

KASOLA OYJ

**Annual Report
English Summary
2001**

Review by the Managing Director

2001 was a most challenging year for the Kaso Group. Turnover dropped by 16% on the previous year and profit slipped into loss. This was affected by the decline in our business in the USA where our most important principal announced it was discontinuing local production as well as by a continued poor profit trend by the plastic product sector. Last year major investments in production were completed in the subcontracting and security product sectors.

Marketing by the security product sector was largely focused on the euro. The new currency stimulated demand for our products during the latter part of the year. Demand for cashboxes in particular exceeded our expectations.

The sale of safes also increased towards the end of the year. The share of service activities in our turnover has been steadily increasing, requiring further investment for their successful operation. We concentrated our service activities in Tampere last year and resources were increased. We marketed service leasing and new financing options in Tampere under the name KasoRent®. At the end of last year we introduced a new line of safes (KASO E-300) to the market, which marked an important step in our product development. New, lighter materials enable improved burglary and fire protection features for our safes. We expect our new safes to gain success also in export markets. One of our aims for this year is to extend our customer base to include households. Every home has the need for secure storage, as in Finland statistics show over 10,000 burglaries per year in households alone. Insurance company compensations do not often cover the emotional value attached to items lost as a result of burglary or fire. It is possible to avoid such surprise happenings by keeping all the household's important documents and articles in our new safes.

The operations of the subcontracting sector were in great difficulties last year. Our biggest principal discontinued production in the USA, which meant a drop in turnover of almost 40%. The situation was further impaired by the events of September in the USA. Over the past few years we have been making several investments to upgrade productivity in our plant, the last of which was the paint line installed in the spring. Even though operational efficiency has been scaled up to a good level, marketing has not attained its aims of acquiring new customers.

Our business was too dependent on one large customer. Finding the turnover to compensate has proved difficult. Even though operations have been scaled down as quickly as possible, losses have still been large. The beginning of the present year will also show a clear loss despite a new supply contract with Volvo.

The series of losses by the plastic product sector has continued over several years now. A new strategy has not been implemented in operations with the consequence that the entire management has been changed. A new organisation has been formed, and efforts in export markets are being continued. The products in both the Piggies and the Palaset lines are of good quality and competitive. This year the hundred millionth cashbox is being made, which shows our keen know-how in the field. The share of exports of the Palaset product line has been continuously growing, and marketing efforts will be further increased in Europe. Our aim is to increase the customer base with a number of large volume customers. The most important target for the whole year is to achieve a positive result at last.

The market outlook for the year just started is uncertain. Even though consumer behaviour has remained steady, investments by firms are falling. By making sure that our products and operations are in a good state, we can succeed in the markets even during a period of slow economic growth. This requires commitment from each of us to common goals and the courage and will to implement the measures expected of us by customers and shareholders.

Our aim is to be the best alternative for the customer in each of our fields of operations. We carry out what we promise by at the same time taking care of our profitability. Long-term, systematic operations are the prerequisite for success now and in the future.

Group Key Figures

Operations	1997	1998	1999	2000	2001
Turnover, EUR k	19 911	19 278	15 621	18 368	15 498
change %	+90.0%	-3.2%	-19.0%	+17.6%	-15.6%
Operating profit, EUR k	1 633	1 206	544	1 303	-47
% of turnover	8.2%	6.3%	3.5%	7.1 %	-0.3%
Profit before extraordinary items, EUR k	1 225	712	238	990	-497
% of turnover	6.2%	3.7%	1.5%	5.4%	-3.2%
Profit before appropriations and taxes, EUR k	1 191	712	332	990	-497
% of turnover	6.0 %	3.7%	2.1%	5.4%	-3,2%
Profit before extraordinary items ./taxes, EUR k	1 120	521	97	727	-538
% of turnover	5.6%	2.7%	0.6%	4.0%	-3.5%
Return on Equity (ROE), %	13.8%	6.0%	1.1%	7.6%	-5.7%
Return on Investment (ROI), %	10.4%	7.4%	3.1%	7.2%	0.4%
Equity ratio, %	47.4%	45.5%	46.4%	48.4%	45.0%
Net gearing, %	63.4%	68.7%	61.4%	56.2%	75.6%
Gross investments in fixed assets, EUR k	428	1 293	1 244	1 244	1 628
% of turnover	2.2%	6.7%	4.5%	6.8%	10.5%
Consolidated balance sheet total, EUR k	18 439	19 207	19 831	20 731	19 750
Average number of personnel	230	231	182	183	168
Share related	1997	1998	1999	2000	2001
Earnings / share (EPS), EUR	0.44	0.21	0.04	0.29	-0.21
Shareholders' equity / share, EUR	3.37	3.45	3.59	3.83	3.57
Dividend / share, EUR (adjusted)	0.12	0.08	0.08	0.10	0.00*
Dividend / share, EUR (nominal)	0.12	0.08	0.08	0.10	0.00*
Dividend / profit, %	26.6%	41.0%	217.4%	35.1%	neg.
Effective dividend yield, %	4.8%	5.3%	6.5%	6.7%	0.0%
Price / earnings ratio, (P/E)	5	8	34	5	neg.
Issue-adjusted average no. of shares, k	2 530	2 530	2 530	2 530	2 530
Issue-adjusted year end no. of shares, k	2 530	2 530	2 530	2 530	2 530
Share performance	1997	1998	1999	2000	2001
A-share price on the I-list, EUR					
-highest share price	2.86	3.90	2.10	2.00	2.00
-lowest share price	1.83	1.43	1.15	1.25	1.30
-average share price	2.38	3.01	1.50	1.54	1.55
-year end share price	2.42	1.60	1.30	1.50	1.50
Market capitalization, EUR m , A-share	5.4	3.6	2.9	3.3	3.3
Trading volume of shares during accounting period on the I-list	331 820	543 846	262 850	208 785	70 600
Trading volume of shares, %	14.9%	24.2%	11.8%	9.3%	3.2%
Number of shareholders	442	422	387	361	350

*= proposal

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

Report by the Board of Directors

For the accounting period 1.1.2001-31.12.2001

GROUP STRUCTURE AND BUSINESS

ACTIVITIES

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

Security Products (Kaso Oy, Kaipio Oy)
Subcontracting and automated storage systems
(Fab-Tech Ind.Inc.)

Plastic Products (MK-Tresmer Oy)
The Parent Company, Kasola Oyj, is responsible for the Group's financial management.
The UK-based subsidiary, MK-Tresmer Ltd, was dissolved during the accounting period. Dissolution profit was not significant.

Consolidated turnover amounted to EUR 15.5 m, representing a decline of EUR 2.9 m on the previous year. The drop in turnover was primarily due to scaling down our operations in the USA. Turnover by company was divided as follows:

	EUR k
Kasola Oyj	731
Kaso Oy	6 053
Kaipio Oy	2 141
Fab-Tech Ind.Inc.	4 103
MK-Tresmer Oy	3 653
- internal turnover	-1 183
Consolidated turnover total	15 498

Operations abroad accounted for 48 % (58%) of the turnover and the orderbook at the close of the financial year amounted to EUR 1.5 m (EUR 2.0 m).

THE SECURITY PRODUCT SECTOR

Domestic markets developed favourably during the latter part of the year. The new currency increased demand for safes and especially stimulated sales of cashboxes. Sales in the bank sector exceeded target. The sale of clothes cabinets also continued to be bouyant due to the high level of building activity. Domestic sales exceeded target, whereas not all targets were attained in exports. Turnover amounted to EUR 7.7 m (EUR 8.0 m) and operating profit to EUR 0.8 m (EUR 1.1 m). Average staff numbered 67 (67).

One of the highlights of last year was the introduction of the new KASO E-300 series of safes at the Finnsec Exhibition in October. The safes differ from their predecessors both in appearance and in structure. Our aim was to construct a design product whose size and weight will no longer form a problem in fitting the safe in an office environment. The new multilayer armoured BFP-

construction has enabled thinner walls that fulfil both burglary and fire standards. We believe we have well attained our aims. Further investment will be made in putting the new series of safes into production this year. Export marketing of the safes is starting up over the next few months. Product development will continue to diversify the new series both in design and burglary classification.

The production investment programme started in spring 2000 has been completed. The plant's new painting line was started up last March. The main focus now is better utilisation of the new machinery and equipment in production. In addition introducing new products and discontinuing old ones will present new challenges this year.

Our service operations were concentrated at Kaipio Oy in Tampere last summer. Our aim is to extend our business by offering service agreements for new products and those already in use. We have increased the number of service staff and are able to serve our customers 24 hours a day.

SUBCONTRACTING AND AUTOMATED STORAGE SYSTEMS

Turnover collapsed from the previous year's figure. Our oldest and biggest customer decided to discontinue in-house production in the USA, which resulted in a drop of almost 40% in our turnover. Downscaling business to a new level of turnover is not easy with regard to costs. As a result there was a great loss last year. The beginning of 2001 seemed promising, so we continued with our investment programme. We renewed the entire painting line and purchased a new edging press. The major investments in production were completed last spring. We believed our production operations and efficiency were top class. Nevertheless, the targets concerning an increase in customers were not attained in marketing. Even though the amount of new customers has grown, their volume has remained rather modest. Turnover amounted to EUR 4.1 m (EUR 6.6 m) and operating profit was EUR -0.6 m (EUR 0.6 m). Average staff numbered 47 (56). The level of turnover at the beginning of this year is still too low for business to be profitable. We have signed a supply contract with Volvo, which we believe will significantly improve our turnover and enable a positive result at the end of the year.

THE PLASTIC PRODUCT SECTOR

The past year for the Plastic Product Sector was marked by major reorganisations. The firm's business had been declining for several years, and the result continuously showed a loss. MK-Tresmer's strategy could not be fulfilled by the organisation, which led to a change of personnel in the firm's management. Jari Bachmann was appointed managing director on 6 November 2001, replacing Seppo Kalsta.

MK-Tresmer's products are outstanding, while customer satisfaction is high-class. The Palaset product line has over the past years gained major customers in export markets, which is good to continue with. We have hired a salesperson in Paris and our aim is to further increase sales in Europe. Customer relationships in the Piggies product line were established decades ago. Efforts are needed to win new customers, as we have lost market share in Europe. The third product line comprises subcontracting, which we will receive further efforts during the present year. Investments were continued in production machinery and equipment, and a new injection-moulding machine was installed last summer. In product development the Palaset moulds were renewed; Vega children's clothes hangers were introduced to the market and a new Vega trousers hanger was introduced at the beginning of this year. Turnover fell by 4 % on the previous year to EUR 3.7 m (EUR 3.8 m). Profitability still remains poor and an operating loss of EUR -0.2 m (EUR -0.2 m) was recorded. Average staff numbered 51 (56).

PROFITABILITY AND FINANCING

Profitability in terms of operating profit clearly weakened in comparison to the previous year. The decline in business in the subcontracting sector impaired profitability, while the plastic product sector continued to show a loss. Only the security product sector's result can be considered good. The parent company's result was weakened by the write-down of EUR 0.5 m in Fab-Tech Ind.Inc.'s shares. Operating profit amounted to EUR -0.0 m, while it came to EUR 1.3 m in the previous year. Depreciation amounted to EUR 1.3 m, slightly up due to investments in machinery and equipment. Financing expenditure increased on the previous year. The financial situation was good for the whole year apart from Fab-Tech Ind.Inc., where the poor profit trend also had an effect on solvency. Interest-bearing liabilities stood at EUR 8.5 m (EUR 8.6 m) at the end of the year. The equity ratio was 45.0% (46.7%).

INVESTMENTS

Investments for the year continued to be large. Painting lines were renewed in both the security product and subcontracting sectors. In addition, investments in the USA were aimed at production machinery and equipment. In the plastic product sector a new injection-moulding machine with automation was purchased.

Total investments amounted to EUR 1.6 m (EUR 1.2 m). The investment programme in production has been completed in both the security product and the subcontracting sectors. Investments in machinery and equipment in the plastic product sector are ongoing with attention being paid to market prospects. The level of investment for the coming years will clearly drop.

PRODUCT DEVELOPMENT

The first safes belonging to the new KASO E-300 security product family were introduced on the market last October. This is an important step in the development of a new generation of security products, started several years ago. The completely new type of multilayer armouring (BFP construction®) enables burglary and fire protection with thinner walls on the safe. The safes are considerably lighter and require less floorspace. We will also use a corresponding structure in other products. R&D expenditure in the security product sector amounted to EUR 0.3 m. Actual R&D expenditure in the subcontracting sector was low. New products in the plastic product sector included Vega children's clothes hangers and Vega trouser hangers. A number of new projects are awaiting more detailed market surveys. R&D expenditure in the plastic product sector amounted to EUR 0.1m.

ADMINISTRATION

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

BOARD AUTHORISATION

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

EVENTS AFTER THE ACCOUNTING PERIOD

Kaipio Oy, belonging to the Kaso Group, sold off its industrial real estate on 13 February 2002. The real estate deal will improve Kaipio Oy's result by some EUR 0.4m.

FUTURE PROSPECTS

The Group's result for the beginning of the year continues to be impaired by our loss-making business in the USA. On the other hand, we believe the plastic product sector's result will turn to profit during the year and the good profit level attained by the security product sector will continue. The aim is to achieve a profit-making result in the Group during this accounting period.