

ANNUAL REPORT

2000

vacon

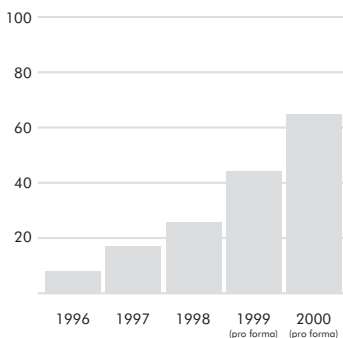


FREQUENCY CONVERTERS

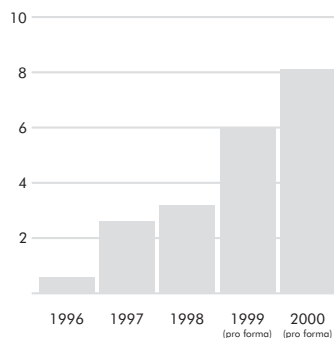
A frequency converter is a power control unit used to steplessly control the speed of a squirrel cage induction motor. A squirrel cage motor is the typical electrical power solution used in industry and the municipal engineering sector. Its rotation speed is proportional to the electricity supply's electrical frequency; hence, stepless change of the supply's frequency results in a corresponding change in its rotation speed. More than 30 million squirrel cage motors are sold world-wide every year (this figure does not include motors employed in domestic appliances). The installed base of such motors is ten times this amount and an estimated five per cent of squirrel cage motors used by industry are equipped with frequency converters. Typical applications of frequency converters include pumps and fans, where in addition to process control they also contribute to significant savings in energy. Other uses for frequency converters are hoists and cranes, elevators, conveyors, winders, compressors and winches.

Frequency converters allow squirrel cage motors to be started and stopped smoothly regardless of the load on the motor. Many modern industrial processes cannot function without the speed control provided by a frequency converter. Frequency converters also enable electric motor drives to be connected to an automation system using a field bus, for example, as well as making possible a wide range of measurement and control data on the process itself. One of the main advantages of frequency converters is savings in energy, which is achieved by controlling the rotation speed of the motor according to the needs of the process. This is particularly true of pump and fan applications where the energy savings achieved can pay back the investment cost of the frequency converter in less than one year.

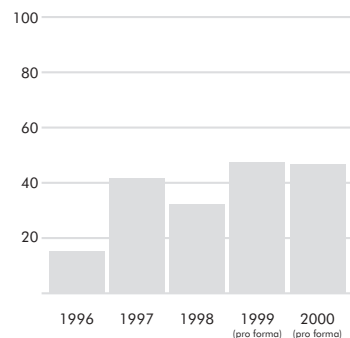
Revenues MEUR



Operating Profit MEUR



Return on Capital Employed %



VACON PLC

Vacon develops, manufactures, sells and markets frequency converters worldwide to meet the needs of industry and the public sector. Vacon is an independent supplier of frequency converters supporting open automation and international standards.

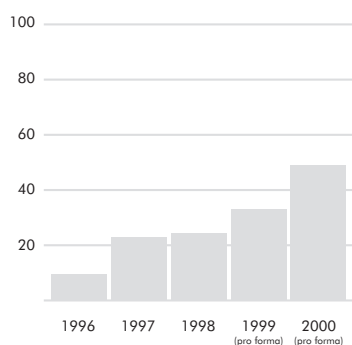
In line with the company's precision product strategy, Vacon offers customer and application specific frequency converters. The products are customised by configuring the software to specific customer needs without changing the product's hardware, which makes production more efficient. Vacon's production process is based on a high degree of subcontracting and networking. Only those stages of production related to strategic competence, such as assembly and testing, are carried out in the company's own organisation. Products are manufactured to order and not for stock. Approximately two-thirds of the R&D effort is directed to designing the software used in the products and customised applications.

In 2000, Vacon's revenues totalled EUR 64.9 million and the operating profit amounted to EUR 8.1 million. At the end of the year 2000, the number of Vacon employees reached 308.

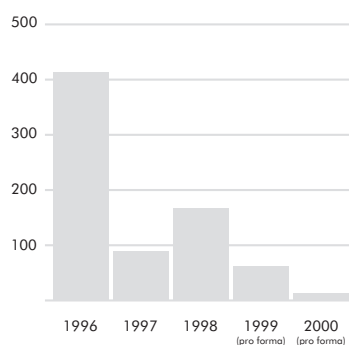
TABLE OF CONTENT

4	PRESIDENT'S REVIEW
6	OPERATING ENVIRONMENT
8	FREQUENCY CONVERTERS
10	DISTRIBUTION CHANNELS
13	RESEARCH AND DEVELOPMENT
14	PRODUCTION
16	OPERATIONAL POLICY AND PERSONNEL
18	KEY FIGURES
19	ACCOUNTING PRINCIPLES
20	INCOME STATEMENT (PRO FORMA)
21	BALANCE SHEET (PRO FORMA)
22	CASH FLOW STATEMENT (PRO FORMA)
23	NOTES TO THE FINANCIAL STATEMENTS (PRO FORMA)
28	REPORT OF THE BOARD OF DIRECTORS FROM THE FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2000
31	CORPORATE GOVERNANCE
32	INCOME STATEMENT
33	BALANCE SHEET
34	CASH FLOW STATEMENT
35	NOTES TO THE FINANCIAL STATEMENTS
43	SHARES AND SHAREHOLDERS

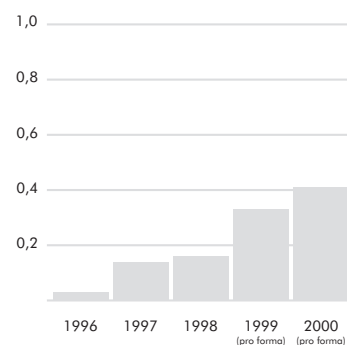
Equity ratio %
(Capital loans excluded)



Net gearing %



Earnings per share EUR



P R E S I D E N T ' S R E V I E W

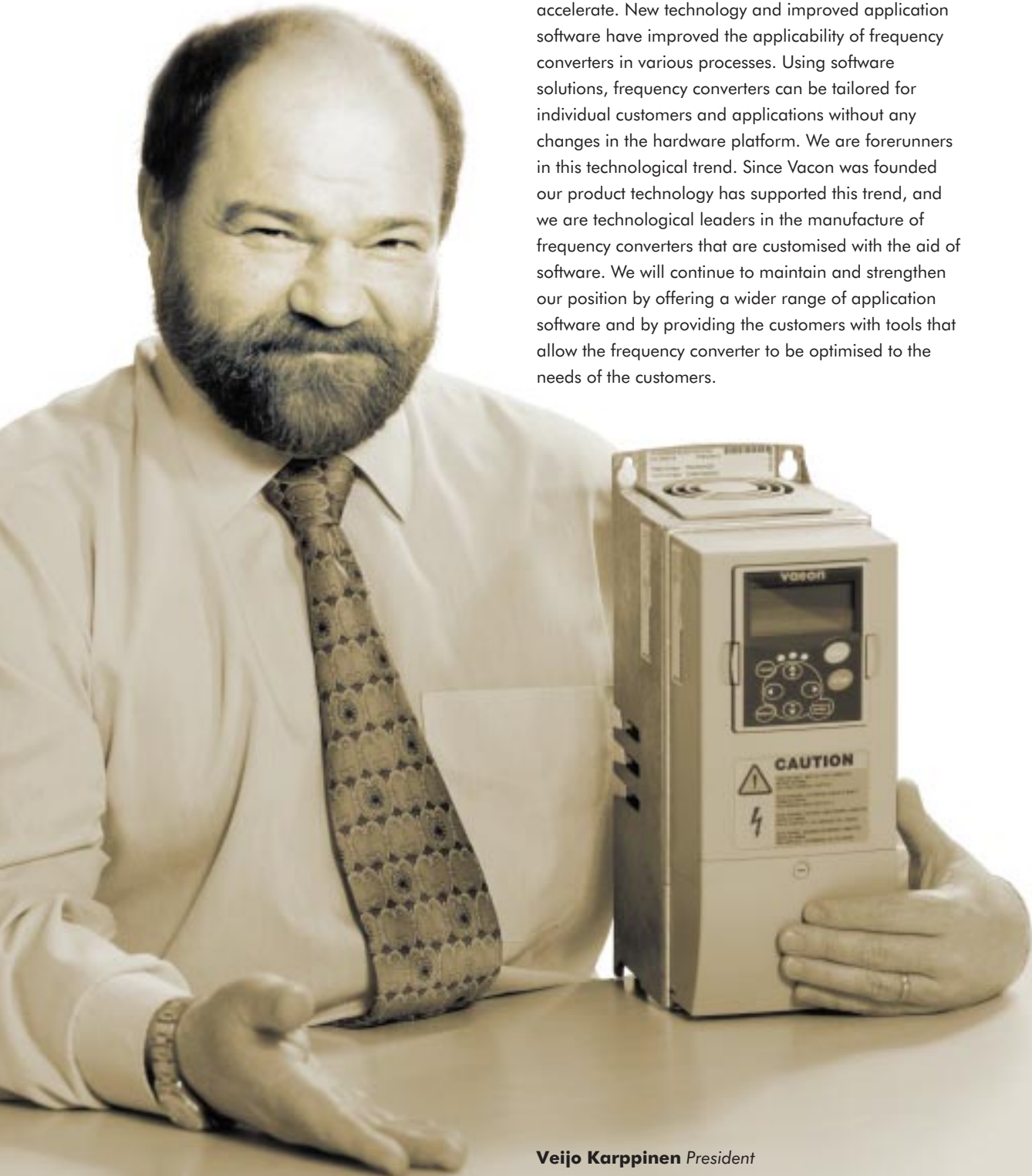
Vacon strengthens its position as a technological leader in the development of customer and application specific frequency converters that speak the customer's language.

Our objective is to continue our strong and profitable growth and to be among the market leaders in the coming years.

Technological leadership

The world market for frequency converters is estimated to be approximately EUR 5 billion and to grow at an annual rate of about 10 per cent. There is plenty of room for growth, as only 5 per cent of all squirrel cage motors are equipped with frequency converters. Substantially higher penetration levels would be economically justifiable.

I believe that the growth rate will continue to accelerate. New technology and improved application software have improved the applicability of frequency converters in various processes. Using software solutions, frequency converters can be tailored for individual customers and applications without any changes in the hardware platform. We are forerunners in this technological trend. Since Vacon was founded our product technology has supported this trend, and we are technological leaders in the manufacture of frequency converters that are customised with the aid of software. We will continue to maintain and strengthen our position by offering a wider range of application software and by providing the customers with tools that allow the frequency converter to be optimised to the needs of the customers.



Veijo Karppinen *President*

Energy savings

The energy savings achieved by the use of frequency converters can be substantial. In some cases, the energy savings can be so high that an investment in a frequency converter can pay itself back in less than one year. The availability of energy can be a threat to economic growth. This is why energy savings will also be of growing interest among public authorities. In the industrialised countries, electric motors consume approximately 30 per cent of all electrical energy produced. A significant portion of this could be saved by the use of frequency converters. The German institute ZVEI estimates that, at the current prices of electrical energy, it would be economically justifiable to equip 35 per cent of the electric motors with frequency converters, compared to today's share of only 5 per cent. The price of energy is expected to rise when, for example, the taxation of energy is more widely introduced. At the same time, the rapid development of frequency converter technology and electronic component technology has enabled competitive pricing. I believe that, in the future, the majority of the world's 500 million industrial electric motors will be equipped with frequency converters.

Focus on frequency converters

The world's largest manufacturers of frequency converters are major companies in the electrical industry offering a broad range of products and services. Their product concepts typically support their own products and internal standards. However, a growing number of customers are seeking new solutions that support open automation and international standards. Specialising in frequency converters alone, Vacon can provide such solutions.

Vacon's continued growth and profitability depend on the company's ability to offer technologically advanced, application and customer specific frequency converters that are channelled through a global multi-channel distribution network. Furthermore, we must continue to maintain and keep developing our production and logistics while meeting stringent quality requirements.

The competitive situation on the frequency converter market, as in the electronics industry in general, is getting tougher. This manifests itself in the rapid development of technology, the increasingly high performance of products and declining product prices. Due to the rapid development of frequency converter technology, frequency converters can provide improved performance and reliability as well as a better return on investment than other conventional control techniques. We aim at continuously improving and developing our products using the latest technology. The research and development emphasises developing new software applications, reducing the number of components needed in frequency converters as well as shortening the manufacturing time.

In 2000, Vacon allocated some nine per cent of its net sales to R&D activities. All in all, R&D employed 12 per cent of Vacon's total personnel at the end of 2000.

Business model

Vacon's production process is based on a high degree of subcontracting, networking and order-driven in-house assembly, which provides flexible production and efficient logistics. Vacon's ability to act as a flexible and prompt supplier gives Vacon a competitive edge. We have systematically been building up a global distribution network, comprised of our own sales companies, representative sales offices, distributors, brand label customers, original equipment manufacturers and systems suppliers. By using a variety of distribution channels, we strive to create an efficient worldwide sales network. Vacon's target for direct sales is to expand the current sales network to cover key world markets. Vacon's main goal in extending its network of distributors is the widest possible coverage, both in terms of geography and in terms of customer segments. Equipment manufacturers have recognised the advantages of frequency converters in various processes and their contribution to reduced costs. Vacon is in a good position to benefit from this development. Competitors lacking the necessary product development resources or not making the necessary investments in product development will increasingly complement their own range of frequency converters with brand label products. Vacon's success and experience with its current brand label customers provide good possibilities for expansion.

Listing

For Vacon, the year 2000 will be remembered as the year of ownership arrangements and, above all, as the year of listing. As of 19 December 2000 we have been listed on the Main List of the Helsinki Exchanges. This raises our profile in the eyes of our stakeholder groups. Our customers, suppliers, investors and potential future employees now consider Vacon as a more appealing business partner. We are not a shooting star; we are in this business to stay. A listed company also has at its disposal the needed instruments for arrangements such as acquisitions, for example, which are worth considering as we continue to grow. We warmly welcome all our new shareholders!

Thank you

I would like to extend my warmest thanks to our customers, shareholders, business partners and to our personnel for the profitable year 2000. We are all working towards our common goal of becoming the leading supplier of application and customer specific frequency converters worldwide. Another interesting and challenging year awaits us.



OPERATING ENVIRONMENT

Squirrel cage motors are widely used in industry and the public sector. A squirrel cage motor is technically a fairly simple construction but it has a long service life. Squirrel cage motors operate on alternating current (AC). All new industrial processes are typically equipped with squirrel cage motors. A squirrel cage motor has low maintenance needs, and it can run practically without maintenance even under very demanding conditions such as in damp and dusty environments.

The basic characteristic of a squirrel cage motor is its fixed speed of rotation. A frequency converter is a power control unit used to steplessly control the speed of rotation of a squirrel cage motor. The speed of a squirrel cage motor is proportional to

the frequency of its supply voltage; hence, stepless change of the supply's frequency results in a corresponding change in the rotational speed of the motor. Frequency converters give squirrel cage motors smooth starts and stops regardless of the load on the motor.

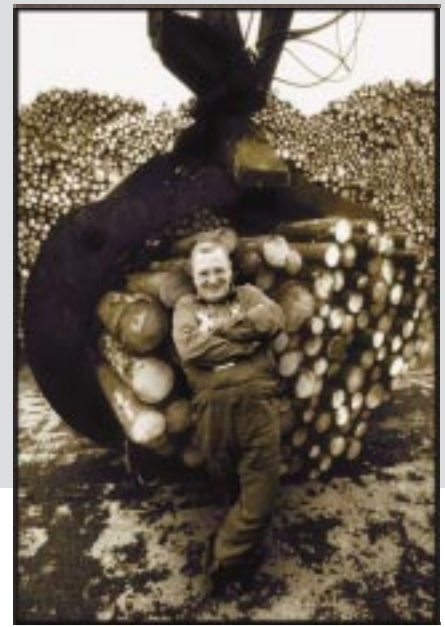
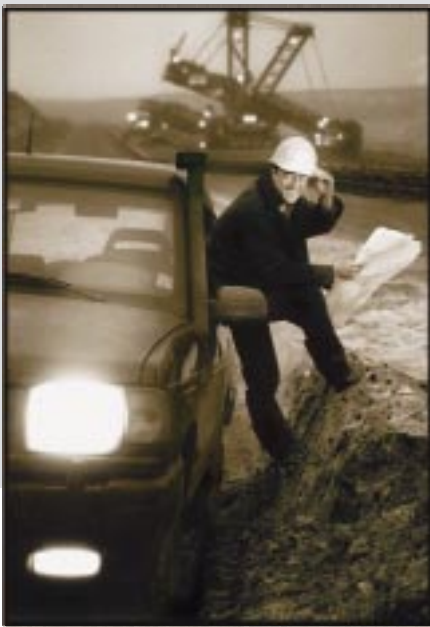
A frequency converter can also be used for controlling the acceleration, deceleration, braking and the direction of rotation of the motor, thus providing enhanced process control. An electric motor equipped with a modern frequency converter can be connected to an automation system e.g. by means of a field bus, providing access to a wide range of measurement and control data of the process itself.

Typical industrial uses of frequency converters include:

Mining	Pulp and paper	Buildings
Metal industry	Food and drink	Water and waste treatment plants
Power plants	Automotive industry	Chemical industry
Electronics	Plastics and rubber	Oil and gas industry
Marine and offshore	Textile industry	Sugar industry

Typical applications for frequency converters include:

Fans	Pumps	Conveyors
Paper machines	Metalworking machines	Cutters and shredders
Winders and coilers	Cranes	Escalators
Heaters and dryers	Mixers	Packing machines
Testing equipment	Textile machines	Compressors
Elevators	Foundry machines	Extruders



One of the main advantages obtained with frequency converters is the energy saving achieved by controlling the rotational speed of the motor according to the needs of the process. Particularly in pump and fan applications, where stepless motor speed control is used instead of a throttle, an investment in a frequency converter can pay itself back in less than one year. A frequency converter also reduces the load on the electrical network and the mechanical stress on machinery when the motor is started.

Approximately 5 per cent of all industrial squirrel cage motors are equipped with frequency converters. Other techniques for controlling the rotational speed of a squirrel cage motor exist as well. They do not, however, offer the same flexibility and benefits as frequency converters.

The market for frequency converters can be categorised according to the voltage range of the products. Most of the frequency converters operate on low voltages (110-690 V), and only a limited number of medium-voltage (2,300-11,000 V) frequency converters are manufactured.

The main customer groups for frequency converters include end-users (industry, construction and the public sector), original equipment manufacturers, distributors of electrical components and equipment, brand label customers complementing their own range of products, and systems suppliers. In large projects, end users such as manufacturing plants in various industrial sectors, generally purchase frequency converters directly from the manufacturer or from the system supplier for the project.

The world market for frequency converters is approximately USD 5 billion* and can be divided into the following categories according to the power range of the frequency converters:

4 kW	24 per cent
5-40 kW	28 per cent
41-200 kW	23 per cent
201-600 kW	14 per cent
above 1,000 kW	11 per cent

*) Source: ARD Advisory Group "ARC":
 "Low Power AC Drives Worldwide Outlook," January 2000 and
 "High Power AC Drives Worldwide Outlook," May 2000

F R E Q U E N C Y C O N V E R T E R S



A frequency converter is a device composed of power electronics used for controlling the speed of squirrel cage induction motors. These motors are widely used in industry due to their rugged and reliable construction. Approximately 90 per cent of all motors used in industry and civil engineering applications are of this type. The main drawback, from the process control engineer's point of view, is their fixed speed. The speed of rotation is determined by the frequency of the supply network and the construction of the motor. In most processes, however, there is a need for variable speed control due to changes in process conditions, materials and production volume requirements. In most cases the easiest way of controlling the process is to control the speed of the motor. The speed of the motor driving the process can be easily controlled by using a frequency converter, steplessly adjusting the speed from zero to more than twice the nominal speed. This makes process control easy and straightforward. Substantial energy savings can also be achieved, particularly in pump and fan applications.

The frequency converter came into wider use in the late 70s and early 80s. Since then several generations have been developed. Today's converters are small, rugged and reliable, complementing the motors they drive. Today's trends are modularity and software control. A modular, standardised hardware can be optimised to the customer's needs by choosing the right software to control the converter. The Vacon CX range, launched in 1995, embodies these principles in its seven standard "Five in One+" applications. Available on the Internet, Vacon provides a large number of free special applications for multiple purposes for downloading. The Internet will play an important role as a channel for distributing converter software as well as for placing and tracking orders in the near future.

The Vacon CX is designed for all commonly used three-phase supply voltages, from 208 to 690 V. The power range is from 0.75 kW (the small CXS products) to 1.5 MW (the largest CXs). The range has been designed for heavy use in demanding environments so the enclosure classes range from IP00 to IP54. As the range is intended for the world market, it complies with all relevant standards, directives and regulations concerning safety, electromagnetic compatibility and harmonics. The user panel is alphanumeric, displaying information in any of the five available languages. A graphical panel with trend display capabilities is also available. Both panels can be mounted on the switchgear door.

A wide range of option cards is available for extending the application area of the converters. The converter can, for instance, be used for high precision

closed loop applications as well as for applications requiring the use of field buses.

In 2000 we launched our next generation Vacon NX range of products. It builds on our long expertise and the customer feedback received on the Vacon CX. The Vacon NX is a highly modular product with separate control and power units. As standard, the enclosure class for all drives is IP21, and it can easily be upgraded to IP54 using a field-installable kit. The modular design combined with a new fully IEC61131-3 compliant tool make it easy for customers to create applications for their specific needs. At present, the new product is available for 380 through 500 AC input voltages, with a current output up to 205 A. Depending on the exact requirements, this corresponds to a motor power of up to 132 kW. Both the voltage and power ranges will be expanded during the year 2001. The Vacon NX family of products will replace the existing range of Vacon CX frequency converters by the end of 2002. Until then, we will maintain full capability for the mass production of the Vacon CX.

For the end user the Vacon NX is very similar to the Vacon CX, making the transition as smooth as possible. The new control panel is similar in functionality and easier to use. The panel can automatically back up the converter parameters, making a future replacement extremely easy. All the familiar applications are pre-installed and improved. The Vacon NX offers a wide range of modular option cards, making it possible to adapt the I/O configuration precisely to the requirements of the application. Our new application engineering tool, combined with the I/O possibilities, can be used to integrate a substantial part of the machine control into the frequency converter, reducing the number of components needed and increasing system reliability.

The first pilot deliveries of the liquid cooled NX were made in 2000. Frequency converters equipped with liquid cooling technology are extremely compact as the size of the converter can be reduced by as much as 70 per cent. The heat generated by the converter is carried away by a liquid coolant. The liquid is then cooled in a suitable liquid-to-liquid or liquid-to-air heat exchanger. Due to liquid cooling, high protection classes at high powers are easy to design. This makes it possible to install the converters close to the driven motor in the production area, thus minimising construction costs and the level of air conditioning usually required for electrical rooms.

In 2001 we will launch a number of new exciting products making the Vacon NX the drive of choice for the new century.

D I S T R I B U T I O N C H A N N E L S

In sales and marketing Vacon aims for the widest possible geographical coverage. Vacon sells and markets its products through its own sales companies, distributors, original equipment manufacturers (OEMs) and brand label customers complementing their own range of products. Vacon frequency converters have been sold to more than 100 countries via these channels.

Our own direct sales to the end customers The main customers of Vacon's direct sales are primarily in heavy industries and process industries as well as system suppliers.

Distributors Vacon has 64 distributors operating in 67 countries. In seeking and selecting its distributors, the main criteria are the prospective distributor's geographical coverage and end-customer coverage in different industrial branches.

Brand Label customers sell and market Vacon's frequency converters under their own brand as part of their own range of products. Through its brand label channels Vacon aims at increasing its sales more rapidly than it would be possible by the mere utilisation of its own distribution channels. Supplier reliability, flexibility and technological know-how are essential prerequisites for brand label customer satisfaction.

Original equipment manufacturers Frequency converters are part of a OEM's end product. The co-operation between Vacon and original equipment manufacturers relies on Vacon's ability to analyse customer and end user processes as well as to make necessary alterations to the products in order to meet the customer's needs. OEM agreements are typically long-term commitments.

The distribution of Vacon's revenues in the different distribution channels in 2000 was as follows: own direct sales 35 per cent, distributors 16 per cent, original equipment manufacturers 23 per cent and brand label customers 26 per cent.

Customers Vacon frequency converters have been sold to end customers in more than 100 countries. At the end of the financial year, Vacon had five brand label customers and more than 20 OEM customers.

The distribution of Vacon's revenues in different market areas is shown in the following table: :

MEUR	1997	1998	1999	2000
Finland	5.6	7.7	7.9	12.6
The rest of Europe	9.3	14.4	20.7	32.0
North America	0.3	1.9	11.9	13.1
Others	1.8	1.8	3.8	7.2
TOTAL	17.0	25.8	44.3	64.9

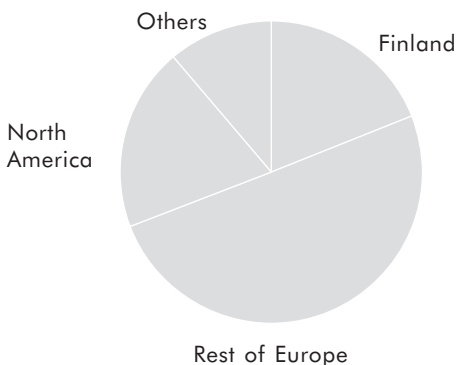
In the financial year of 1998, the contribution of the four largest customers to Vacon's revenues totalled 29.5 per cent, in the financial year of 1999 37.3 per cent, and in the financial year of 2000 30.5 per cent.

Market Structure and Competition There are many competitors in the frequency converter market. It is estimated that the share of the largest individual supplier accounts for 12 per cent of the total market while the common market share of the 13 largest suppliers totals 80 per cent.

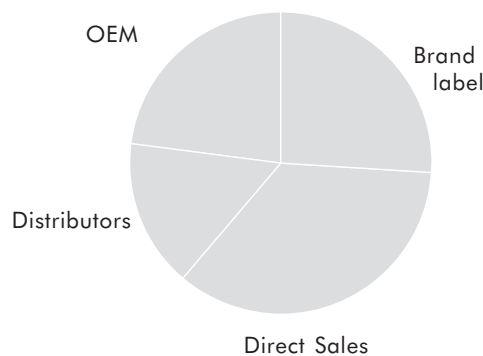
The competition in the frequency converter market is increasingly intense. This manifests itself in the rapid development of technology, the increasingly high performance of the products and declining product prices. Success in this business calls for constant improvement of products and working methods.

The world's largest manufacturers of frequency converters are multinational companies in the electrical industry offering a broad range of product and services. Their product concepts typically support their own products and internal standards. Contrary to Vacon, the percentage of group sales generated by frequency converters at many competitors is very small.

Sales by Market Area



Sales by Channel





Dan Isaksson *Vice President, Engineered Drives*

Tapio Vuojus *Managing Director, Vacon Traction Oy*

Jukka-Pekka Mäkinen *Vice President, OEM Customers*

Erkki Raunio

Executive Vice President



Jukka Kasi Vice President, Research & Development

User manuals and software can be downloaded from Vacon's website.

RESEARCH AND DEVELOPMENT

In the year 2000, Vacon's product development was focused on application and customer specific solutions using the next generation Vacon NX family of products. The Vacon NX was launched in October of 2000, and within the next two years, it will replace the existing range of Vacon frequency converters. The Vacon NX line requires fewer components and the manufacturing time will be substantially reduced.

Valuing our customers, listening and understanding their needs has been the foundation for our successful research and development efforts. Vacon's worldwide customer cooperation has resulted in many new customer-oriented innovations, which have immediately been put to work to benefit our customers. These innovations have resulted in solutions which can easily be adapted to and utilised in various processes. Due to their ease of use, we believe that our customised precision products that speak the customer's language will replace general-purpose frequency converters, resulting in increased reliability, efficiency and quality of process control.

Vacon is a leader in developing software-based frequency converter technology. We are able to rapidly provide flexible and customised products using a graphical engineering tool that complies with international automation standards. The frequency converter no longer only starts, stops and controls the rotational speed of a motor, but also acts as an automation controller. This makes possible machine automation, diagnostics and preventive condition monitoring. This can also replace the need for programmable logic controllers (PLCs).

The Vacon product line is built on the principle of the modular separation of the physical hardware and the software from each other. The use of a standardised hardware platform provides a number of logistical advantages. The independence of application and customer specific software from the hardware platform enables smooth customisation even in situations when new technical solutions are

being incorporated into the hardware. Application and customer-specific solutions can be designed using a graphical Windows-based tool. For pump applications, for instance, a special programme optimised for this purpose is available and can be downloaded into the frequency converter by the pump technician at the process location. The frequency converter software, together with the user manuals, are also available on the Vacon web site. Our easy-to-use graphical engineering tool provides an ideal platform for OEM and brand label customers to design custom-made applications for their specific needs.

Our automation-oriented frequency converter technology makes the Vacon frequency converter an intelligent machine automation and motor controller. We are strong partners, among others, with compressor OEMs, providing high-speed control of the motor running the compressor and complete system solutions for compressor automation. This includes the user interface, measurements and diagnostics. A machine automation system based on frequency converters is more economical, reliable and easily maintainable than other conventional systems.

In 2001 the research and development will have a wide focus area. The development of the Vacon NX product line will continue as the power and voltage ranges widen to meet the requirements of global business operations. Furthermore, a liquid-cooled Vacon NX product will be launched for use in heavy industry and marine applications. The product and production technology of low-end frequency converters (less than 4 kW) will be developed so that their production can start in 2002. Our web services will be developed further in order to make the distribution of applications and customer-specific software as well as business-to-business product sales more effective. In cooperation with our business partners we are also developing wireless communication solutions for preventive condition monitoring and diagnostics.

P R O D U C T I O N

Vacon's production system is extensively based on subcontracting and networking.

The company itself is responsible only for strategically important production stages. Assembly, testing and product variation are areas of Vacon's core know-how. The production system is both demand-driven and order-driven. This makes possible short stock times in all phases of the production chain. In cooperation with our partners we constantly develop our functions to improve quality and technology and to minimise overall costs and shorten delivery times.

The main characteristics of Vacon's production activities are:

- Concentration on added value for the customer
- Development of the whole network focusing not just on details but also the larger picture
- Effective utilisation of information and material streams
- Flexible and efficient modes of operation throughout the entire chain
- Innovative personnel committed to continuous learning

- Close planning co-operation throughout the entire network
- Customer-oriented operation and team work

In the production process, the aim is to operate cost effectively and to follow the zero fault principle, which means that all products must be free from defects when leaving the factory. All team members plan their personal tasks on a weekly basis. They are also responsible e.g. for collecting assembly materials to the production lines. Modern manufacturing facilities, appropriate machinery and powerful information systems together ensure fast deliveries worldwide.

In the course of the year 2000, our manufacturing personnel participated in a training programme to improve both team and personal skills. Innovative thinking is strongly encouraged. Our independently acting teams are responsible for the factors affecting the quality of the products and for continuously improving our products and working processes.



Vacon Concept for Supplier Partnership and Management

The 'Vacon Concept for Supplier Partnership and Management' operational initiative was introduced in the year 2000. The scheme can be used to evaluate and develop the performance of the whole Vacon network and that of individual companies within the network. The scheme was developed on the basis of the feedback obtained at the annual Partnership Meeting arranged by Vacon.

The model comprises seven main points by means of which the partners can judge their current operational level of development. The model also provides guidelines on how partners can develop their functions to become world-class suppliers.

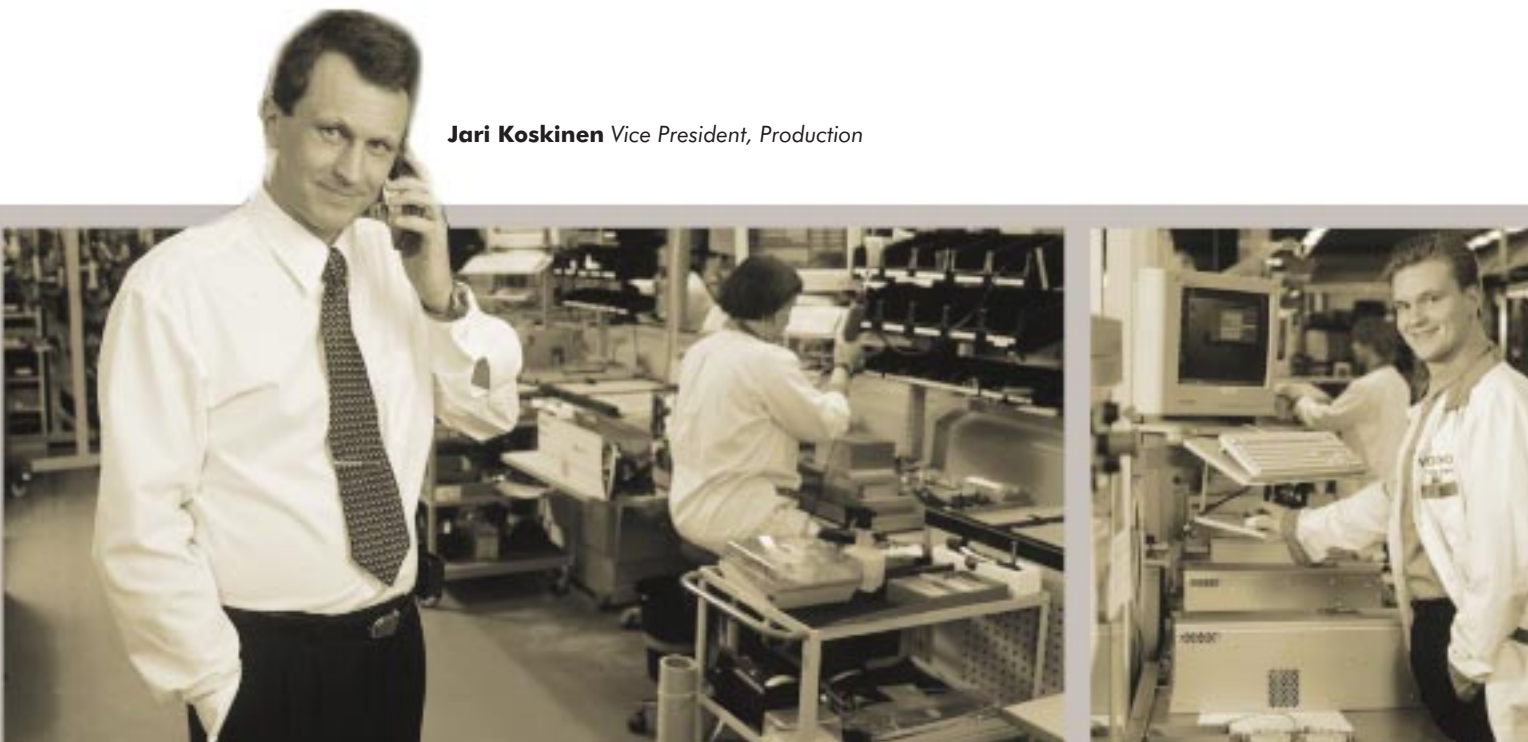
The assessment focuses on the following factors:

- Management and quality of co-operation
 - Quality of operations
 - Quality of products
- Promptness of deliveries
 - Cost development
 - Level of technical know-how within the company
 - Technical level of the means of production of the company

When the model was introduced in year 2000, a total of 25 companies were evaluated, six of which were foreign companies and the remainder were domestic ones. As a result of the evaluation, action plans for developing the functions of each company were made. Furthermore, it was decided that separate development projects under the guidance of Vacon would be started in four companies. Two of these partners were foreign companies and two were domestic ones.

Vacon's strong network thinking will ensure our success also in the future. Our flexible network enables prompt reaction to changes in the market, which benefits all of our customers.

Jari Koskinen Vice President, Production





Tuula Hautamäki *Vice President, Business Development*
Leena Taka *Vice President, Human Resources*

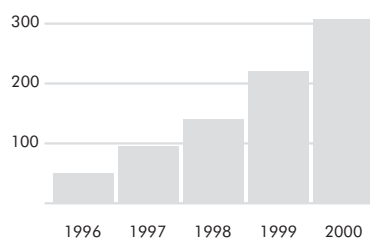
OPERATIONAL POLICY AND PERSONNEL

Our operational model is guided by the company values and visions. These are not just empty words for us, but are put into practice every day.

The Vacon values are:

- Customer-orientation and service-mindedness
- People in focus
- Entrepreneurship and drive for achievement
- Courage and fair play
- High-tech and superior quality
- Lean and flexible organisation
- Continuous development and learning

Personnel, end of period



Our operational policy and strategies are revised annually. In the process of strategic planning, taking the expectations of our stakeholder groups into consideration is essential. Customer and employee satisfaction surveys as well as evaluations made by our suppliers are carried out on a yearly basis. The results of these surveys form the basis for developing co-operation with the various stakeholder groups.

Strategic planning involves each and everyone at Vacon. The strategy is applied to everyday work in the form of action plans and development projects. Personal development discussions are the forum for discussing the action plan of the previous year and the objectives of the following year.

Our operational policy and strategies are executed in business processes. The core business processes of our company include Concurrent Engineering, Customer Satisfaction and Logistics. Management is the process that supports our business operations. The procedures of the processes are developed further to support the strategic objectives. In the past year, creating consistent process descriptions and manuals has been an important method of developing our procedures. In the process descriptions, all the main flows of information have been taken into consideration in order to create a common, transparent information network.

The quality standard ISO 9001 and the environmental system standard ISO 14001 that are applied in the company are both closely linked to our business processes. The quality standard ISO 9001 has been applied since 1998. The environmental system standard ISO 14001 was introduced at the beginning of the year 2000, and it was certified in June 2000.

The implementation of the strategy and the functionality of the processes are constantly followed and evaluated by means of our quality management standards and in our regular meetings. A new tool for quality management, the EFQM model, was implemented in 2000. Self-evaluation was performed in accordance with this model.

Behind Vacon's success and growth lie our skilled and committed personnel. Respect for the employees as well as the trust between the employees and the company is an essential prerequisite for common well-being.

The activities of our personnel are based on internal entrepreneurship and strong commitment. Our employees have the freedom to achieve their targets as they see fit. They are free to make decisions independently and responsibly.

The company spirit is reflected in the very low turnover of our employees. The possibility of investing in the company shares promotes general commitment: about 80 per cent of the personnel are registered as company shareholders.

Our personnel are all world-class professionals. Their excellent achievements are the result of the non-hierarchical and to some extent even informal ways of operation. In order to create an even closer relationship between the company management and the rest of the personnel, informal meetings between the President and a particular team or group were introduced at the beginning of this year. The task of the company management is to indicate the right direction and to create a working atmosphere that encourages top performance. Know-how and expertise surface best when each individual employee is encouraged to participate in reaching the objectives. Shared values and an atmosphere of mutual trust free the innovator in each of us to put him/herself in the game.

All new employees working in manufacturing attend a training programme, which includes both theory and practical working experience. The goal of the training programme is to add to their professional skills and to familiarise the new employees with the company values and operational policy.

In 2000, our team leaders and specialists had the opportunity to participate in a four-part training programme comprising corporate strategies, management culture, marketing and finance. The basic idea of team training programmes is to improve team skills and co-operation within teams. Before the strategic planning started in the autumn, issues relating to future strategies were discussed in small groups at a two-day meeting directed at the entire personnel. These discussions formed the basis for the strategic planning. The importance of strategies was emphasised in the presentations given at the meeting, and they also opened new perspectives on developing our operating environment at a personal level.

The common well-being in the company is also promoted by supporting the spare time activities of the personnel. In order to maintain the relationship of mutual trust between the company and the personnel, the working conditions and the actual nature of tasks, as well as leadership are constantly taken into close consideration. The annual surveys give us valuable information about the current state of employee satisfaction and ways of further promoting the well-being of the personnel.

KEY

FIGURES



Dag Sandås

Vice President, Finance and Control

	2000 (pro forma)	1999 (pro forma)	1998	1997	1996
Per share data					
Earnings per share (EUR)	0.41	0.33	0.16	0.14	0.03
Shareholders' equity per share (EUR)	1.32	0.56	0.34	0.19	0.05
Dividend per share, EUR	0.14	0.07	0.03	0.01	0.00
Dividend pay-out ratio, %	35.3	22.2	21.7	10.6	0.00
Effective dividend yield, %	1.7				
Price/earnings-ratio	20.2				
Share price information:					
Lowest during the period (EUR)	7.50				
Highest during the period (EUR)	8.50				
Closing price at the end of the period (EUR)	8.30				
Average price for the period (EUR)	7.76				
Market value of shares, EUR million	125.75				
Number of shares exchanged	211,041				
Number of shares exchanged, %	1.5				
Adjusted average number of shares during the financial period	13,722, 242	11,721, 500	11,721, 500	11,721, 500	11,721, 500
Number of shares at the end of the financial period	15,150, 000	11,721, 500	11,721, 500	11,721, 500	11,721, 500

	2000 (pro forma)	1999 (pro forma)	1998	1997	1996
Financial ratios					
Revenues, EURm	64.9	44.3	25.7	17.0	8.2
Revenues, increase %	46.6	71.9	51.4	106.9	169.5
Operating profit, EURm	8.1	6.0	3.2	2.6	0.6
Operating profit, increase %	34.7	91.4	22.8	311.1	405.6
Operating profit, % of revenues	12.5	13.6	12.2	15.1	7.6
Profit before extraordinary items, appropriations and taxes, EURm	8.2	5.7	2.9	2.3	0.4
Profit before extraordinary items, appropriations and taxes, % of revenues	12.7	12.9	11.2	13.7	4.6
Profit before appropriations and taxes, EURm	8.2	5.7	2.9	2.3	0.4
Profit before appropriations and taxes, % of revenues	12.7	12.9	11.1	13.6	4.6
Return on equity, %	44.3	71.3	57.5	111.2	76.9
Return on investment, %	46.8	47.4	32.4	41.6	15.4
Net interest bearing debt, EURm	2.3	4.3	7.0	2.0	2.7
Net gearing (%)	12.7	62.8	166.8	89.0	413.9
Equity ratio (%) (capital loans excluded)	49.1	33.1	24.6	23.0	9.5
Gross investments in fixed assets and shares, EURm	8.8	1.4	2.9	0.6	0.3
Gross investments in fixed assets and shares, % revenues	13.6	3.3	11.1	3.4	4.1
Research and development expenditure, EURm	5.8	3.6	1)	1)	1)
Research and development expenditure, % of revenues	8.9	8.1	1)	1)	1)
Personnel at the end of the period	308	220	141	96	51
Orderbook, EURm	5.8	2.5	2.4	2)	2)

- 1) R&D expenditures were not separately identified for years 1996 – 1998
 2) The order book was not classified in the same manner 1996–1997

A C C O U N T I N G P R I N C I P L E S

The consolidated financial statements and the financial statements of the Parent Company have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements.

Principles of consolidationIn addition to the Parent Company the consolidated financial statements consolidate the subsidiary companies Vacon GmbH, Vacon Benelux BV, Vacon SpA, Vacon Drives Ibérica S.A, Vacon Traction Oy, Vacon AB, Vacon Drives (UK) Ltd and Vacon AT Antriebssysteme GmbH. Fifty per cent of the insignificant financial income occurred in the joint venture company Vacon Americas LLC has been included in the consolidated financial statement. The acquisition cost of the shares in Vacon Americas LLC is included in investments in the balance sheet.

The consolidated financial statements have been prepared according to the acquisition method. The acquisition cost of the subsidiary company shares has been eliminated against the equity of the subsidiaries at the date of acquisition. The group goodwill is depreciated over fifteen years and the resulting Group reserve is entered as income over fifteen years. Intra-Group business transactions, receivables and liabilities and the internal margins included in inventories are eliminated in the consolidation. The income statement of the subsidiary companies from outside the EU is translated into euros using an average exchange rate for the financial period. The balance sheets of the subsidiary companies from outside the EU are translated into euros using the average exchange rate at the day of closing of the accounts. Minority interests in the profit are separately shown in the consolidated income statement as well as the minority interests in shareholders' equity in the consolidated balance sheet. The change in appropriations (which mainly consists of depreciation difference), net of tax liability, is included in the result for the financial year in the consolidated income statement. The accumulated appropriations are divided into tax liability and shareholders' equity in the consolidated balance sheet.

Affiliated companies are consolidated using the equity method. Vacon AB (the former Vacon Engineering AB) became a subsidiary on 10 December 1999. Before that Vacon AB was an affiliated company. In 1999 Vacon AB was consolidated with the balance sheet using the acquisition cost method and with the income statement using the equity method. In 2000 Vacon AB was consolidated in accordance with normal principles of the acquisition method.

The key figures and other financial information from the financial periods of 1996, 1997 and 1998 that are presented in this annual report are based on the consolidated financial statements of the Vaasa Control Oy Group.

The presented pro forma income statement, pro forma balance sheet, pro forma notes to the income statement and pro forma cash flow statement include information that is comparable to prior years in terms of twelve month periods. The statutory income statement and the statutory notes to the income statement for the year 2000 include information, which only relates to the period from 1 September to 31 December 2000, i.e. the period subsequent to the merger. Group notes in the statutory financial statement for the year 1999 are non-existent in consequence of the fact that the current group structure originates from the merger performed on 31 August 2000. Therefore, the columns in the statutory Group notes concerning the income statement for the year 1999 are intentionally left empty. All columns in the statutory notes which relate to the balance sheet contain pro forma information for both the year 1999 and the year 2000, except for those notes relating to the shareholders' equity (notes 18 and 19, in which information based on statutory financial statements is presented).

The purpose of the pro forma figures is to present financial information for the period that provides a basis of comparison to previous periods. The company management believes that, due

to the merger, presenting information only based on the statutory financial statements would not give a true and fair view.

Net salesNet sales are calculated by deducting indirect sales taxes (V.A.T), discounts, claim costs and foreign exchange differences. Freight and other costs related to sales and deliveries, sales commission and credit loss are entered in the income statements as operating expenses.

Other operating incomeOther operating income includes income from sources other than actual sales, such as rental and licensing income. Loss from sales of fixed assets is presented as other expenses. Grants received are recorded as a deduction of fixed costs.

Foreign currency transactionsBusiness transactions denominated in foreign currencies are entered at the exchange rate prevailing on the date of transaction. For purposes of consolidation, the balance sheet items of a foreign subsidiary are translated into euros using the exchange rates quoted by the European Central Bank on the day of closing of the accounts and the income statement items using the average rate for the financial year.

Pension arrangementsThe company's pensions are arranged through separate pension insurance companies. Pensions are matched to correspond to accrual-based wages in the financial statements. The company has no uncovered pension liabilities.

LeasingLeasing payments are treated as rentals. Unpaid leasing fees are recorded under leasing liabilities in the notes to the statutory financial statements.

Research and developmentResearch and development costs are expensed in the financial year in which they occurred and are entered as other expenses and personnel expenses in the income statement. Costs relating to research and development projects with far-reaching and long-term consequences are capitalised as stated in the notes to the financial statements. Subsidiaries are entitled to capitalise their respective research and development costs. Grants received are entered as deductions of fixed costs or as deductions of fixed assets.

Fixed assets and depreciationFixed assets are valued at their direct acquisition cost less accumulated depreciation. Depreciation according to plan is calculated using the straight-line method on the basis of estimated economic life-time. The economic life-times used are indicated in the notes to the financial statements. The economic life-time of fixed assets acquired during the financial year is calculated as of the beginning of the month in which the asset was acquired. Incomplete investments and construction in progress are not depreciated.

InventoriesInventories are valued in the balance sheet on the FIFO (first in, first out) basis, at lower of manufacturing cost or net realisable value. In the year 2000, in deviance from the principles of prior years, the manufacturing cost of inventories additionally comprises variable labour costs and fixed costs attributable to manufacturing the products. The change in the valuation principle increased the balance sheet value of inventory by a total of 192 TEUR (1,143 TFIM), which is recorded as "change in inventories of finished goods and work in progress" in the income statement.

Provisions and reservesCosts that are not expected to generate profit in the future are entered as expenses in the income statement and as accrued expenses and deferred income in the balance sheet. Costs caused by warranty work or post-sale modifications relating to occurred sales are expensed.

I N C O M E S T A T E M E N T (P R O F O R M A)

	Note	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
NET SALES	1	64,893	44,253	57,119	40,320
Change of inventories of finished goods and work in progress, increase (+)/decrease (-)		1,008	262	751	82
Production for own use		49	5	49	5
Share of profit in affiliated companies			23		
Other operating income		230	146	34	52
Materials and services	2	-34,441	-22,790	-32,374	-21,888
Personnel expenses	3,4,5,6	-11,804	-8,418	-7,950	-6,462
Depreciation and write-downs	7	-1,363	-1,128	-1,000	-899
Share of loss in affiliated companies					
Other operating expenses	8	-10,450	-6,322	-8,227	-4,955
Operating profit (loss)		8,122	6,031	8,402	6,255
Share of profit in affiliated companies			4		
Financial income and expenses	9	132	-322	280	-158
Profit (loss) before extraordinary items		8,254	5,713	8,682	6,097
Extraordinary items					
Profit before taxes		8,254	5,713	8,682	6,097
Appropriations	10			252	-252
Income taxes	11	-2,715	-1,796	-2,610	-1,658
Minority interests		44	6		
Profit for the financial year		5,583	3,923	6,324	4,187

BALANCE SHEET (P R O F O R M A)

Assets

	Note	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
Fixed assets					
Intangible assets	12	1,730	465	1,577	267
Consolidated goodwill	12	2,018	142		
Tangible assets	12	6,563	3,277	6,246	2,973
Investments	13,14	1,409	338	5,531	2,401
Shares in affiliated companies	13,14		49		
		11,720	4,271	13,354	5,641
Current assets					
Inventories	15	6,354	3,782	4,831	2,822
Short-term receivables	16,17	16,716	11,442	16,029	9,960
Cash and bank balances		2,396	1,539	1,457	876
		25,466	16,763	22,317	13,658
		37,186	21,034	35,671	19,299

Shareholders' equity and liabilities

Shareholders' equity					
Share capital	18,21	3,030	580	3,030	580
Share premium reserve		3,499	137	3,499	137
Other shareholders' equity		19	332		
Retained earnings		6,048	1,592	6,681	3,398
Profit for the financial year		5,583	3,923	6,324	4,187
Preferred capital notes	20	1,808	348	1,808	348
Total shareholders' equity		19,987	6,912	21,342	8,650
Minority interests		26	236		
Group reserves	14	83	89		
Untaxed reserves	22				252
Liabilities					
Deferred tax liabilities		46	70		
Long-term liabilities	23	2,542	4,517	2,219	3,114
Current liabilities	25	14,502	9,210	12,110	7,283
		17,090	13,797	14,329	10,397
		37,186	21,034	35,671	19,299

CASH FLOW STATEMENT (PRO FORMA)

	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
Cash flow from operations				
Operating profit	8,122	6,031	8,402	6,255
Adjustments to operating profit				
Depreciation	1,363	1,128	1,000	899
Share of affiliated companies profit		-23		
Other income and expenses				
Cash flow from operations before change in net working capital	9,485	7,136	9,402	7,154
Short-term trade receivables, increase (-)/decrease (+)	-5,527	-2,879	-6,321	-1,968
Inventories, increase (-)/decrease (+)	-2,572	-126	-2,009	-178
Non-interest bearing liabilities, increase (+)/decrease (-)	6,163	3,066	5,032	2,068
Change in net working capital	-1,936	61	-3,298	-78
Cash flow from operations	7,549	7,197	6,104	7,076
Interest received	143	37	265	95
Interest paid	-289	-306	-256	-243
Other financial items	277	-54	272	-9
Taxes paid	-2,715	-1,725	-2,610	-1,659
Net cash flow from operating activities	4,965	5,149	3,775	5,260
Cash flow from investments				
Purchase of other fixed assets	-7,789	-937	-5,583	-925
Investment in shares of affiliated companies				29
Investment in other shares		-6		-6
Investment in group company shares		-287	-3,006	-316
Sale of other fixed assets		19		
Other long-term investment, increase (-)/decrease (+)	-1,023	-110	-124	-45
Net cash flow from investments	-8,812	-1,321	-8,713	-1,263
Cash flow before financing	-3,847	3,828	-4,938	3,997
Cash flow from financing				
Proceeds from (+)/repayments of (-) long-term loans	-2,000	1,451	-895	413
Proceeds from (-)/payments of (+) short-term receivables	252	-168	252	-219
Proceeds from (+)/payments of (-) short-term financing	-871	-3,290	-205	-3,443
Proceeds from (+)/repayments of (-) preferred capital loans	1,460		1,460	
Raising of share capital	10,495		10,495	
Dividends paid	-870	-406	-870	-406
Other changes in shareholders' equity	-3,762	-807	-4,718	
Net cash flow from financing	4,704	-3,220	5,519	-3,655
Change in liquid funds, increase (+)/decrease (-)	857	608	581	342
Liquid funds January 1st	1,539	931	876	534
Liquid funds December 31st	2,396	1,539	1,457	876

NOTES TO THE FINANCIAL STATEMENTS (PRO FORMA)

	Group	Group	Parent	Parent	Group	Group	Parent	Parent
	2000	1999	2000	1999	2000	1999	2000	1999
	1,000 FIM	1,000 FIM	1,000 FIM	1,000 FIM	1,000 EUR	1,000 EUR	1,000 EUR	1,000 EUR

1. NET SALES BY MARKET AREA

Finland	75,074	46,841	75,074	46,841	12,627	7,878	12,627	7,878
Rest of Europe	190,154	123,080	143,935	100,488	31,982	20,701	24,208	16,901
North-America	77,961	70,802	77,961	70,802	13,112	11,908	13,112	11,908
Rest of the world	42,645	22,392	42,645	21,601	7,172	3,766	7,172	3,633
Total	385,834	263,115	339,615	239,732	64,893	44,253	57,119	40,320

2. MATERIALS AND SERVICES

Materials and consumables								
Purchases during the financial year	202,272	128,617	190,929	125,034	34,020	21,632	32,112	21,029
Change in inventories	-9,300	-707	-7,483	-567	-1,564	-119	-1,258	-95
Total	192,972	127,910	183,446	124,467	32,456	21,513	30,854	20,934

External services	11,805	7,594	9,040	5,672	1,985	1,277	1,520	954
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3. PERSONNEL EXPENSES

Wages and salaries	60,970	38,646	43,010	29,441	10,254	6,500	7,234	4,952
Fringe benefits	-96	-63	-94	-63	-16	-11	-16	-11
Capitalised wages and salaries	-5,037		-5,037		-847		-847	
Pension costs	8,294	5,439	6,638	5,026	1,395	915	1,116	845
Other personnel costs	7,201	6,029	3,900	4,020	1,211	1,014	656	676
Capitalised pension and other personnel costs	-1,150		-1,150		-193		-193	
Total	70,182	50,051	47,267	38,424	11,804	8,418	7,950	6,462

4. SALARIES AND FEES TO MANAGEMENT

President and managing directors	7,988	5,853	1,619	1,300	1,344	984	272	219
Members of the Boards of Directors	54	60	54	60	9	10	9	10
Total	8,042	5,913	1,673	1,360	1,353	994	281	229

5. AVERAGE NUMBER OF EMPLOYEES

White collar	174	107	113	74	174	107	113	74
Blue collar	109	85	109	85	109	85	109	85
Total	283	192	222	159	283	192	222	159

6. PENSION COMMITMENTS TO THE PRESIDENT

The retirement age agreed for the President of the parent company is 60 years.

7. DEPRECIATION

Depreciation according to plan is calculated with uniform criteria within the group. The straight-line depreciation is calculated on the original acquisition cost using an estimated economic lifetime of the fixed assets. The estimated economic lifetime during which the fixed assets are written off are as follows:

Capitalised formation expenses	5 years	Furniture	8 years
Capitalised research and development expenses	5 years	Instruments	5 years
Lifting equipment	8 years	Testing equipment	15 years
Tools, equipment	5 years	Computer software	6 years
Office machines	5 years	Buildings	15 years
Computer hardware	4 years		

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
Intangible assets	1,002	2,054	697	1,709	169	345	117	287
Tangible assets	6,246	4,398	5,247	3,635	1,050	740	883	612
Total	7,248	6,452	5,944	5,344	1,219	1,085	1,000	899
Consolidated goodwill	892	254			150	43		
Decrease of group reserves	-35				-6			
Depreciation according to plan, total	8,105	6,706	5,944	5,344	1,363	1,128	1,000	899

8. OTHER OPERATING EXPENSES

Contributions	-3,583	-4,552	-3,552	-4,552	-603	-766	-597	-766
Capitalised R&D expenses	-2,585		-2,585		-435		-435	
Other expenses	68,298	42,143	55,055	34,015	11,488	7,088	9,259	5,721
Other operating expenses, total	62,130	37,591	48,918	29,463	10,450	6,322	8,227	4,955

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
9. FINANCIAL INCOME AND EXPENSES								
Interest income								
From group companies			438	433			73	73
From affiliated companies		49		50		8		8
		49	438	483		8	73	81
Other interest and financial income								
From group companies			378	22			64	4
Profit from sale of real estate	1,615		1,615		272		272	
From others	893	170	757	58	150	29	127	9
	2,508	170	2,750	80	422	29	463	13
Financial income, total	2,508	219	3,188	563	422	37	536	94
Interest expenses and other financial expenses								
From others	-1,726	-2,136	-1,525	-1,500	-290	-359	-256	-252
Financial income and expenses, total	782	-1,917	1,663	-937	132	-322	280	-158
10. APPROPRIATIONS								
Difference between depreciation according to plan and total depreciation deducted in taxation			-1,497	1,496			-252	252
11. INCOME TAXES								
Income taxes from operations	16,429	10,255	15,515	9,860	2,763	1,725	2,610	1,658
Change in deferred tax liability	-285	419			-48	71		
	16,144	10,674	15,515	9,860	2,715	1,796	2,610	1,658



HARD WORK NEEDS SMOOTH CONTROL

REPORT OF THE BOARD OF DIRECTORS FROM THE FINANCIAL YEAR 1 JANUARY - 31 DECEMBER 2000

Vacon Plc Board of Directors: **Veijo Karppinen**
Harri Niemelä
Erkki Raunio
Harry Ollila
Mauri Holma
Stefan Wikman

28

During the financial year the Vacon Group continued its profitable growth. The increase in the net sales in comparison with the previous financial year was 47 per cent, and the excellent profitability of the previous years was maintained. The Group increased its market share in the frequency converter market, which is estimated to amount to approximately USD 5 billion and to grow at an annual rate of about 10 per cent.

Our objectives for the financial year were achieved. Despite the general fall in the prices of electronic devices, the gross margin on sales of the company remained on the same percentage level as last year. In addition to the volume advantage achieved, this indicates that the measures taken in order to intensify our purchase, logistics and production have been successful, and that the investments on marketing and sales have been effective. Despite the strong growth of the net sales, our equity ratio increased. We anticipate strong growth in our future business as well. For the current year, growth of 35 per cent is targeted and profitability is expected to remain on the level of the year 2000.

Market Position

Vacon has consolidated its position in the international frequency converter market as a supplier of reliable,

easy-to-use electric drives. The company's current share of the world market for frequency converters is approximately 2 per cent. We believe that Vacon will continue increasing its market share in the coming years.

There are many competitors on the world market for frequency converters. According to our estimate, the contribution of the largest individual supplier to the entire market for frequency converters is 12 per cent, while the common contribution of the 13 largest suppliers to the market totals 80 per cent.

The competition in the frequency converter market is increasingly intense. This manifests itself in the rapid development of technology, high-performance products and lower product prices. Success in this business requires constant improvement of products and working methods.

The world's largest manufacturers of frequency converters are multinational companies in the electrical industry offering a broad range of products and services, whose product concepts support their own products and internal standards. In the case of many of our competitors, the contribution of the company sales of frequency converters to the turnover of the entire group is only marginal. The situation is different with Vacon. In sales and marketing Vacon aims for the widest possible geographical coverage. Vacon sells and markets its products both directly through its own sales companies and through distributors, original equipment



manufacturers (OEMs) and brand label customers complementing their own range of products. Vacon frequency converters have been sold to more than 100 countries via these channels.

The main customers of Vacon's direct sales are primarily in heavy industries and process industries as well as system suppliers. Vacon has 64 distributors operating in 67 different countries. In seeking and selecting distributors, the main criteria are geographical coverage and end-customer coverage in different industrial branches.

Brand label customers sell and market Vacon frequency converters using their own brand label in order to complement their own range of products. Vacon is able to increase its sales through its brand label channel. Supplier reliability, flexibility and technological know-how are essential prerequisites for brand label customer satisfaction.

The co-operation between Vacon and OEMs relies on Vacon's ability to analyse customer and end user processes as well as to make the necessary alterations to the products in order to meet the customer needs. OEM agreements are typically long-term commitments.

The distribution of Vacon's revenues in the different distribution channels in 2000 was as follows: own direct sales 35 per cent, distributors 16 per cent, original

equipment manufacturers 23 per cent and brand label customers 26 per cent.

The main strengths of Vacon's strategy are customer orientation, the ability to respond promptly, our focus on core competence, the continuous development of expertise and superior quality. These factors in addition to the skilled and motivated personnel have been and still are vital to the company's success. Vacon is building a co-operation network consisting of our customers, suppliers, higher education and our own experts. As a result of this co-operation, constantly enhanced frequency converters are developed to control industrial and public sector processes.

Group Structure

Vacon Plc is the Parent Company of the Group. The sales companies owned by Vacon Plc are Vacon GmbH in Germany (100 per cent), Vacon Benelux BV in the Netherlands (100 per cent), Vacon SpA in Italy (100 per cent), Vacon Drives Ibérica S.A. in Spain (100 per cent), Vacon Drives Ltd. in Great Britain (80 per cent), Vacon AB in Sweden (100 per cent) and Vacon AT Antriebssysteme GmbH in Austria (70 per cent). Vacon Traction Oy in Tampere, Finland is also part of the Vacon Group (66 per cent).

In August 2000, Vaasa Control Oy - the company that merged into Vacon Plc - and Cutler-Hammer Inc. entered into a Joint Venture agreement. This resulted in the establishment of Vacon Americas LLC (domicile in the USA) owned jointly and equally by Vacon and Cutler-Hammer. Vacon Americas was established on 8 August 2000. Vacon Americas LLC handles sales and marketing of low-voltage variable frequency converters as well as technical support, software application development, product localisation, manufacturing and logistics in North and Central America. The aim of the joint venture is to raise the market share of Vacon's frequency converters in this region.

The Boards of Directors of Vaasa Control Oy, Vaasa Engineering Invest Oy, and Vacon Oy signed a Merger Plan on 10 April 2000, whereby Vaasa Control Oy and Vaasa Engineering Invest Oy would be merged into Vacon Oy. In the Merger, which was registered in the trade register on 31 August 2000, all of the assets and liabilities of Vaasa Control Oy and Vaasa Engineering Invest Oy were transferred to Vacon Oy, and the shareholders of Vaasa Control Oy and Vaasa Engineering Invest Oy received shares of Vacon Oy as compensation.

Vaasa Control Oy was established at the end of 1993. After that it engaged solely in the same business operations that were transferred to Vacon Plc under the terms of the Merger.

Vaasa Engineering Invest Oy was established at the beginning of 2000 as a holding company for the Vaasa Control Oy shares owned by Vaasa Engineering Oy.

In December 1998, the Management Team of Vaasa Control Oy established Vacon Oy. Before the merger date, Vacon Oy owned 11.9 per cent of the share capital of Vaasa Control Oy.

Future Outlook

Vacon's future goal is to continue systematically building up the sales network on the main markets. New customer relations and the company's own sales companies create a solid foundation for the growth of this year's activities as well. Vacon's strengthened position on the European market and the establishment of Vacon Americas LLC in North America provide a good foundation for a long-run profitable business.

Net Sales

Consolidated net sales rose 47 per cent from EUR 44.3 million to EUR 64.9 million (pro forma). The Parent Company Vacon Plc recorded net sales of EUR 57.1 million. The growth was strongest in the Far East, Scandinavia, Italy and the Benelux countries. Growth was recorded by the Company's own sales companies in all market areas.

Order Intake and Order Backlog

The frequency converter business is a component business, with lead times varying between just a few days and a few weeks. In order to secure flexible customer service, Vacon aims at the shortest possible delivery times. In 2000, the Parent Company obtained orders worth EUR 61.0 million against EUR 40.5 million in the previous year. The orders in hand at the end of the year totalled EUR 5.8 million compared to EUR 2.5 million in the previous year.

Profitability (pro forma figures)

The Parent Company's profit after financial items was EUR 8.7 million compared to EUR 6.1 million of the previous

year. Net profit for the financial year increased 51 per cent from EUR 4.2 million of the previous year to EUR 6.3 million. Taxes accounted for EUR 2.6 million, at a corporate tax rate of 29 per cent.

Consolidated profit after financial items was EUR 8.2 million compared to EUR 5.7 million in 1999. Net profit for the financial year increased by 42 per cent from EUR 3.9 million of the previous year to EUR 5.6 million. Taxes accounted for EUR 2.7 million. The profitability of the financial year met the long-term objectives well.

Balance Sheet and Financing

The balance sheet total was EUR 35.7 million for the Parent Company and EUR 37.2 million for the Group. The consolidated equity ratio rose during the year, which indicates that growth was managed successfully with respect to financing as well. The Group's liquidity remained on a good level throughout the year.

The financial status of the Parent Company and the Group is presented in the accompanying income statement, balance sheet and notes to the financial statements.

Investments

The Parent Company's investments for the year totalled EUR 8.7 million (pro forma). Investments were made in the production line of the next generation Vacon NX frequency converters, the tools of NX products, the product development laboratory, production processes and information technology. Additionally, Vacon acquired minority holdings in its foreign subsidiaries.

Personnel and Salaries

Parent Company personnel increased by 59 persons (pro forma) and numbered 241 at the end of the year. New employees were hired in all functions and workforce turnover was minimal.

At year end, 67 persons worked in the Group's sales companies; the increase compared with the beginning of the year was 29. The Group had 308 employees at the end of 2000.

Salaries and fees paid by the Parent Company totalled EUR 7 million. Salaries and fees paid to the President and members of the Board of Directors totalled EUR 0.3 million. In the foreign sales companies, EUR 1.0 million were paid in salaries and fees.

Board of Directors and Auditor

The members of the Vacon Plc Board of Directors were Mauri Holma, Veijo Karppinen, Harri Niemelä, Harry Ollila, and Erkki Raunio. The Board's chairman was Harri Niemelä, with Stefan Wikman as secretary. Veijo Karppinen was President. The company's auditor was KPMG Wideri Oy Ab. The principal auditor was Raimo Wiklund, APA.

Proposal by the Board of Directors for Disposal of the Profit

The Parent Company's distributable equity is EUR 11.7 million. Distributable consolidated equity is EUR 10.3 million.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.13 per share be paid, amounting to a total of EUR 2.0 million.

According to Finnish law and the Company's Articles of Association, the control and management of the Company is divided among the shareholders represented at the Annual General Meeting, the Board of Directors and the President. The members of the Board of Directors and the operative management of the Company are set forth below.

Board of Directors

Harri Niemelä (chairman)
President, Vaasa Engineering Oy
B.Sc. (El. Eng.)
Born 1944
Holds 399 840 shares

Veijo Karppinen
President, Vacon Plc
M.Sc. (Engineering)
Born 1950
Holds 594 249 shares

Erkki Raunio
Executive Vice President, Vacon Plc
B.Sc. (El. Eng.)
Born 1949
Holds 556 683 shares

Harry Ollila
President, Konecranes Nordic Oy
M.Sc. (Engineering)
Born 1950
Holds 37 740 shares

Mauri Holma
President, Vaasa Switchgears Oy
B.Sc. (El. Eng.)
Born 1950
Holds 382 171 shares

Stefan Wikman (secretary)
Partner, Roschier-Holmberg & Waselius, Attorneys, Ltd
Attorney
Born 1956
Holds no shares

The members of the Board of Directors do not hold any stock options. Shareholdings are as per the share register on December 29, 2000. The company has an incentive scheme for the entire personnel. We observe the insider rules of the Helsinki Exchanges.

The Board of Directors deals with the matters stipulated by the Finnish Companies Act and the Company's Articles of Association. The Board is responsible for the overall administration, visions and strategies of the Company, and for setting the framework for the strategies of Group companies. It also approves the Company's action plans and budget, defines the framework for the action plans of the Group companies, and sets the Company's short- and long-term goals.

The Board makes decisions on the Group's strategic investments and approves the investment programmes of the Group companies. It monitors the Company's financial performance and how its goals are put into effect. The Board appoints the President, the Executive Vice President and the members of the Management Team and proposes the boards of directors of the Group companies.

The President prepares the matters to be decided at the meetings of the Board of Directors, carries out its decisions, and directs the Group's administration. He sits on the boards of the Group companies and is chairman of the Management Team. The subsidiaries report on marketing and sales to the Company's Executive Vice President.

The Management Team prepares and guides the development of the Group's processes and business areas and the Group's joint functions. It does not decide on matters falling within the decision-making authority of the Board of Directors. The Management Team consists of the President and representatives chosen from among the Group's senior management. The Management Team is not an administrative body stipulated by the Finnish Companies Act.

The Board of Management comprises the President, the Vice President Standard Drives (the Vice President Sales and Marketing), the Vice President OEM Customers, the Vice President Engineered Drives, the President Vacon Traction Oy, the Vice President Production, the Vice President R&D, the Vice President Finance and Control, the Vice President Human Resources and the Vice President Business Development.

Interests of Corporate Management

Neither key executives nor their relatives have loans from the company or business relations with it.

I N C O M E S T A T E M E N T

	Note	Group 2000 1,000 FIM	Group 2000 1,000 EUR	Parent 2000 1,000 FIM	Parent 2000 1,000 EUR	Parent 1999 1,000 FIM	Parent 1999 1,000 EUR
NET SALES	1	143,001	24,051	127,186	21,391		
Change of inventories of finished goods and work in progress increase, (+)/decrease (-)		5,857	985	2,720	457		
Production for own use		232	39	233	39		
Share of profit in affiliated companies							
Other operating income		1,159	195				
Materials and services	2	-81,605	-13,725	-76,676	-12,896		
Personnel expenses	3,4,5,6	-24,514	-4,123	-15,244	-2,564		
Depreciation and write-downs	7	-2,907	-489	-2,183	-367		
Share of loss in affiliated companies							
Other operating expenses	8	-24,348	-4,095	-19,185	-3,227	-137	-23
Operating profit (loss)		16,875	2,838	16,851	2,833	-137	-23
Share of profit in affiliated companies							
Financial income and expenses	9	-945	-159	-743	-125	-327	-55
Profit (loss) before extraordinary items		15,930	2,679	16,108	2,708	-464	-78
Extraordinary items							
Profit (loss) before taxes		15,930	2,679	16,108	2,708	-464	-78
Appropriations	10			1,497	252		
Income taxes	11	-5,054	-850	-5,217	-876		
Minority interests		-96	-16				
Profit for the financial year		10,780	1,813	12,388	2,084	-464	-78

B A L A N C E S H E E T

Assets

	Note	Group 2000 1,000 FIM	Group 2000 1,000 EUR	Parent 2000 1,000 FIM	Parent 2000 1,000 EUR	Parent 1999 1,000 FIM	Parent 1999 1,000 EUR
Fixed assets							
Intangible assets	12	10,286	1,730	9,374	1,577		
Consolidated goodwill	12	11,998	2,018				
Tangible assets	12	39,022	6,563	37,136	6,246		
Investments	13,14	8,378	1,409	32,883	5,531	8,450	1,421
Shares in affiliated companies	13,14						
		69,684	11,720	79,393	13,354	8,450	1,421
Current assets							
Inventories	15	37,779	6,354	28,726	4,831		
Short-term receivables	16,17	99,389	16,716	95,304	16,029		
Cash and bank balances		14,246	2,396	8,664	1,457	97	17
		151,414	25,466	132,694	22,317	97	17
		221,098	37,186	212,087	35,671	8,547	1,438

Shareholders' equity and liabilities

Shareholders' equity							
Share capital	18,21	18,016	3,030	18,016	3,030	2,140	360
Share premium reserve		20,804	3,499	20,804	3,499		
Other shareholders' equity		113	19				
Retained earnings		58,375	9,818	64,932	10,921		
Profit for the financial year		10,780	1,813	12,388	2,084	-464	-78
Preferred capital notes	20	10,750	1,808	10,752	1,808		
Total shareholders' equity		118,838	19,987	126,892	21,342	1,676	282
Minority interests		155	26				
Group reserves	14	493	83				
Untaxed reserves	22						
Liabilities							
Deferred tax liabilities		273	46				
Long-term liabilities	23	15,114	2,542	13,193	2,219	6,800	1,144
Current liabilities	25	86,225	14,502	72,002	12,110	71	12
		101,612	17,090	85,195	14,329	6,871	1,156
		221,098	37,186	212,087	35,671	8,547	1,438

C A S H F L O W S T A T E M E N T

	Group 2000 1,000 FIM	Group 2000 1,000 EUR	Parent 2000 1,000 FIM	Parent 2000 1,000 EUR
Cash flow from operations				
Operating profit	16,875	2,838	16,851	2,834
Adjustments to operating profit				
Depreciation	2,907	489	2,183	367
Share of affiliated companies profit				
Other income and expenses				
Cash flow from operations before change in net working capital	19,782	3,327	19,034	3,201
Short-term trade receivables, increase (-)/decrease (+)	-99,389	-16,716	-95,304	-16,029
Inventories, increase (-)/decrease (+)	-37,779	-6,354	-28,726	-4,831
Non-interest bearing liabilities, increase (+)/decrease (-)	82,716	13,912	68,494	11,519
Change in net working capital	-54,452	-9,158	-55,536	-9,341
Cash flow from operations	-34,670	-5,831	-36,502	-6,140
Interest received	133	22	290	49
Interest paid	-1,078	-181	-1,033	-174
Other financial items				
Taxes paid	-5,054	-850	-5,217	-877
Net cash flow from operating activities	-40,669	-6,840	-42,462	-7,142
Cash flow from investments				
Purchase of other fixed assets	-55,763	-9,379	-40,243	-6,768
Investment in other shares	-5,720	-962	-5,720	-962
Investment in group company shares			-18,222	-3,065
Other long-term investment, increase (-)/decrease (+)	-2,658	-447	-8,941	-1,504
Net cash flow from investments	-64,141	-10,788	-73,126	-12,299
Cash flow before financing	-104,810	-17,628	-115,588	-19,441
Cash flow from financing				
Proceeds from (+)/repayments of (-) long-term loans	8,587	1,444	6,393	1,075
Proceeds from (-)/payments of (+) short-term receivables				
Proceeds from (+)/payments of (-) short-term financing	3,437	578	3,437	578
Proceeds from (+)/repayments of (-) preferred capital loans	8,682	1,460	8,682	1,460
Raising of share capital	3,222	542	3,222	542
Dividends paid				
Other changes in shareholders' equity	95,031	15,984	102,421	17,227
Net cash flow from financing	118,959	20,008	124,155	20,882
Change in liquid funds, increase (+)/decrease (-)	14,149	2,380	8,567	1,441
Liquid funds January 1st	97	16	97	16
Liquid funds December 31st	14,246	2,396	8,664	1,457

NOTES TO THE FINANCIAL STATEMENTS

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
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1. NET SALES BY MARKET AREA

Finland	28,824		28,824		4,848		4,848	
Rest of Europe	91,745		75,027		15,430		12,619	
North-America	21,759		21,759		3,660		3,660	
Rest of the world	673		1,576		113		264	
Total	143,001		127,186		24,051		21,391	

2. MATERIALS AND SERVICES

Materials and consumables								
Purchases during the financial year	75,587		75,613		12,713		12,717	
Change in inventories	-558		-2,968		-94		-499	
	75,029		72,645		12,619		12,218	
External services	6,576		4,031		1,106		678	

3. PERSONNEL EXPENSES

Wages and salaries	23,663		16,065		3,980		2,702	
Fringe benefits	-37		-35		-6		-6	
Capitalised wages and salaries	-3,907		-3,907		-657		-657	
Pension costs	3,135		2,235		527		376	
Other personnel costs	2,541		1,767		427		297	
Capitalised pension and other personnel costs	-881		-881		-148		-148	
Total	24,514		15,244		4,123		2,564	

4. SALARIES AND FEES TO MANAGEMENT

President and managing directors	3,608		416		607		70	
Members of the Boards of Directors	18		18		3		3	
	3,626		434		610		73	

5. AVERAGE NUMBER OF EMPLOYEES

White collar	190		123		190		123	
Blue collar	114		114		114		114	
Total	304		237		304		237	

6. PENSION COMMITMENTS TO THE PRESIDENT

The retirement age agreed for the President of the parent company is 60 years.

7. DEPRECIATION

Depreciation according to plan is calculated with uniform criteria within the group. The straight-line depreciation is calculated on the original acquisition cost using an estimated economic lifetime of the fixed assets. The estimated economic lifetime during which the fixed assets are written off are as follows:

Capitalised formation expenses	5 years	Furniture	8 years
Capitalised research and development expenses	5 years	Instruments	5 years
Lifting equipment	8 years	Testing equipment	15 years
Tools, equipment	5 years	Computer software	6 years
Office machines	5 years	Buildings	15 years
Computer hardware	4 years		

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
Intangible assets	361		236		61		40	
Tangible assets	2,236		1,947		376		327	
Total	2,597		2,183		437		367	
Consolidated goodwill	322				54			
Decrease of group reserves	-12				-2			
Depreciation according to plan, total	2,907		2,183		489		367	

8. OTHER OPERATING EXPENSES

Contributions	-1,152		-1,121		-194		-189	
Capitalised R&D expenses	-2,253		-2,253		-379		-379	
Other expenses	27,753		22,559	137	4,668		3,795	23
Other operating expenses, total	24,348		19,185	137	4,095		3,227	23

9. FINANCIAL INCOME AND EXPENSES

Interest income								
From group companies			168				28	
From affiliated companies								
			168				28	
Other interest and financial income								
From group companies			4				1	
Profit from sale of real estate								
From others	133		118	118	22		20	20
	133		122	118	22		21	20
Financial income, total	133		290	118	22		49	20
Interest expenses and other financial expenses								
From others	-1,078		-1,033	-445	-181		-174	-75
Financial income and expenses, total	-945		-743	-327	-159		-125	-55

10. APPROPRIATIONS

Difference between depreciation according to plan and total depreciation deducted in taxation			-1,497				-252	
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	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
11. INCOME TAXES								
Income taxes from operations	5,339		5,217		898		876	
Change in deferred tax liability	-285				-48			
	5,054		5,217		850		876	

12. FIXED ASSETS								
Intangible assets								
Formation expenses								
Acquisition cost January 1st	56	56			9	9		
Increases								
Acquisition cost December 31st	56	56			9	9		
Accumulated depreciation January 1st	33	22			6	4		
Depreciation during the financial year	11	11			2	2		
Accumulated depreciation December 31st	44	33			7	6		
Book value at December 31st	12	23			2	4		
Research and development expenses								
Acquisition cost January 1st	9,156	8,992	7,760	7,760	1,540	1,512	1,305	1,305
Increases	7,633	164	7,633		1,284	28	1,284	
Acquisition cost December 31st	16,789	9,156	15,393	7,760	2,824	1,540	2,589	1,305
Accumulated depreciation January 1st	7,636	5,838	7,280	5,728	1,284	982	1,224	963
Depreciation during the financial year	726	1,798	480	1,552	122	302	81	261
Accumulated depreciation December 31st	8,362	7,636	7,760	7,280	1,406	1,284	1,305	1,224
Book value at December 31st	8,427	1,520	7,633	480	1,417	256	1,284	81
Consolidated goodwill								
Acquisition cost January 1st	1,270	1,270			214	214		
Increases	12,045				2,026			
Acquisition cost December 31st	13,315	1,270			2,239	214		
Accumulated depreciation January 1st	425	171			71	29		
Depreciation during the financial year	892	254			150	43		
Accumulated depreciation December 31st	1,317	425			222	71		
Book value at December 31st	11,998	845			2,018	142		
Other intangible assets								
Acquisition cost January 1st	1,868	1,336	1,538	1,116	314	225	259	188
Increases	888	535	849	422	149	90	143	71
Decreases		-3				-1		
Acquisition cost December 31st	2,756	1,868	2,387	1,538	464	314	401	259
Accumulated depreciation January 1st	644	400	429	271	108	67	72	46
Depreciation during the financial year	265	244	217	158	45	41	36	27
Accumulated depreciation December 31st	909	644	646	429	153	108	109	72
Book value at December 31st	1,847	1,224	1,741	1,109	311	206	293	187
Intangible assets, total December 31st	22,284	3,612	9,374	1,589	3,748	607	1,577	267

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
Tangible assets								
Buildings								
Acquisition cost January 1st	39	39	39	39	7	7	7	7
Increases								
Acquisition cost December 31st	39	39	39	39	7	7	7	7
Accumulated depreciation January 1st	13	10	13	10	2	2	2	2
Depreciation during the financial year	3	3	2	3	1	1	0	1
Accumulated depreciation December 31st	16	13	15	13	3	2	3	2
Book value at December 31st	23	26	24	26	4	4	4	4
Machinery and equipment								
Acquisition cost January 1st	25,239	18,915	23,267	17,806	4,245	3,181	3,913	2,995
Increases	13,341	6,436	12,211	5,564	2,244	1,082	2,054	936
Decreases	-7	-112		-103	-1	-19		-17
Acquisition cost December 31st	38,573	25,239	35,478	23,267	6,488	4,245	5,967	3,913
Accumulated depreciation January 1st	7,544	3,724	6,755	3,261	1,269	626	1,136	548
Depreciation during the financial year	5,743	3,820	4,958	3,494	966	642	834	588
Accumulated depreciation December 31st	13,287	7,544	11,713	6,755	2,235	1,269	1,970	1,136
Book value at December 31st	25,286	17,695	23,765	16,512	4,253	2,976	3,997	2,777
Computer software								
Acquisition cost January 1st		240	855	235		40	144	40
Increases		621	788	620		104	133	104
Acquisition cost December 31st		861	1,643	855		145	276	144
Accumulated depreciation January 1st		22	159	21		4	27	4
Depreciation during the financial year		139	286	138		23	48	23
Accumulated depreciation December 31st		161	445	159		27	75	27
Book value at December 31st		700	1,198	696		118	201	117
Other tangible assets								
Acquisition cost January 1st	2,319	1,050	47		390	177	8	
Increases	775	408	37	47	130	69	6	8
Acquisition cost December 31st	3,094	1,458	84	47	520	245	14	8
Accumulated depreciation January 1st	947	354			159	60		
Depreciation during the financial year	499	432			84	73		
Accumulated depreciation December 31st	1,446	786			243	132		
Book value at December 31st	1,648	672	84	47	277	113	14	8
Advance payments and construction in progress								
	12,065	393	12,065	393	2,029	66	2,029	66
Tangible assets, total December 31st	39,022	19,486	37,136	17,674	6,563	3,277	6,246	2,973

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
13. INVESTMENTS								
SHARES								
Shares in group companies			18,222	5,372			3,065	904
OTHER INVESTMENT								
Shares in affiliated companies	5,025	287	5,025	287	845	49	845	48
Other shares	695	498	695	498	117	84	117	84
	5,720	785	5,720	785	962	132	962	132
Receivables from group companies			7,630	6,853			1,284	1,153
Receivables from affiliated companies		685		685		115		115
Other long-term receivables	2,658	823	1,311	582	447	138	220	97
	2,658	1,508	8,941	8,120	447	254	1,504	1,365
Other investments, total	8,378	2,293	14,661	8,905	1,409	387	2,466	1,497

	Group holding-%	Group votes %	Parent company holding-%			
14. SHARES						
Group companies						
Vacon GmbH, Düsseldorf Germany		100	100			
Vacon Traction Oy, Tampere Finland		66	66			
Vacon Benelux B.V., Gorinchem Netherlands		100	100			
Vacon SpA, Montecchio Emilia Italy		100	100			
Vacon Drives Ibérica S.A., Manresa Spain		100	100			
Vacon Drives (UK) Ltd, Leicestershire United Kingdom		80	80			
Vacon AB, Sundbyberg Sweden		100	100			
Vacon AT Antriebssysteme GmbH, Leobersdorf Austria		70	70			
Affiliated companies						
Vacon Americas LLC, Watertown USA		50	50			
Other shares held by the parent company						
	Holding %	Number of shares	Book value FIM	Holding %	Number of shares	Book value EUR
Vaasa Mechanics Oy	18,75	450	450,000	18,75	450	75,685
Vaasan Läänin Puhelin Oy		6	12,000		6	2,018
Vaasa Electronics Oy	13,13	19,690	196,900	13,13	19,690	33,116
Oy Kråklund Golf Ab		1	36,000		1	6,055

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
GROUP RESERVE								
Acquisition value January 1st	527				89			
Increases		527				89		
Decreases								
Acquisition value December 31st	527	527			89	89		
Accumulated value entered as income	34				6			
Book value December 31st	493	527			83	89		

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
15. INVENTORIES								
Materials and consumables	19,739	12,564	19,739	12,256	3,320	2,113	3,320	2,061
Finished goods	18,040	9,923	8,987	4,524	3,034	1,669	1,512	761
Total	37,779	22,487	28,726	16,780	6,354	3,782	4,831	2,822

16. SHORT-TERM RECEIVABLES								
From others								
Trade receivables	89,542	55,860	52,230	32,835	15,060	9,395	8,784	5,522
Accrued income and deferred expenses	2,812	9,530	3,882	3,713	473	1,603	653	624
Other receivables	7,035	1,093	6,389	3,746	1,183	184	1,075	630
	99,389	66,483	62,501	40,294	16,716	11,182	10,512	6,777
From group companies								
Loan receivables				300				50
Trade receivables			32,803	17,078			5,517	2,872
			32,803	17,378			5,517	2,923
From affiliated companies								
Loan receivables		1,500		1,500		252		252
Trade receivables		48		48		8		8
		1,548		1,548		260		260
Short-term receivables, total	99,389	68,031	95,304	59,220	16,716	11,442	16,029	9,960

17. MAIN ITEMS IN PREPAID EXPENSES AND ACCRUED INCOME								
Contribution from TEKES	1,649	3,347	1,649	3,347	277	563	277	563
Other	1,163	6,183	2,233	366	196	1,040	376	62
	2,812	9,530	3,882	3,713	473	1,603	653	624

18. SHAREHOLDERS' EQUITY								
Share capital on January 1st	2,140		2,140		360		360	
Increase (+)/decrease (-)	15,876	2,140	15,876	2,140	2,670	360	2,670	360
Share capital on December 31st	18,016	2,140	18,016	2,140	3,030	360	3,030	360
Share premium reserve on January 1st								
Increase (+)/decrease (-)	20,804		20,804		3,499		3,499	
Share premium reserve on December 31st	20,804		20,804		3,499		3,499	
Other shareholders' equity on January 1st								
Increase (+)/decrease (-)	113				19			
Other shareholders' equity on December 31st	113				19			
Retained earnings on January 1st	-464		-464		-78		-78	
Dividend distribution	-5,171		-5,171		-870		-870	
From depreciation difference and other untaxed reserves	-698				-117			
Other change	64,579		70,567		10,861		11,869	
Translation differences	129				22			
Retained earnings on December 31st	58,375		64,932		9,818		10,921	
Profit for the financial year	10,780	-464	12,388	-464	1,813	-78	2,084	-78
Preferred capital notes December 31st	10,750		10,753		1,808		1,808	
Shareholders' equity, total	118,838	1,676	126,893	1,676	19,987	282	21,342	282

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
19. DISTRIBUTABLE EQUITY								
Retained earnings from previous years	63,546		70,103		10,688		11,790	
Dividend distribution	-5,171		-5,171		-870		-870	
Profit for the financial year	10,780	-464	12,388	-464	1,813	-78	2,084	-78
- Capitalised formation expenses	-12				-2			
- Capitalised R&D expenses	-8,425		-7,633		-1,417		-1,284	
Translation differences	-129				-22			
- From depreciation difference and other untaxed reserves	698				117			
Distributable equity, total	61,287	-464	69,687	-464	10,308	-78	11,721	-78

20. PREFERRED CAPITAL NOTES

The parent company has received a capital note of FIM 2,070,000 from TEKES and FIM 8,682,750 from shareholders' of the company. The terms and conditions of the capital notes are in accordance with the provisions of Chapter 5 Section 1 of the Finnish Companies Act.

Principal terms of the capital note received from TEKES:

1. The note period is six years, of which the first three years are free from repayment. The note will be repaid in equal annual instalments. The first instalment is due in year 2001.
2. The interest rate is set one per cent below the current base rate listed by the Bank of Finland, but a minimum of 3.0 per cent. The present interest rate for the note is 4.25 per cent.
3. No security was required for the note.
4. If the research work performed does not lead to financially profitable business, TEKES can, pursuant to an application from the recipient, be exempted from repayment of the note either in full or in part, if terms stipulated in the decision of the Council of State are met. No exemption, however, can be made for payment of the interest.

Principal terms of the capital note received from shareholders:

1. The note will be repaid, the provisions of Chapter 5 Section 1 in the Finnish Companies Act taken in to account, on June 30th 2006 at the earliest.
2. Interest will be paid on the last day of June every year, the provisions of Chapter 5 Section 1 in the Finnish Companies Act taken in to account. The interest for the note corresponds to a prevailing market-rate. The interest rate for the note was 5.75 per cent p.a. at issuance of the note.
3. No security was required for the note.
4. The note can be repaid in full before June 30th 2006 under certain conditions specified in the capital note agreement section 2.6. This is applicable only if provisions of Chapter 5 Section 1 in the Finnish Companies Act allows it.

Interest expenses relating to these capital notes totalling FIM 87,275 (EUR 14,679 euroa) were booked during the year 2000.

21. PARENT COMPANY SHARES

	number of shares	1000 mk	1000 EUR
Registered	15,150,000	18,016	3,030

22. APPROPRIATIONS

The appropriations in the parent company comprises of accumulated depreciation difference.

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
23. LONG-TERM LIABILITIES								
Loans from credit institutions	14,241	21,244	12,374	13,332	2,395	3,573	2,081	2,242
Other long-term liabilities	873	5,614	819	5,185	147	944	138	872
	15,114	26,858	13,193	18,517	2,542	4,517	2,219	3,114

24. LIABILITIES FALLING DUE AFTER FIVE YEARS

	Group 2000	Group 1999	Parent 2000	Parent 1999	Group 2000	Group 1999	Parent 2000	Parent 1999
	2,854	965	2,852	600	480	162	480	101

	Group 2000 1,000 FIM	Group 1999 1,000 FIM	Parent 2000 1,000 FIM	Parent 1999 1,000 FIM	Group 2000 1,000 EUR	Group 1999 1,000 EUR	Parent 2000 1,000 EUR	Parent 1999 1,000 EUR
25. SHORT-TERM LIABILITIES								
Loans from credit institutions	3,437	8,615	7,267	8,490	578	1,449	1,222	1,428
Advances received	494	2,887	435	133	83	486	73	22
Trade payables	49,860	21,001	46,879	18,785	8,386	3,532	7,884	3,159
Liabilities to group companies								
Trade payables			1,563	407			263	68
Liabilities to affiliated companies								
Trade payables		9		9		2		2
Accrued expenses and deferred income	15,568	10,047	12,354	6,487	2,618	1,690	2,078	1,091
Other short-term liabilities	16,866	12,199	3,504	8,992	2,837	2,052	589	1,512
Short-term liabilities, total	86,225	54,758	72,002	43,303	14,502	9,210	12,110	7,283

26. PLEDGES AND CONTINGENT LIABILITIES								
Company mortgages given as collateral for liabilities								
Loans from credit institutions	19,000	45,500	19,000	45,500	3,196	7,653	3,196	7,653
Pledges given on behalf of Group companies								
Guarantee	4,657	30,045	4,657	30,045	783	5,053	783	5,053
	23,657	75,545	23,657	75,545	3,979	12,706	3,979	12,706
Pledges given on behalf of others								
Guarantee	515	115	515	115	87	19	87	19

27. LEASING LIABILITIES								
Leonia Rahoitus Oy	207	58	207	58	35	10	35	10
Merita Rahoitus Oy	411	88	411	88	69	15	69	15
Sonera Credit Oy	316	277	316	277	53	47	53	47
Handelsbanken Rahoitus Oyj	248	53	248	53	42	9	42	9
Others	1,407				237			
	2,589	476	1,182	476	435	80	199	80

S H A R E S A N D

S H A R E H O L D E R S

Major Shareholders (29.12.2000)	number of shares	% of shares
KONECRANES FINANCE OY	1,515,350	10
FIDELITY FUNDS - EUROPEAN SMALLER CO.	859,000	5.7
KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ TAPIOLA	760,200	5
VAASA ENGINEERING OY	631,433	4.2
KARPPINEN VEIJO	594,249	3.9
RAUNIO ERKKI	556,683	3.7
NIEMELÄ HARRI	399,840	2.6
HOLMA MAURI	382,171	2.5
KOSKINEN JARI	360,294	2.4
FIDELITY FUNDS - NORDIC	303,300	2
OTHERS	8,787,480	58
	15,150,000	100

Division of Shares (29.12.2000)				
Number of Shares	Number of Shareholders	%	Number of Shares	%
1-1000	2,029	87.38	534,294	3.52
1001-5000	108	4.65	229,832	1.52
5001-10000	64	2.76	502,792	3.32
10001-50000	75	3.23	1,754,520	11.58
50001-100000	18	0.78	1,383,541	9.13
>100000	28	1.21	10,745,021	70.92
Total	2,322	100	15,150,000	100

Division of Shares (29.12.2000)	Domestic owners:	Foreign owners:
(29.12.2000)	80%	20%

Vacon Plc Financial Reports 2001		
	15.5.2001	Interim report, 1st quarter
	15.8.2001	Interim report, 2nd quarter
	15.11.2001	Interim report, 3rd quarter

Annual General Meeting	time	place
The Annual General Meeting of Vacon Plc	28.3.2001 at 3.00 PM	Gloria Auditorium, Hovioikeudenpuistikko 16 Vaasa, Finland

The financial reports are also published in Finnish. The annual report is available also both in Finnish and Swedish. They can be ordered from:

VACON PLC

Catarina Fant, Investor Relations Manager
P.O.Box. 25, 65381 Vaasa
phone: +358 (0)201 212 276
fax: +358 (0)201 212 208
e-mail: catarina.fant@vacon.com

Further information: www.vacon.com

Head office and production

Vacon Plc

P.O.Box 25 (Runsorintie 7)
65381 Vaasa
Finland
www.vacon.com
vacon@vacon.com
phone: +358 (0)201 2121
fax: +358 (0)201 212 208

Vacon Americas LLC, USA

901 South 12th Street
Watertown, Wisconsin 53094
www.americas.vacon.com
vacon.americas@vacon.com
phone: +1 414 449 7000
fax: +1 414 449 6717

Vacon Traction Oy

Alasniitynkatu 30
33700 Tampere
Finland
www.traction.vacon.com
vacon.traction@vacon.com
phone: +358 (0)201 2121
fax: +358 (0)201 212 710

Sales companies

Austria:

Vacon AT Antriebssysteme GmbH
Aredstrasse 16-18
2544 Leobersdorf
www.vacon.at
vacon.austria@vacon.com
phone: +43 2256 651 66
fax: +43 2256 651 66 66

Germany:

Vacon GmbH
Alexanderstrasse 31
40210 Düsseldorf
www.vacon.de
vacon.germany@vacon.com
phone: +49 (0)211 854 9857
fax: +49 (0)211 854 9847

Vacon GmbH

Austrasse 63
35745 Herborn
www.vacon.de
vacon.germany@vacon.com
phone: +49 (0)2772 572 60
fax: +49 (0)2772 572 628

Italy:

Vacon SpA
Via Galilei, 14
42027 Montecchio Emilia (RE)
www.vacon.it
vacon.italy@vacon.com
phone: +39 0522 865 034
fax: +39 0522 866 082

The Netherlands:

Vacon Benelux BV
Weide 40
4206 CJ Gorinchem
www.vacon.nl
vacon.benelux@vacon.com
phone: +31 (0)183 642 970
fax: +31 (0)183 642 971

Spain

Vacon Drives Ibérica S.A.
Miquel Servet, 2. P.I. Bufalvent
08240 Manresa
vacon.spain@vacon.com
phone: +34 938 774 506
fax: +34 938 770 009

Sweden:

Vacon AB
Torget 1
172 67 Sundbyberg
www.vacon.se
vacon.sweden@vacon.com
phone: +46 (0)8 293 055
fax: +46 (0)8 290 755

United Kingdom:

Vacon Drives (UK) Ltd.
Unit 11, Sunnyside Park
Wheatfield Way, Hinckley
LE10 1PJ, Leicestershire
www.vacon.co.uk
vacon.uk@vacon.com
phone: +44 (0)1455 611 515
fax: +44 (0)1455 611 517

Representative offices

Peoples Republic of China:

Vacon Plc
Beijing Representative Office
210B Grand Pacific Garden Mansion
8A Guanghua Road
Beijing 100026
vacon.gongkong.com
vacon.china@vacon.com
phone: +86 10 6581 3734
fax: +86 10 6581 3754

Singapore:

Vacon Plc
Asia Pacific Operations
25, International Business Park
04-52 German Centre
Singapore 609916
www.vacon.com.sg
vacon.singapore@vacon.com
phone: +65 562 9021
fax: +65 562 9023