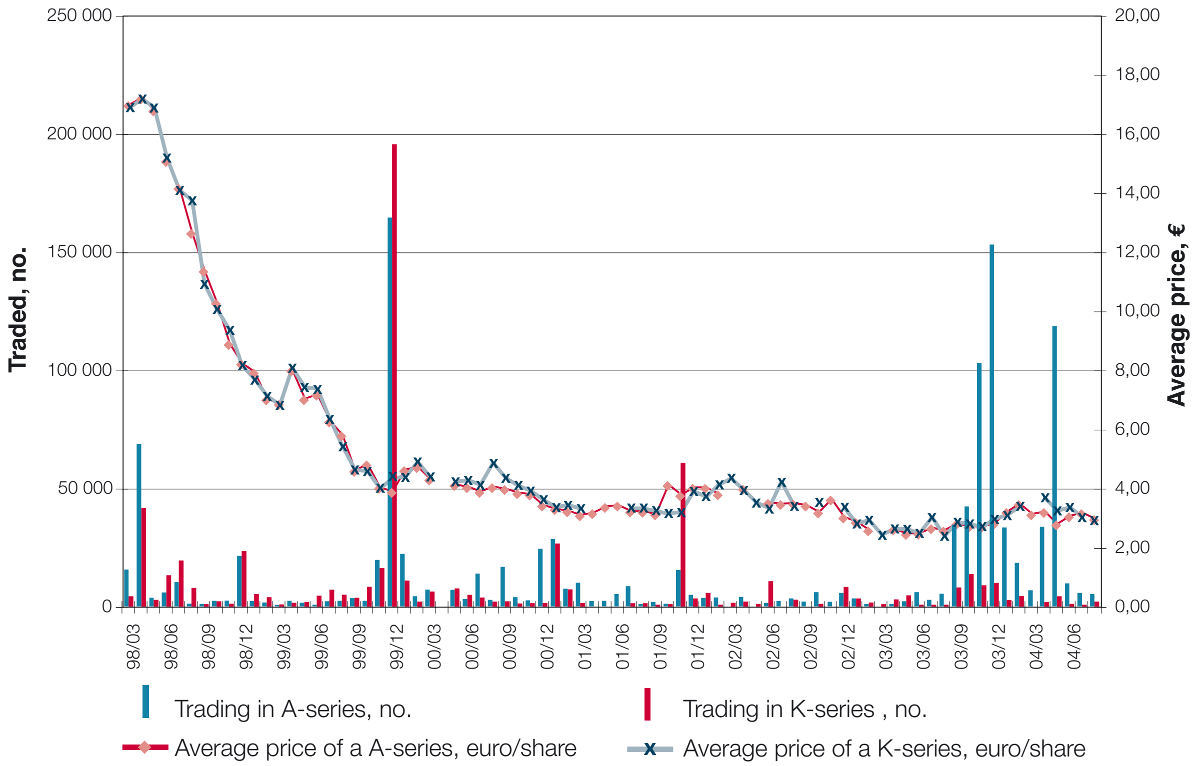
Dividends

At the shareholders' meeting on December 14, 2004, the Board of Directors will propose that the funds at the disposal of the meeting be used to pay a dividend of 0.12 euros per share, or a total of 344,676.24 euros, which is 19.8% of the Group's annual earnings per share. The Board proposes a record date of December 17, 2004, and payment of the dividend on December 27, 2004.

Shareholders' and Board members' share ownership

At the end of the fiscal period on August 31, 2004, Vaahto Group Plc Oyj had 411 registered shareholders. There were in total 11,800 nominee-registered shares, representing 0.50% of the votes. On August 31, 2004, 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, 2004

	A-shares no.	%	K-shares no.	%	Total no.	%	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
FIM Fenno Investment Fund	116,500	8.0	0	0.0	116,500	4.1	0.4
Mutual Insurance Company Pension-Fennia	40,920	2.8	49,520	3.5	90,440	3.1	3.5
Mutual Insurance Company Fennia	35,000	2.4	35,000	2.5	70,000	2.4	2.5
Sampo Life Insurance Company	64,000	4.4	0	0.0	64,000	2.2	0.2
Suutari Pekka	17,700	1.2	22,300	1.6	40,000	1.4	1.6
Lutosa Oy	16,067	1.1	16,400	1.2	32,467	1.1	1.2
Total for 10 largest	1,042,820	77.7	1,260,720	85.9	2,303,540	81.6	88.0

Breakdown of share ownership by amount of holdings on August 31, 2004

	Shareholders no.	%	Shares no.	%	Votes no.	%
1 - 100	115	28.0	6,987	0.2	58,629	0.2
101 - 1 000	185	45.0	89,280	3.1	589,132	2.0
1 001 - 10 000	90	21.9	284,427	9.9	1,941,626	6.5
10 001 - 100 000	16	3.9	481,507	16.8	3,599,787	12.1
100 001 - 1 000 000	5	1.2	2,006,633	69.9	23,619,133	79.1
	411	100.0	2,868,834	99.9	29,808,307	99.9
Outside the book-entry securities system			3,468	0.1	35,464	0.1
			2,872,302	100.0	29,843,771	100.0

Breakdown of share ownership by category of owner on August 31, 2004

	Shareholders no.	%	Shares no.	%	Votes no.	%
Companies	41	10.0	173,354	6.0	1,410,463	4.7
Financial and insurance institutions	4	1.0	148,477	5.2	972,526	3.3
Public corporations	2	0.5	91,440	3.2	1,032,320	3.5
Households	359	87.3	2,330,263	81.1	26,242,998	87.9
Non-profit organizations	4	1.0	119,800	4.2	144,500	0.5
Foreign countries	1	0.2	5,500	0.2	5,500	0.0
	411	100.0	2,868,834	99.9	29,808,307	99.9
Outside the book-entry securities system			3,468	0.1	35,464	0.1
			2,872,302	100.0	29,843,771	100.0

Key Figures

Key Figures

1,000 €	2003/2004 12 months	2002/2003 12 months	2001/2002 12 months	2000/2001 18 months	1999/2000 12 months
Turnover	61,700	71,271	65,846	80,503	44,579
Change, %	13.4	8.2	-18.2	80.6	4.7
Operating profit	2,812	-1,261	-564	2,097	1,096
% of turnover	4.6	-1.8	-0.9	2.6	2.5
Profit before extraordinary items	2,167	-1,903	-1,093	1,245	487
% of turnover	3.5	-2.7	-1.7	1.5	1.1
Profit before taxes	2,167	-1,903	-1,093	1,245	487
% of turnover	3.5	-2.7	-1.7	1.5	1.1
Profit before extraordinary items ./. taxes	1,676	-1,651	-785	862	322
% of turnover	2.7	-2.3	-1.2	1.1	0.7
Return on equity (ROE) %	15.6	-15.4	-6.3	7.0	2.9
Return on investment (ROI) %	10.8	-4.2	-1.7	9.7	5.1
Equity ratio, %	33.2	25.0	30.7	37.6	35.3
Current ratio	1.0	1.1	1.3	1.2	1.5
Gearing	83.1	128.6	77.6	58.5	77.8
Gross investments in fixed assets	1,188	2,884	3,197	3,991	641
% of turnover	1.9	4.0	4.9	5.0	1.4
Order backlog	19,744	25,600	22,262	30,042	13,918
Consolidated balance sheet total	41,375	42,679	44,048	46,304	34,159
Total number of personnel (average)	464	570	580	453	407

The percentage-of-completin method in recognizing the long-term projects and the full-cost method for inventory valuation have not been used during the reference period, so the reference figures cannot be comparized with the figures of the current period in this respect. The amount of contract revenue recognized as revenue has been deducted from the order backlog per 31.8.2004.

Per Share Items

	2003/2004 12 months	2002/2003 12 months	2001/2002 12 months	2000/2001 18 months	1999/2000 12 months
Earning/share (EPS), euros	0.61	-0.57	-0.27	0.18	0.11
Shareholders' equity/share, euros	3.74	3.13	3.71	4.28	3.95
Dividend/share, euros 1)	0.12	0.00	0.00	0.30	0.00
Dividend payout, %	19.8	0.0	0.0	168.1	0.0
Effective dividend return, %	3.7	0.0	0.0	9.3	0.0
Price per earnings (P/E)	5.3	-4.5	-12.6	18.2	42.4
Number of shares outstanding at the end of period (1 000)	2,872	2,872	2,872	2,872	2,872
Number of shares outstanding, average (1 000)	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

€	2003/2004 12 months	2002/2003 12 months	2001/2002 12 months	2000/2001 18 months	1999/2000 12 months
A share					
- high	3.55	3.70	4.45	4.70	8.70
- low	2.50	2.45	3.01	2.97	3.10
- average	2.84	2.84	3.29	3.56	4.08
- share price at the end of the fiscal year	3.18	2.60	3.40	3.20	4.50
K share					
- high	3.90	3.70	4.80	5.30	9.00
- low	2.55	2.36	3.00	3.30	3.50
- average	2.91	2.94	3.77	3.73	4.47
- share price at the end of the fiscal year	3.25	2.36	3.40	3.30	4.81
Total market value , million euros					
A share	4.6	3.8	4.9	4.6	6.5
K share	4.6	3.4	4.8	4.7	6.8
Total	9.2	7.1	9.8	9.3	13.4
Number of shares traded during the fiscal year					
A share	558,800	32,466	84,330	139,105	220,700
K share	51,430	19,426	37,100	61,145	251,010
Number of shares traded, %					
A share	38.5	2.2	5.8	9.6	15.2
K share	3.6	1.4	2.6	4.3	17.7
Number of shareholders	411	381	377	376	415

Formulas for the Key Figures and Financial Ratios

Return on equity, % (ROE)	$\dfrac{\text{Profit or loss before extraordinary items - income taxes}}{\text{Shareholders' equity + minority interest (average)}} \times 100$
Return on investments, % (ROI)	$\dfrac{\text{Profit or loss before extraordinary items + interest expenses and other financial expenses}}{\text{Total assets - non-interest bearing debts (average)}} \times 100$
Equity ratio, %	$\dfrac{\text{Shareholders' equity + minority interest}}{\text{Total assets - advances received}} \times 100$
Current ratio	$\dfrac{\text{Current assets}}{\text{Short-term liabilities}}$

Formulas for per share items

Earnings per share, euros	$\dfrac{\text{Profit or loss before extraordinary items - income taxes -/+ minority interest}}{\text{Number of shares outstanding issue adjusted (average)}}$
Shareholders' equity/share, euros	$\dfrac{\text{Shareholders' equity}}{\text{Number of shares outstanding issue adjusted, at the end of the fiscal year}}$
Dividend/share, euros	$\dfrac{\text{Dividend for the fiscal year/share}}{\text{Adjustment factor of share issue made after closing the books}}$
Dividend/share, %	$\dfrac{\text{Dividend for the fiscal year/share}}{\text{Earnings/share}} \times 100$
Effective dividend return, %	$\dfrac{\text{Dividend for the fiscal year/share}}{\text{Adjusted price of the share at the end of the fiscal year}} \times 100$
Price per earnings (P/E)	$\dfrac{\text{Adjusted price of the share at the end of the fiscal year}}{\text{Earnings/share}}$
Average share price	$\dfrac{\text{Total value of shares traded during the fiscal year}}{\text{Total number of shares traded during the fiscal year}}$
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 4,793,325.79 euros. Parent company funds available for distribution of profit total 5,272,928.94 euros, of which 245,698.65 euros represents profits for the fiscal period.

The Board will propose to the Annual General Meeting that a dividend of 0.12 euros per share be paid and the remaining operating profit is to be transferred to the earnings account.

Lahti, November 10, 2004

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, 2003 - August 31, 2004. 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 245,698.65, 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 11, 2004

Risto Järvinen CPA	Ernst & Young Oy CPA Corporation Pauli Hirviniemi CPA

Administration

Board of Directors

Chairman
Seppo Jaatinen, b. 1948
M.Sc. (Econ.)
Senior Partner, Foxhill Oy

Member and chairman of Vaahto Group Plc Oyj's board of directors since 2000

Previous work experience:
Interpolator Oy: CEO and executive vice president
Amer Group Plc: development director

Most notable positions of trust:
Enermet Group Oy: member of the board

No holdings in the company
No possessions or rights in the company's share-based incentive schemes
Fees for 2003-2004:
14,000 euros

Vice-chairman
Ilkka Vaahto, b. 1953
Director,
Vaahto Group Plc Oyj

Member of Vaahto Group Plc Oyj's board of directors since 1984 and vice-chairman since 1999, Chairman of the Board in 1984-1999

247,000 A shares and 247,000 K shares of Vaahto Group Plc Oyj
No possessions or rights in the company's share-based incentive schemes
Fees for 2003-2004:
4,900 euros

Martti Unkuri, b. 1936
M.Sc. (Tech.)

Member of Vaahto Group Plc Oyj's board of directors since 2000

Previous work experience:
Rauma Oy: CEO

No holdings in the company
No possessions or rights in the company's share-based incentive schemes
Fees for 2003-2004:
10,000 euros

Mikko Vaahto, b. 1963
Business college graduate
Sales manager, Vaahto Group Plc Oyj

Member of Vaahto Group Plc Oyj's board of directors since 1994

250,600 A shares and 250,600 K shares of Vaahto Group Plc Oyj
No possessions or rights in the company's share-based incentive schemes
Fees for 2003-2004:
4,900 euros

Antti Vaahto, b. 1947
M.Sc. (Econ.), M.Sc. (Tech.), MBA
CEO of Vaahto Group Plc Oyj and Vaahto Oy

Member of Vaahto Group Plc Oyj's board of directors since 1984

Most notable positions of trust:
Mutual insurance company Fennia: member of the board
Insurance company Fennia Life: member of the board

255,033 A shares and 255,200 K shares of Vaahto Group Plc Oyj
No possessions or rights in the company's share-based incentive schemes
Fees for 2003-2004:
4,900 euros

Auditors

Risto Järvinen, CPA

Ernst & Young Oy
Chief auditor
Pauli Hirviniemi, CPA

Auditors' fees from the Group in the fiscal period 2003-2004 totaled 97,757 euros, of which audit fees accounted for 77,282 euros, with consulting and other fees accounting for the remaining 20,475 euros.

Group Management

Chief Executive Officer
Antti Vaahto, b. 1947
M.Sc. (Econ.), M.Sc. (Tech.), MBA
CEO of Vaahto Group Plc Oyj since 1984
255,033 A shares and 255,200 K shares of Vaahto Group Plc Oyj
No possessions or rights in the company's share-based incentive schemes

Chief Financial Officer
Anssi Klinga, b. 1965
M.Sc. (Econ.)
Secretary to the Board of Directors since 2004
No holdings in the company
No possessions or rights in the company's share-based incentive schemes

Subsidiaries

AK-Tehdas Oy
Managing Director
Antti Kontiainen, b. 1964
M.Sc. (Eng.)
No holdings in the company
No possessions or rights in the company's share-based incentive schemes

AP-Tela Oy
Managing Director
Pekka Viitasalo, b. 1955
Technician
No holdings in the company
No possessions or rights in the company's share-based incentive schemes

Japrotek Oy Ab
Managing Director
Esa Rintala, b. 1958
Engineer
No holdings in the company
No possessions or rights in the company's share-based incentive schemes

Stelzer Rührtechnik International GmbH
Managing Director
Ingo Engelmann, b. 1960
Ph.D. (Chemistry)
No holdings in the company
No possessions or rights in the company's share-based incentive schemes

Vaahto Oy
Managing Director
Antti Vaahto, b. 1947
M.Sc. (Econ.), M.Sc. (Tech.), MBA
255,033 A shares and 255,200 K shares of Vaahto Group Plc Oyj
No possessions or rights in the company's share-based incentive schemes

Corporate Governance

Administrative principles

Vaahto Group's administration is based on the Finnish Companies Act 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 Group follows the recommendations of the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on the administration of publicly listed companies, the Helsinki Exchanges Insider Guidelines, and the Helsinki Exchanges recommendations on corporate governance for listed companies.

Annual General Meeting

The company's highest decision-making body is the Annual General Meeting. This is called by the Board of Directors. The Annual General Meeting must be held no more than six months after the end of the Group's fiscal period. The AGM decides on the issues falling under its mandate as determined by the Companies Act, including the verification of the financial statements, the payment of dividends, the discharge from liability of the Board members and the CEO, and the selection and fees of the Board members and the auditors.

Board of Directors

The parent company's Board of Directors, which also acts as the Group's Board of Directors, is responsible for the Group's administration and appropriate operation, and it decides on issues that are highly significant in light of the scope of the Group's operations. The Board has rules of procedure detailing its duties, issues to be handled, procedures for meetings, and decision-making procedures.

According to the Articles of Association, the Board of Directors has 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. There are no committees on the Board. During the 2003-2004 fiscal period, the Board met 14 times. There was 97% attendance by the members.

CEO

The Board appoints the parent company's CEO, who acts as the Group's president. The CEO is responsible for the day-to-day management of the Group in accordance with the Finnish Companies Act, the Articles of Association, and instructions from the Board of Directors. The CEO's salary and other financial benefits are decided by the Board. The Group currently has no stock option scheme.

Business organization

The Group's operations have been separated into two divisions. The activities and results of these are the responsibility of the Group subsidiaries, whose CEOs report to the parent company's CEO.

Control system

The Group's business and administration is primarily monitored and controlled by means of the Group's management system. The Group has a financial reporting system whose purpose is to provide the Group and profit center management with sufficient information for monitoring, control, and planning of operations.

The statutory audit is performed by one or two qualified auditors, who must be auditors or auditing firms certified by the Central Chamber of Commerce. The auditors' term ends at the end of the first full Annual General Meeting after the election.

The Group follows the Helsinki Exchanges Insider Guidelines. The Group's permanent insiders comprise the statutory insiders and the insiders by definition.

Contacts

VAAHTO GROUP PLC OYJ
Laiturikatu 2
P.O. Box 5
FIN-15141 LAHTI
Tel +358 20 1880 511
Fax +358 20 1880 301
E-mail
firstname.surname@vaahtogroup.fi
www.vaahtogroup.fi

AK-TEHDAS OY
P.O. Box 838
FIN-33101 TAMPERE
Tel +358 20 1880 511
Fax +358 20 1880 701

AP-TELA OY
Ahertajantie 18
FIN-67800 KOKKOLA
Tel +358 20 1880 511
Fax +358 20 1880 660

JAPROTEK OY AB
P.O. Box 12
FIN-68601 PIETARSAARI
Tel +358 20 1880 511
Fax +358 20 1880 449

VAAHTO OY
Vanha Messiläntie 6
P.O. Box 1000
FIN-15861 HOLLOLA
Tel +358 20 1880 511
Fax +358 20 1880 290

STELZER RÜHRTECHNIK INTERNATIONAL GMBH
Speckgraben 20
D-34414 WARBURG
GERMANY
Tel +49 5641 903-0
Fax +49 5641 903-50
E-mail
firstname.lastname@stelzer-mt.com
www.stelzerruehrtechnik.de

VAAHTO GROUP PLC OYJ
Laiturikatu 2
P.O. Box 5
FIN-15141 LAHTI
Finland
Tel. +358 20 1880 511
Fax +358 20 1880 301

www.vaahtogroup.fi

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