KASOLA OYJ

Annual Report

2000

Financial Year in brief

	2000	1999
Turnover, FIM m	109.2	92.9
Operating profit, FIM m	7.7	3.2
Profit before extraordinary items, FIM m	5.9	1.4
Profit before extraordinary items ./.tax, FIM m	4.3	0.6
Investments, FIM m	7.4	4.2
Shareholders´ equity / share, FIM	23.31	21.36
Earnings / share, FIM	1.71	0.23
Share trading price on I list 29.12.2000, FIM	8.92	7.73

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Review by the Managing Director

The past year has as a whole been most satisfactory for the Kaso Group. Turnover grew by almost twenty percent, while operating profit more than doubled. The security product and subcontracting sectors did well, but the plastic product sector´s result showed a significant loss. Large investments in production were also started last year in the security product sector and are continuing this year.

Turnover for the security product sector grew as a result of good domestic sales. Our investments in the KASO brand have produced results in domestic markets. In addition, an active and systematic implementation of a new customer management system has been the key to more productive business. Our customer base has been extended, while our market share has grown. On the other hand, export activities have stagnated over the past years, and therefore changes are inevitable in export operations. Investments in product development are finally starting to bear fruit. The first official burglary and fire tests on the new generation of safes have been successfully accomplished. The safes will be in production in the autumn and more models will be introduced on the market at the turn of the year. We believe that we will achieve success with these products in new markets as well. Another significant new product is the clothes cabinet model with particular attention in design being paid to the requirements for cleaning in company staff facilities. It´s marketing was started up during late winter. Development of production continued last year by investing in new sheet processing machinery and a new surface treatment line, which will start up in the beginning of March. Long-term considerations continue to be the cornerstone of our activities. Our competitiveness is based on active marketing as well as on new, more competitive products. All in all, investments in the future still continue to be large.

Our operations in the USA started to make a significant profit during the previous year. This positive trend was especially affected by two large one-off projetcs, which were carried out during the spring and summer. In addition, improved demand in the major customer sector substantially raised production quantities. During the autumn, however, profits were impaired by modifications to the models made by the principals, which caused breakdowns in our production. The customer base has been extended, but it will take some time before a large increase in production quantities and profit can be expected. During the first months of the present year the surface treatment equipment was renewed, which will enable an extension of the customer base. Investments in production will also continue during the present year.

The problem with the plastic product sector continues to be that growth in turnover has not been achieved. Our investments in marketing personnel have not met targets and we have had to adjust fixed costs. The strategy-based division of the product range into the Palaset line (hangers, baskets, desktop) and the Piggies campaign products (money boxes, key rings) continues to be the operating principle. Extending the customer base, developing the product range and upscaling automation constitute the chief means of turning the result into profit. Systematic development and more active marketing are the keys to extend the customer base and improve profitability. Several new products are being introduced to the market this year. The Palaset and Piggies lines are being supplemented with clothes hangers and new customer-oriented money box models. During the past years production machinery has been renewed and automation increased, and this will continue in the future as well.

Management of the three separate divisions continues to be a tough challenge in our Group. The pressures of change affecting our business environment have increased continuously. This requires a greater willingness from us to anticipate the future and the courage to implement the measures that are expected of us by the customers and shareholders. Continuous improvement only occurs through change. Our aim is to be the best alternative for the customer for the products in each of our sectors. This requires us to have a firm, positive attitude as well as the desire to strive towards this objective. The prerequisites are good, as basically things are in a good state in each sector. Our most essential aim still remains to focus on core competences and to simplify operating processes. Long-term, systematic operations are the key to success now and in the future.

Helsinki, March 2001

Jari Bachmann
Managing Director

Administration

Kasola Oyj

Board of Directors	
Heikki Bachmann	Chairman, B.Sc. (Econ.), Counsellor of Trade
Claes Charpentier	B.Sc. (Econ.)
Jaakko Mattila	M.Sc. (Eng.)
Juha Oikarinen	B.LL, MBA
Jari Bachmann	Managing Director, M.Sc. (Econ.)

Kaso Oy

Managing Director Jari Bachmann

Kaipio Oy

Managing Director Jari Bachmann

Fab-Tech Industries, Inc.

Managing Director Jorma Härkönen

MK-Tresmer Oy

Managing Director Seppo Kalsta

Auditors

Tilintarkastustoimisto
Idman & Vilén Oy,
Authorized public accountants — Principal Auditor Markku Uotinen, Authorized public accountant

Geo.G.Scott & Co (USA)

James & Cowper (UK)

Group Key Figures

Operations	1996 8 months	1997	1998	1999	2000
Turnover, FIM k	62 317	118 384	114 623	92 881	109 209
change %	-42.4% 1)	+90.0%	-3.2%	-19.0%	+17.6%
Operating profit, FIM k	3 411	9 710	7 172	3 236	7 748
% of turnover	5.5%	8.2%	6.3%	3.5%	7.1 %
Profit before extraordinary items, FIM k	1 361	7 284	4 235	1 415	5 885
% of turnover	2.2%	6.2%	3.7%	1.5%	5.4%
Profit before appropriations and taxes, FIM k	1 361	7 084	4 235	1 976	5 885
% of turnover	2.2%	6.0 %	3.7%	2.1%	5.4%
Profit before extraordinary items ./.taxes, FIM k	501	6 657	3 096	577	4 323
% of turnover	0.8%	5.6%	2.7%	0.6%	4.0%
Return of equity (ROE), %	1.1% 1)	13.8%	6.0%	1.1%	7.6%
Return of Investment (ROI), %	3.6% 1)	10.4%	7.4%	3.1%	7.2%
Equity ratio, %	43.4%	47.4%	45.5%	46.4%	48.4%
Net gearing, %	89.0%	63.4%	68.7%	61.4%	53.4%
Gross investments in fixed assets, FIM k	1 836	2 542	7 688	4 175	7 398
% of turnover	2.9% 1)	2.2%	6.7%	4.5%	6.8%
Consolidated balance sheet total, FIM k	105 095	109 635	114 197	117 908	123 262
Average number of personnel	210	230	231	182	183

Share related	1996 8 months	1997	1998	1999	2000
Earnings / share (EPS), FIM	0.19 1)	2.63	1.22	0.23	1.71
Shareholders´ equity / share, FIM	17.88	20.05	20.50	21.36	23.31
Dividend / share, FIM (adjusted)	0.40	0.70	0.50	0.50	0.60*
Dividend / share, FIM (nominal)	0.40	0.70	0.50	0.50	0.60*
Dividend / profit, %	210.5%	26.6%	41.0%	217.4%	35.1%
Effective dividend yield, %	3.8%	4.8%	5.3%	6.5%	6.7%
Price / earnings ratio, (P/E)	56 1)	5	8	34	5
Issue-adjusted average no. of shares, k	2 530	2 530	2 530	2 530	2 530
Issue-adjusted year end no. of shares, k	2 530	2 530	2 530	2 530	2 530

Share performance	1996 8 months	1997	1998	1999	2000
A-share price on the I-list, FIM					
-highest share price	11.00	17.00	23.20	12.49	11.89
-lowest share price	7.50	10.90	8.50	6.84	7.43
-average share price	9.26	14.16	17.91	8.91	9.16
-year end share price	10.65	14.40	9.50	7.73	8.92
Market capitalization, FIM k, A-share	23.7	32.1	21.2	17.2	19.9
Trading volume of shares during accounting period on the I-list	192 332	331 820	543 846	262 850	208 785
Trading volume of shares, %	8.6%	14.9%	24.2%	11.8%	9.3%
Number of shareholders	469	442	422	387	361

*= proposal

1) The figures have not been adjusted and are therefore not comparable.

Figures for 1996-1997 have been calculated in accordance with previously valid regulations.

Report by the Board of Directors

For the accounting period 1.1.2000-31.12.2000

GROUP STRUCTURE AND BUSINESS ACTIVITIES

The Kaso Group´s operations are divided into three business sectors, which are:

Security Products (Kaso Oy, Kaipio Oy)
Subcontracting and automated storage systems (Fab-Tech Ind.Inc.)
Plastic Products (MK-Tresmer Oy)
The Parent Company, Kasola Oyj, is responsible for the Group´s financial management.
The subsidiary of MK-Tresmer operating in the UK was closed down.

Consolidated turnover amounted to FIM 109.2 m, which represents a growth of FIM 16.3 m on the previous year. Turnover was increased by the USA operations and the strong dollar. Turnover by company was divided as follows:

	FIM, k
Kasola Oyj	**4,101**
Kaso Oy	**38,488**
Kaipio Oy	**10,711**
Fab-Tech Ind.Inc.	**39,076**
MK-Tresmer Oy	**22,633**
MK-Tresmer Ltd.	**1,010**
- internal turnover	**- 6,810**
Consolidated turnover total	**109,209**

Operations abroad accounted for 58 % of the turnover (52 %) and the orderbook at the close of the financial year amounted to FIM 11.6 m (FIM 11.5m).

THE SECURITY PRODUCT SECTOR

Domestic markets showed a positive trend last year. Building continued to burgeon, which substantially raised the demand for our products. Targets were again not met in export markets. Apart from some Eastern European markets results remained poor. Turnover amounted to FIM 47.5 m (FIM 43.4 m) and operating profit to FIM 6.3 m (FIM 5.2 m). Average staff numbered 67 employees (66). Our aim continues to be to increase our market share in Finland. Domestic marketing activity has grown due to the new operating models and operations have become more systematic due to a customer management system. The number of co-operation partners has grown, while new financing alternatives have increased interest in our products among customers.

In spring 2000 we started an investment programme in production, the first stage of which was to renew Kaso´s sheet processing equipment. The next stage, starting in January 2001, was to renew the coating line. This caused a brief halt in production, but the new line was started up in the beginning of March. The initial burglary and fire tests for a new generation security product were successfully passed and our aim is to start marketing in the beginning of the autumn. Marketing of the new tested clothes cabinet model was started during the spring. The most important product improvement is the sloping roof of the cabinet, which facilitates cleaning in staff facilities. In addition it is simple to connect the cabinet to the building´s air-conditioning system. The main focus of product development remains to be on the new generation security product and our aim is to upgrade the model into higher burglary security classes.

SUBCONTRACTING AND AUTOMATED STORAGE SYSTEMS

Turnover grew by over 70% on the previous year. This was due to improved markets for our main principal and to two major projects, which comprised supplying Fuji Film with an industrial carousel storage system as well as a demanding subcontracting job for National Gypsum. Offers were tendered much more vigorously last year, and several orders were won from new manufacturing principals. Our principals´ product lines were renewed to a great extent during the previous year. Modifications made by customers accumulated during the second half of the year, thus weakening the profits. This will further affect our profit for the first third of the present year. Turnover amounted to FIM 39.1 m (FIM 22.6 m) and operating profit to FIM 3.4 m (-FIM 2.1 m). Staff numbered on average 56 (53).
This year installation of new surface treatment equipment was carried out. This investment will provide us with new potential for winning new customers. In addition, in February we acquired a new bevelling machine to improve our throughput times and increase capacity. The most important aim is to further extend the customer base and improve profitability.

THE PLASTIC PRODUCT SECTOR

The past year was one of heavy loss for the plastic product sector. This was due to a drop in turnover, which was not possible to halt. Marketing efforts did not produce results, which meant that expenditure, despite reorganisations, is too large. The Palaset product line achieved a positive success in export markets. Domestic sales, however, did not meet targets. Sales for the Piggies product line continued to diminish. Turnover fell by 16% on the previous year to FIM 22.7 m (FIM 26.9 m).Profitability considerably weakened in relation to the previous year with operating loss amounting to -FIM 1.5 m (FIM 0.7 m). Staff was on average 56 (59). In marketing it was not possible to attain adequate results by increasing sales staff. Sales prospects for new products are, however, positive. Investments to improve production continued according to plan.

PROFITABILITY AND FINANCING

Profitability based on operating profit showed a clear improvement during the previous year. Both the security product and the subcontracting sectors performed well. On the other hand, operating profit for the plastic product sector collapsed, considerably reducing the Group´s profit. Operating profit amounted to FIM 7.7 m, whereas it was just FIM 3.2 m for the previous year. Depreciations amounted to FIM 6.6 m, increasing slightly on the previous year due to investments on machinery and equipment. Financing expenditure remained at the level of the previous year. Liquidity was good for the entire year. Interest-bearing liabilities stood at FIM 50.4 m (FIM 51.3m) at the end of the year. The equity ratio was 48.4 % (46.4%).

INVESTMENTS

Investments grew considerably on the previous year, amounting to FIM 7.4 m (FIM 4.2 m). Investments in the security product sector were mainly directed at sheet processing machinery in production. There were no investments on machinery and equipment in the subcontracting sector last year. A new injection-moulding machine with automation was aquired in the plastic product sector. Investments in production will remain at a high level during the present year as well, as investments on the coating line, started at the beginning of the year, will rise to FIM 5 m.

PRODUCT DEVELOPMENT

The first safes in the new generation of the security product family have been burglary and fire tested. The safes will be introduced on the market at the beginning of the autumn. An extension of the product family will take place at the beginning of next year. Although we have had to be flexible with the schedule, we believe the products will fulfil the targets placed on them. A significant improvement in the new model of clothes cabinets is its air-conditioning capability to comply with building regulations. The cabinets can be connected to the buildings´ automatic air-conditioning system. The new sloping roof model also facilitates cleaning the cabinets and facilities. Expenditure on product development for the security product sector amounted to FIM 2.2 m. Actual expenditure on product development in the subcontracting sector came to only FIM 0.6 m. Product development in this sector was mainly focused on improving the design and functionability of customer products. The plastic product sector introduced a new clothes hanger and a key ring on the market.

There are several new projects in progress and new products will be on the market during the year. Expenditure on product development for the plastic product sector amounted to FIM 0.8 m.

ADMINISTRATION

The Parent Company´s Board of Directors comprise Heikki Bachmann (Chairman), Claes Charpentier, Jaakko Mattila, Juha Oikarinen and Jari Bachmann. Jari Bachmann is the corporate president. The auditors are Tilintarkastustoimisto Idman & Vilén Oy, Authorized public accountants with Markku Uotinen, Authorized public accountant, as the auditor in charge.

BOARD AUTHORISATION

The Board has no currently valid authorisation concerning increasing share capital, granting option rights, taking out convertible debentures or acquiring or transferring its own shares.

FUTURE PROSPECTS

The market outlook for the beginning of the year has somewhat weakened in all sectors. Ongoing investments on coating lines at Kaso Oy and Fab-Tech Ind.Inc. are reducing our turnover and impairing our profit for the first third of the year. As a result profit for the entire first part of the year will show a loss. We nevertheless believe that both turnover and profit will improve substantially during the next two thirds of the year. In addition new products placed on the market and investments in production will enhance our competitiveness. Investments in developing the business have, however, been exceptionally large during the first part of the year, which will result in profit for the entire year being down on the previous year.

Group Income Statement

	Ref.	01.01.00-31.12.00	01.01.99-31.12.99
Turnover	1,2	109 208 674.35	92 880 685.40
Variation in stocks of finished goods and in work in progress		- 628 528.39	- 30 597.80
Other operating income	4	4 000 735.00	4 148 827.58
Raw materials and services			
Raw materials and consumables			
Purchases during the financial year		24 483 867.83	20 352 213.01
Variation in stocks		- 179 457.70	761 833.43
External services		4 009 623.50	4 022 572.46
Raw materials and services total		28 314 033.63	25 136 618.90
Staff expenses			
Wages and salaries		36 485 203.75	33 017 772.95
Social security expenses			
Pension expenses		4 473 225.55	4 651 486.75
Other social security expenses		4 213 526.29	3 892 953.26
Staff expenses total		45 171 955.59	41 562 212.96
Depreciation according to plan	5	6 637 711.09	6 122 136.51
Other operating charges		24 708 694.18	20 942 294.29
Expenses total		104 832 394.49	93 763 262.66
Operating profit	3	7 748 486.47	3 235 652.52
Financial income and expenses			
Interest and financial income		1 283 755.14	898 784.82
Interest and financial expenses		- 3 147 394.41	- 2 719 660.36
Financial income and expenses total	6	- 1 863 639.27	- 1 820 875.54
Profit before extraordinary items		5 884 847.20	1 414 776.98
Extraordinary items:			
Extraordinary income		-	560 781.50
Extraordinary items total	7	-	560 781.50
Profit before appropriations and taxes		5 884 847.20	1 975 558.48
Change in depreciation difference		- 858 099.73	- 1 245 611.01
Income taxes	8	- 1 562 148.84	- 837 993.51
Minority interest		-	- 4 869.06
Profit / - loss for the financial year		3 464 598.63	- 112 915.10

Group Balance Sheet

ASSETS	Ref.	31.12.2000	31.12.1999
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights		894 739.75	921 175.27
Goodwill		686 867.63	865 409.81
Intangible assets total	1	1 581 607.38	1 786 585.08
Tangible assets			
Land and waters		7 964 575.31	7 827 851.40
Buildings		51 331 633.96	52 882 343.88
Machinery and equipment		17 866 611.35	13 867 010.11
Other tangible assets		244 128.59	263 146.42
Advance payments		1 137 781.19	327 960.00
Tangible assets total	1	78 544 730.40	75 168 311.81
Investments			
Shares and holdings		116 700.00	251 800.00
Investments total		116 700.00	251 800.00
NON-CURRENT ASSETS TOTAL		80 243 037.78	77 206 696.89
CURRENT ASSETS			
Stocks			
Raw materials and consumables		5 725 356.68	5 372 815.43
Work in progress		1 347 555.37	1 333 525.15
Finished products		3 255 226.33	2 845 898.10
Advance payments		-	12 688.00
Stocks total		10 328 138.38	9 564 926.68
Receivables			
Short-term receivables			
Deferred tax receivable	5	842 708.00	820 641.00
Accounts receivable		11 089 557.66	11 228 728.11
Loan receivables	3	164 304.81	164 304.81
Prepaid expenses and accrued income	3	1 812 791.88	953 071.45
Receivables total		13 909 362.35	13 166 745.37
Cash in hand and at banks		18 781 856.33	17 969 892.79
CURRENT ASSETS TOTAL		43 019 357.06	40 701 564.84
ASSETS TOTAL		123 262 394.84	117 908 261.73

Group Balance Sheet

LIABILITIES AND SHAREHOLDERS´S EQUITY	Ref.	31.12.2000	31.12.1999
SHAREHOLDERS´ EQUITY			
Share capital		25 300 000.00	25 300 000.00
Reserve fund		14 385 000.00	14 385 000.00
Translation difference		8 220 918.59	5 934 257.70
Accumulated depreciation difference		1 653 173.84	795 077.69
Accumulated profit from previous years		4 783 369.18	7 746 947.71
Profit / - loss for the financial year		3 464 598.63	- 112 915.10
Subordinated loan		1 167 000.00	-
SHAREHOLDERS´ EQUITY TOTAL	4	58 974 060.24	54 048 368.00
MINORITY INTEREST		152 546.52	153 773.90
LIABILITIES			
Long-term liabilities			
Deferred tax liability	5	675 240.00	324 745.00
Loans from financial institutions	6	33 586 149.03	39 211 497.08
Long-term liabilities total		34 261 389.03	39 536 242.08
Short-term liabilities			
Loans from financial institutions		16 782 604.52	12 026 700.33
Advance payments received		1 073 328.68	1 068 614.96
Accounts payable		4 169 445.79	3 880 556.70
Other liabilities		1 419 919.01	1 208 700.14
Accruals and deferred income	7	6 429 101.05	5 985 305.62
Short-term liabilities total		29 874 399.05	24 169 877.75
LIABILITIES TOTAL		64 135 788.08	63 706 119.83
SHAREHOLDERS´ EQUITY, MINORITY INTEREST AND LIABILITIES TOTAL		123 262 394.84	117 908 261.73

Parent Company Income Statement

	Ref.	01.01.00 - 31.12.00	01.01.99- 31.12.99
Turnover	1,2	4 101 328.63	4 091 477.24
Expenses			
Staff expenses			
Wages and salaries		1 769 087.59	1 787 346.08
Social security expenses			
Pension expenses		776 303.06	838 840.15
Other social security expenses		148 391.44	131 876.53
Staff expenses total		2 693 782.09	2 758 062.76
Depreciation according to plan	5	886 086.27	920 623.12
Other operating charges		972 677.29	914 329.62
Expenses total		4 552 545.65	4 593 015.50
Operating loss	3	- 451 217.02	- 501 538.26
Financial income and expenses			
Income from stake in Group companies		-	1 388 888.00
Interest and financial income		2 515 602.10	2 696 906.97
Interest and financial expenses		- 1 464 588.50	- 1 338 113.41
Financial income and expenses total	6	1 051 013.60	2 747 681.56
Profit before extraordinary items		599 796.58	2 246 143.30
Extraordinary items			
Extraordinary income	7	3 500 000.00	1 006 686.50
Extraordinary expenses		- 1 600 000.00	-
Extraordinary items total		1 900 000.00	1 006 686.50
Profit before appropriations and taxes		2 499 796.58	3 252 829.80
Additional depreciation	5	-	- 1 455 307.40
Change in depreciation difference		- 292 662.38	1 455 307.40
Income tax	8		
Extraordinary items		- 551 000.00	- 281 872.00
Normal business		- 90 133.00	- 210 072.00
Profit for the financial year		1 566 001.20	2 760 885.80

Parent Company Balance Sheet

ASSETS	Ref.	31.12.2000	31.12.1999
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights		98 968.76	75 599.44
Intangible assets total	1	98 968.76	75 599.44
Tangible assets			
Land and waters		3 990 380.00	3 990 380.00
Buildings		15 323 162.53	16 161 828.12
Tangible assets total	1	19 313 542.53	20 152 208.12
Investments			
Holdings in Group companies	2	21 057 880.10	21 057 880.10
Receivables from Group companies	3	26 194 911.50	29 426 980.00
Other shares and holdings		70 000.00	70 000.00
Investments total		47 322 791.60	50 554 860.10
NON-CURRENT ASSETS TOTAL		66 735 302.89	70 782 667.66
CURRENT ASSETS			
Receivables			
Short-term receivables			
Receivables from Group companies	3	2 000 000.00	2 000 000.00
Prepaid expenses and accrued income	3	3 784 721.55	1 527 072.73
Receivables total		5 784 721.55	3 527 072.73
Cash in hand and at bank accounts		14 149 825.34	12 587 341.70
CURRENT ASSETS TOTAL		19 934 546.89	16 114 414.43
ASSETS TOTAL		86 669 849.78	86 897 082.09

Parent Company Balance Sheet

LIABILITIES	Ref.	31.12.2000	31.12.1999
SHAREHOLDERS´ EQUITY			
Share capital		25 300 000.00	25 300 000.00
Reserve fund		14 385 000.00	14 385 000.00
Accumulated profit from previous years		8 165 799.13	6 669 913.33
Profit for the financial year		1 566 001.20	2 760 885.80
SHAREHOLDERS´ EQUITY TOTAL	4	49 416 800.33	49 115 799.13
ACCUMULATED APPROPRIATIONS			
Depreciation difference		292 662.38	-
ACCUMULATED APPROPRIATIONS TOTAL		292 662.38	-
LIABILITIES			
Long-term liabilities			
Loans from financial institutions		24 000 000.00	31 000 000.00
Long-term liabilities total	6	24 000 000.00	31 000 000.00
Short-term liabilities			
Loans from financial institutions		5 194 911.50	2 000 000.00
Accounts payable		39 653.90	21 409.07
Debt to Group companies		6 775 000.00	3 475 000.00
Other liabilities		213 248.76	189 804.70
Accruals and deferred income		737 572.91	1 095 069.19
Short-term liabilities total		12 960 387.07	6 781 282.96
LIABILITIES TOTAL		36 960 387.07	37 781 282.96
SHAREHOLDERS´ EQUITY, ACCUMULATED APPROPRIATIONS AND LIABILITIES TOTAL		86 669 849.78	86 897 082.09

Notes to Financial Statements

ACCOUNTING PRINCIPLES

Companies included in consolidated accounts

The Group comprises the parent company, Kasola Oyj, and the subsidiaries Kaso Oy, Kaipio Oy, MK-Tresmer Oy, the USA-based Fab-Tech Industries Inc. and MK-Tresmer Ltd. based in the UK.

Consolidation principles

The consolidated accounts have been drawn up using the acquisition accounting method. The difference between the acquisition price of the shares in the subsidiaries and the shareholders´ equity has been presented under Group goodwill. Minority interest has been recorded separately from Group shareholders´ equity and profit and displayed as an item in itself.

Intragroup receivables and payables, internal margins included in inventories, sales and purchases and other incomes and expenditures between the companies have been eliminated.

Transactions denominated in foreign currency

Receivables and liabilities denominated in foreign currency have been translated into Finnish marks using the exchange rates at balance sheet date.

The exchange rate differences for receivables and payables have been entered in the profit for the accounting period.

The translation difference in shareholders´ equity between the balance sheet date and the moment of acquisition of the shares in subsidiaries has been entered as a separate item in shareholders´ equity. The income statements of overseas subsidiaries have been translated into Finnish marks using the exchange rates at balance sheet date.

Valuation of fixed assets

Fixed assets have been recorded in the balance sheet at acquisition cost less depreciation according to plan. Depreciation according to plan has been calculated on a straight-line basis according to the estimated useful life of the assets. The period for depreciation takes into account the first use of the asset. The book value of shares in subsidiaries based on acquisition cost have been reduced to comply when necessary with the going value.

The periods for depreciation are as follows:

Buildings	30-40 years
Machinery and equipment	5-10 years
Other long-term expenditure	5-10 years
Goodwill	5-15 years

Valuation of inventories

Items recorded under inventories have been valued according to FIFO principles at acquisition cost or at the lower of replacement cost or probable market price. The acquisition cost of own manufacture under inventories has been set according to acquisition or direct manufacturing costs.

The value of inventories for the subsidiary operating in the USA takes into account the share of indirect acquisition and manufacturing costs.

Research and development expenses

Research and development expenditure has been entered as an annual expense for the year the expenditure was incurred.

Accrued pension expenses

Pension cover for staff in Group companies has been managed by pension companies.

Deferred taxes

Deferred tax liability or receivable has been calculated according to the timing differences between taxation and the annual accounts using the confirmed tax rate at balance sheet date.

NOTES TO INCOME STATEMENT
FIM k

	GROUP		PARENT COMPANY	
	2000	**1999**	**2000**	**1999**
1. Turnover by business sector				
Security products	47 456	43 380		
Subcontracting and storage systems	39 076	22 635		
Plastic products	22 676	26 866		
Administration of Group companies			1 713	1 703
Rent of real estate			2 388	2 388
TOTAL	109 209	92 881	4 101	4 091
2. Turnover by market area				
Finland	46 084	45 260	4 020	4 020
Other Europe	20 496	22 178		
North America	42 274	25 257	81	71
Other	354	186		
TOTAL	109 209	92 881	4 101	4 091
3. Operating profit by business sector				
Security products	6 302	5 216		
Subcontracting and storage systems	3 357	- 2 073		
Plastic products	- 1 459	731		
Parent company and internal items	- 451	- 638		
TOTAL	7 748	3 236		
4. Other operating profit				
Proceeds on sale of fixed assets	2 169	1 620		
Rental income	1 161	1 115		
Other	671	1 413		
TOTAL	4 001	4 148		
5. Depreciation and write - downs				
Depreciation according to plan:				
Intangible rights	295	248	48	82
Goodwill	250	237		
Buildings and constructions	2 619	2 576	838	838
Machinery and equipment	3 422	3 030		
Other tangible assets	52	30		
TOTAL	6 638	6 122	886	920
Additional depreciation on buildings	-	5 555	-	1 455
6. Financial income and expenses				
Dividend income from Group companies			-	1 389
Interest and other financial income	1 284	899	823	669
Interest income from Group companies			1 693	2 028
TOTAL	1 284	899	2 516	4 086
Interest and other financial expenditure	3 147	2 720	1 375	1 301
Interest expenditure to Group companies	-	-	89	37
TOTAL	3 147	2 720	1 464	1 338
7. Extraordinary income and expenses				
Extraordinary income	-	7	-	7
Deferred taxes	-	554	-	-
Group contribution received	-	-	3 500	1 000
Group contribution granted	-	-	- 1 600	-
TOTAL	-	561	1 900	1 007

	GROUP		PARENT COMPANY	
	2000	**1999**	**2000**	**1999**
8. Income tax				
On normal business activities	1 234	1 105	90	210
On extraordinary items	-	-	551	282
Change in deferred tax liability	328	- 267	-	-
TOTAL	1 562	838	641	492
Maximum tax allowed by accounting ordinance 2:6 3)	870	870		
NOTES TO BALANCE SHEET				
1. Intangible and tangible assets				
Intangible rights:				
Acquisition cost 1.1.	2 358	2 048	472	465
Increases	181	176	71	7
Acquisition cost 31.12.	2 539	2 224	543	472
Accumulated plan depreciation 31.12.	1 644	1 303	444	397
Book value 31.12.	895	921	99	76
Goodwill:				
Acquisition cost 1.1.	3 749	3 563		
Acquisition cost 31.12.	3 749	3 563		
Accumulated plan depreciation 31.12.	3 062	2 697		
Book value 31.12.	687	866		
Land:				
Acquisition cost 1.1.	4 964	4 828	990	990
Written - down value 31.12.	4 964	4 828	990	990
Revaluations	3 000	3 000	3 000	3 000
Book value 31.12.	7 964	7 828	3 990	3 990
The revaluation is based on expert valuation of the going value of the land calculated according to the productive value method.				
Buildings:				
Acquisition cost 1.1.	90 564	89 242	26 742	26 742
Increases	349	283	-	-
Acquisition cost 31.12.	90 914	89 525	26 742	26 742
Accumulated plan depreciation 31.12.	39 582	36 644	11 418	10 580
Book value 31.12.	51 332	52 881	15 324	16 162
Accumulated difference in total and plan depreciation before deferred tax 1.1.	678	4 741	-	1 455
Depreciation difference increase	633	290		
Depreciation difference decrease	-	4 353	-	1 455
Accumulated difference in total and plan depreciation before deferred tax 31.12.	1 311	678	-	-
Machinery and equipment:				
Acquisition cost 1.1.	44 061	51 027		
Increases	6 854	3 543		
Decreases	2 915	-		
Acquisition cost 31.12.	48 000	54 570		
Accumulated plan depreciation 31.12.	30 132	40 704		
Book value 31.12.	17 867	13 867		
Share of production machinery and equipment	16 316	12 345		
Accumulated difference in total and plan depreciation before deferred tax 1.1.	442	689		
Depreciation difference increase	575			
Depreciation difference decrease	-	247		
Accumulated difference in total and plan depreciation before deferred tax 31.12.	1 017	442		

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Other tangible assets:				
Acquisition cost 1.1.	587	562		
Increases	65	173		
Acquisition cost 31.12.	652	735		
Accumulated plan depreciation 31.12.	408	473		
Book value 31.12.	244	262		

2. Investments

Group companies	Group stake %	Parent company stake %
Kaso Oy, Helsinki	100	100
Kaipio Oy, Tampere	100	0
Fab-Tech Industries Inc. USA	100	100
MK-Tresmer Oy, Helsinki	95	95
MK-Tresmer Ltd. UK	95	5

3. Receivables

	Parent company 2000	Parent company 1999
Loans receivable from Group companies	28 195	31 427
Accrued receivables from Group companies	3 637	1 246
Accrued receivables essential items		
- Group contribution	3 500	1 000

4. Shareholders´ equity

	Group 2000	Group 1999	Parent company 2000	Parent company 1999
Share capital, K series	3 000	3 000	3 000	3 000
Share capital, A series	22 300	22 300	22 300	22 300
Share capital total	25 300	25 300	25 300	25 300
Reserve fund	14 385	14 385	14 385	14 385
Translation difference	8 221	5 934	-	-
Accumulated profits from previous years	6 049	9 012	9 431	7 935
Distributed dividends	- 1 265	- 1 265	- 1 265	- 1 265
Profit /-loss for the year	3 464	- 113	1 566	2 761
Share of allocations recorded in shareholders´ equity	1 653	795	-	-
Capital loan	1 167	-	-	-
TOTAL	58 974	54 048	49 417	49 116

Subordinated loan:
The subsidiaries have been granted a product development capital loan of FIM 1,850,000, of which FIM 1,167,000 has been raised. The company has a capital loan of FIM 1,167,000. The principal terms are:
- the loan period is eight (8) years, of which the first three are exempt from repayments.
- the capital may only be otherwise returned if there is complete cover for restricted shareholders´ equity in accordance with the company´s confirmed balance sheet for the last completed accounting period.
- interest can only be paid if the amount payable can be used for distribution of profits in accordance with the company´s confirmed balance sheet for the last completed accounting period.

The loan will be paid on an annuity basis within five years starting 2003 provided that the above mentioned terms are fulfilled. Interest rate for the loan is one percent below the base rate valid for the period, however at least 3.0 percent. Accumulated interest, not recorded as expenditure, amounts to FIM 27,961.30.

Distributable assets:	2000	1999
Accumulated profits	6 049	9 012
Distribution of dividend	- 1 265	- 1 265
Profit for the year	3 464	- 113
Interest on the capital loan not recorded as expenditure	- 28	-
TOTAL	8 220	7 634

5. Deferred taxes

	2000	1999
Deferred tax receivables	843	821
Deferred tax liabilities	675	325

Confirmed losses incurred by the susidiary operating in the USA have not been regarded in preparing deferred tax receivables.

	GROUP 2000	1999	PARENT COMPANY 2000	1999
6. Long-term liabilities				
Loans due in five years or more				
Loans from financial institutions	10 000	10 000	10 000	10 000
Interest-bearing and non-interest-bearing liabilities				
Interest-bearing	50 369	51 238	35 970	36 475
Non-interest-bearing	13 767	12 468	990	1 306
TOTAL	64 136	63 706	36 960	37 781
7. Short-term liabilities				
Essential items for accrued liabilities:				
Staff social expenditure periodisation	5 681	4 426		
Other	748	1 559		
TOTAL	6 429	5 985		
OTHER SUPPLEMENTARY INFORMATION				
Pledges given by the Group				
Loan for which real-estate has been mortgaged as collateral				
Loans from financial institutions	50 369	51 238	29 195	33 000
Mortgages given	56 210	54 371	15 080	15 080
Other assets pledged				
Pledged securities	40	31		
Instalment agreements	7 692	5 526		
Book value of fixed assets acquired through Instalment agreements	9 885	6 743		
The instalment agreement contains a condition for the retention of property.				
Rental sales repurchase commitment	231	-		
Amounts payable on leasing agreements				
Payables for accounting period 2001	1 244	1 175	114	170
Payable later	2 071	2 209	-	114

Leasing agreements are 3-5 year contracts with no condition for redemption

SUPPLEMENTARY INFORMATION ON STAFF AND CORPORATE BODIES

Staff average number	GROUP 2000	1999	PARENT COMPANY 2000	1999
Salaried staff	49	57	4	4
Wage earners	134	125	-	-
TOTAL	183	182	4	4

Transaction details

The Group company, MK-Tresmer Oy, has signed a rental agreement with Kijar Oy concerning real estate owned by the latter. The rental figure is FIM 1,050 k per year

Management salaries and fees	GROUP 2000	1999	PARENT COMPANY 2000	1999
Managing Directors	1 978	2 299		
Board members	193	181	135	110
TOTAL	2 171	2 480		

Retirement commitments for board members and managing director

The retirement age of the managing directors of Group companies is 60-65 years of age.

Statement of Cashflows

FIM k	GROUP 2000	GROUP 1999	PARENT COMPANY 2000	PARENT COMPANY 1999
Operations cashflow				
Sales revenues	109 353	95 165	4 087	4 076
Other income	4 001	4 148	-	-
Operational expenditure paid	- 98 502	- 87 133	- 4 194	- 3 554
TOTAL	14 852	12 180	- 107	522
Financial items	- 1 830	- 1 821	1 178	2 736
Taxes	- 1 286	- 837	- 323	- 388
TOTAL	11 736	9 522	748	2 870
Extraordinary items	-	7	- 600	707
Operations cashflow	11 736	9 529	148	3 577
Investments cashflow				
Investments	7 398	4 175	71	7
Investments decrease	-	-	3 232	1 795
Investments cashflow	7 398	4 175	3 161	1 788
Cashflow before financing	4 338	5 354	3 309	5 365
Financing cashflow				
Change in long-term loans	- 5 275	- 6 385	- 7 000	- 2 000
Change in short-term loans	3 014	8 172	6 519	4 093
Dividends paid	- 1 265	- 1 265	- 1 265	- 1 265
Financing cashflow	- 3 526	522	- 1 746	828
Change in liquid assets	812	5 876	1 563	6 193
Liquid assets 01.01.	17 970	12 094	12 587	6 394
Liquid assets 31.12.	18 782	17 970	14 150	12 587

Key Figure Calculation Formulas

Key figures for operations:

Return on equity %	= 100x	Profit before extraordinary items ./. taxes / Shareholders´ equity + minority interest (ave.)
Return of investment %	= 100x	Profit before extraordinary items + financial expenditure / Balance sheet total - non-interest-bearing liabilities (ave.)
Equity ratio	= 100x	Shareholders´ equity + minority interest / Balance sheet total - advance payments received
Net gearing	= 100x	Interest-bearing liabilities - cash and bank accounts / Shareholders´ equity + minority interest

Key figures for shares:

Earnings / share	=	Profit before extraordinary items ./. taxes +/- minority interest / Average of adjusted number of shares for the year
Shareholders´ equity / share, FIM	=	Shareholders´ equity / Adjusted number of shares at balance sheet date
Dividend / share, FIM	=	Total Dividends / Adjusted number of shares
Dividend / profit %	= 100 x	Dividend per share / Profit per share
Effective dividend yield %	= 100 x	Dividend per share / Share trading price at balance sheet date
Price earnings ratio (P/E ratio)	=	Share trading price at balance sheet date / Earnings per share for accounting period

Shares and shareholders

Kasola Oyj´s shares have been quoted since 16.12.1987 on the Helsinki Stock Exchange on the I list with ArosMaizels Oyj as market maker.

The nominal value of a share is FIM 10. K series shares entitle owner to 20 votes at the general meeting of the company and A series to 1 vote.

Number of shares		Number of shareholders	% of total shareholders	Number of shares	% of total shares	Number of votes	% of total votes
1 -	100	82	22.71%	6 685	0.26%	6 685	0.08%
101 -	500	90	24.93%	28 423	1.12%	28 423	0.35%
501 -	1 000	83	22.99%	77 649	3.07%	77 649	0.94%
1001 -	5 000	73	20.22%	195 860	7.74%	195 860	2.38%
5001 -	50 000	23	6.37%	319 616	12.63%	319 616	3.88%
50 001 -		10	2.77%	1 899 200	75.07%	7 599 200	92.34%
Totals		361	100%	2 527 433	99.90%	8 227 433	99.97%
Unregistered				2 567	0.10%	2 567	0.03%
Number in curculation				2 530 000	100.00%	8 230 000	100.00%

Shareholding	Number	% of total shares	Total FIM k	Votes	% of total votes
K shares	300 000	11.9%	3 000	6 000 000	72.9%
A shares	2 230 000	88.1%	22 300	2 230 000	27.1%
Total	2 530 000	100.0%	25 300	8 230 000	100.0%

Major shareholders	K-shares	A-shares	% of total shares	% of total votes
Bachmann Heikki	210 000	210 000	16.6	53.6
Bachmann Jari	30 000	70 000	4.0	8.1
Bachmann Sanni	30 000	54 700	3.3	8.0
Forsström Kirta	30 000	48 400	3.1	7.9
Maturiala Oy		424 000	16.8	5.2
Oy MK-Tuote Ab		360 000	14.2	4.4
Liljeström Ulf		119 000	4.7	1.4
Amra Oy		112 300	4.4	1.4
Kijar Oy		90 800	3.6	1.1
Kinnunen Aarno		45 000	1.8	0.5
Nominee holding		110 000	4.3	1.3
Other 351 shareholders		583 233	23.1	7.1
Unregistered		2 567	0.1	0.0
Total	300 000	2 230 000	100	100

Shareholders by business sector	Shares	% of total shares
Firms	1 091 610	43.15
Financial and pension companies	119 916	4.74
Public sector	4 000	0.16
Households	1 311 307	51.83
Foreign	600	0.02
Unregistered	2 567	0.10
Total	2 530 000	100.00

The company´s board members and managing director owned 20.6 % of the shares with 61.7 % of votes on 31.12.2000. Board members and the managing director owned 40.9 % of shares with 68.0 % of votes through personal ownership and their authorised companies.

Board´s Proposal for Distribution of Profits

The company´s disposable funds amount to FIM 8,220,000. The parent company´s profit for the accounting period is FIM 1,566,001.20. The board proposes to the annual general meeting that a dividend of FIM 0.60 per share, at a total of FIM 1,518,000, be distributed for the accounting period, and that the remainder of the profit for the accounting period be transferred to the accumulated profit from previous years account.

Helsinki, 21 March 2001

Heikki Bachmann · Claes Charpentier · Jaakko Mattila

Juha Oikarinen · Jari Bachmann
Managing Director

Auditors´ Note
The financial statements have been prepared in accordance with good accounting practice.
An Auditors´ Report will be submitted on the audit carried out.

Helsinki, 21 March 2001

Tilintarkastustoimisto Idman & Vilén Oy
Authorized public accountants

Markku Uotinen, Authorized public accountant

Auditors´ Report

To the shareholders of Kasola Oyj
We have audited the accounting, the financial statement and the corporate governance of Kasola Oyj for the period 1.1.2000 - 31.12.2000. The financial statements , which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements have been prepared by The Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

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

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company´s result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adobted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us.

The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies´ Act.

Helsinki, 21 March 2001

Tilintarkastustoimisto Idman & Vilén Oy
Authorized public accountants

Markku Uotinen, Authorized public accountant

Announcements to Shareholders

Annual General Meeting

The Annual General Meeting of Kasola Oyj will be held at the training facilities of Kaso Oy, Lyhtytie 2, 00750 Helsinki, on 11 April 2001 at 15.00.

Advance notification of attendance must be received by letter or by phone by 6 April 2001 at the latest:
Kirta Forsström, tel. 09-3468 228.

Financial Information

Kasola Oyj will publish two interim reports on the business for four and eight months on 8 June 2001 and 5 October 2001, respectively, as well as an annual report in March 2002.

Share register

A list of shareholding register for all shares and shareholders is kept by Suomen Arvopaperikeskus Oy. Shareholders must notify the particular register holding their book-entry account about any change of address, pledges and other such matters affecting their shareholding.

Annual Report 2000 in Finnish was officially published on 28.3.2001