



vacon
ANNUAL REPORT 2001



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

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 public 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. 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. Frequency converters can also reduce the load on the electricity network and the mechanical stress on machinery when the motor is started.

V A C O N P L C

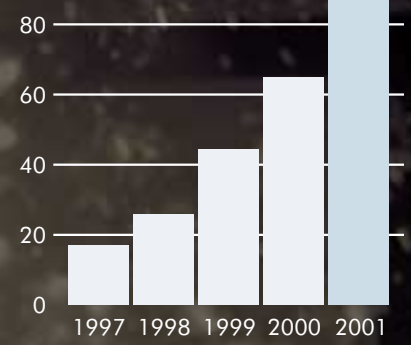
Vacon Plc, established in 1993, is a group that focuses on frequency converters and develops, manufactures and markets products for the needs of industry and the public sector worldwide. Research and development and logistics management are part of Vacon's core competence. Vacon is the "Drives House" that has in-depth expertise not only in frequency converters but also in the full range of electric drive technology and all related issues. Vacon is an independent supplier of frequency converters that supports 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. Vacon offers frequency converters in the power range of 0.37 kW - 1.5 MW.

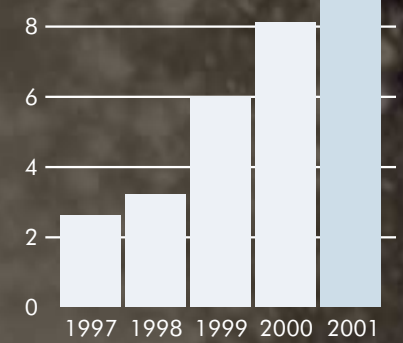
In 2001, Vacon's revenues totalled EUR 90.5 million and the operating profit amounted to EUR 10.4 million. At the end of the year 2001, the number of Vacon employees reached 409.



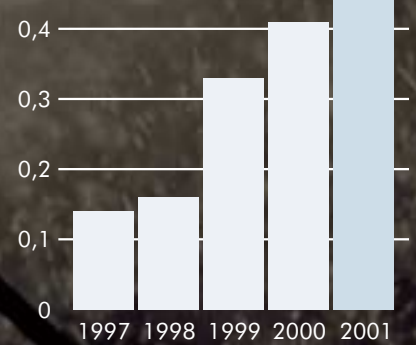
Revenues
MEUR



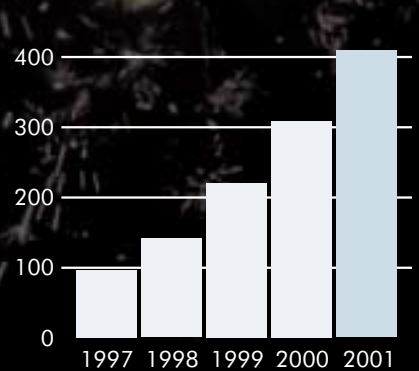
Operating profit
MEUR



Earnings/Share
EUR



Personnel



Vacon Plc annual report 2001

Lay-out: Antti Jormanainen
Oy Mainostoimisto Bock's Office Ab

Photographs: Mikko Lehtimäki (except p. 3, 7, 8, 12 and 15)

Printed by: FRAM, Vaasa, Finland

President's Review

Vacon continues to strengthen its position as a technology leader in customer and application specific frequency converters that speak the customer's language. Our goal is to continue our strong, profitable growth and in the coming years to become one of the market leaders.

Markets grow despite recession

The global market for frequency converters is worth approximately USD 5.5 billion and will continue to grow in the long term by as much as ten per cent annually. There is still plenty of room for growth, since only five per cent of all squirrel cage motors are equipped with frequency converters. A substantially higher level would be justifiable on economic grounds. As productivity requirements become tougher and the demand increases for better performance from processes as energy prices rise, this will accelerate growth far into the future. Many machine and equipment manufacturers have the vision to fit all their products with speed control in the future, where today only a few per cent of them are controlled by frequency converters.

Changes in the competitive situation

The market leaders in the frequency converter business are major corporations in the automation and electrical engineering sectors. For many, the frequency converter business is a poor earner and has anyway seen its profitability eroded in the recent economic recession. The fragmented market, the large number of suppliers and increasingly tough competition are continuously driving down the price level of fre-

quency converters. Many of our competitors are carefully considering what is their core expertise and what to focus on. For some of them frequency converter technology is not part of their core technology. Increased cooperation between frequency converter suppliers is to be expected. As an independent technology leader that has focused on frequency converters, Vacon will benefit from these developments.

Energy savings

The availability of a sufficient energy supply may in the long term be the only factor to threaten continuous economic growth. Frequency converter technology can be used in new energy sources - micro-turbines, fuel cells, wind power - and in extremely high efficiency industrial and public sector processes. Electric-powered forms of transport will also become more common. So it is possible to predict a huge market for frequency converter technology in the future.

Most of the total costs in the life cycle of a squirrel cage motor come from the price of the electric power used. A frequency converter can often give considerable savings in electric power, so the payback period for the investment can be extremely short. Governments and other authorities are also looking at ways to save energy.



New products boost market potential

During 2001 Vacon launched new products based on the NX platform. Vacon's new NX frequency converter family represents the second generation of software-controlled precision frequency converter. Vacon is leading the change in technology away from general purpose to precision frequency converters. These are simple to introduce and use, reliable in operation and have a better performance.

The power and control sections are separated mechanically from each other in the product family and the option card series is modular. This makes for a multi-purpose, flexible product series, suitable for use in all sorts of applications. Two versions of the control section are available: the NXP for extremely demanding applications and the NXS for more normal usage.

Vacon is also introducing the optimal NXL series for basic applications. During the coming spring products in the series in the power range 0.37 - 2.2 kW will be launched. This will considerably expand the company's market potential. Vacon has not had an optimized product in this power range (under 4 kW), which accounts for 25 per cent of the world market.

The year 2001 also saw the launch of the liquid-cooled NXW product series. Liquid-cooled frequency converters are gain-

ing ground in marine, offshore, oil drilling and industrial drives, where the space available is critical. In existing industrial plants, the space for electrical equipment is designed for conventional motors that have no speed control. When processes are modernized and increasing use is made of frequency converters, the space available can become a critical factor.

Future prospects

The uncertainty in the global economy started to show in the second half of 2000 and continued throughout the past year. The tragic events in the latter part of 2001 made businesses and individuals less willing to make investments and consume. When many companies, including the competitors, have reported gloomier prospects, Vacon has succeeded in growing strongly and profitably.

In my opinion, if the recession continues for a long time it will also affect frequency converter markets. The rate of growth will slow down, but should remain positive. As far as its products and expertise are concerned, Vacon is in better shape than ever. The completed expansion of the production premises has removed one bottleneck to continuous growth.

In this uncertain situation it is even more difficult to predict the future. How-

ever, Vacon will continue to grow faster than the growth in the market. The target for 2002 is growth of 20 - 30 per cent. The profitability target is an operating profit of 12.5 per cent.

We shall continue to develop Vacon and make it even more flexible and able to react more quickly, to have a strong position on world markets in all situations.

Thank you

I would like to extend my thanks to our customers, shareholders, business partners and all our personnel for a successful year in 2001. We are together working to fulfil our vision of becoming the leading supplier of application and customer specific frequency converters worldwide. The coming year will again be full of challenges and interesting opportunities.

Veijo Karppinen
President and CEO



Business Environment

The market for frequency converters can be divided into two categories according to their power range. Most frequency converters operate on low voltages (110-690 V). Small numbers of medium-voltage (2,300-11,000 V) frequency converters are also manufactured. Vacon only makes lower power frequency converters.

The main customers for frequency converters are end users (industry, construction and the public sector), equipment and machine manufacturers, retailers of electrical components and equipment, brand label customers wishing to extend their product range, and system suppliers. In major projects the end customers, such as industrial plants in different fields, purchase their frequency converters direct from the manufacturer or from the systems supplier responsible for the project.

The world market for frequency converters is approximately USD 5.5 billion* and can be divided into the following categories according to the power range of the frequency converters:

Less than 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

The frequency converter market will grow at an annual rate of nearly 10 per cent for many years to come. Growth will be fastest in the Far East and in particular in China. Only about five per cent of the 500 million squirrel cage motors installed are fitted with a frequency converter. Purely for energy-saving reasons a figures many times higher would be justified. No alternative technology is in sight.

Large automation and electrical engineering corporations are the main competitors in the frequency converter market, and they usually have several products and services. The market is highly fragmented and the market leader holds about 13 per cent of the market. In contrast to its competitors, Vacon focuses entirely on frequency converters.

Typical industrial uses of frequency converters include:

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

Typical applications for frequency converters include:

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

*) Source: ARC Advisory Group "ARC": "Low Power AC Drives Worldwide Outlook", 2001 and "High Power AC Drives Worldwide Outlook", 2000

Product Portfolio

CX

The CX product family was launched in 1995 and has been developed since then until recently to cover new applications. The CX product range today in practice comprises the full power range from 0.75 kW - 1.5 MW. The most common serial communications, regenerative diode bridges to the network and a large number of extra cards and parts are available for it. CX frequency converters represent the first generation of freely programmable precision products on the market.

NX

The NX product family is Vacon's second generation of frequency converters that supports more closely Vacon's strategy of providing customers with application and customer specific products. NX products started to be introduced in November 2000. The NX product family contains three frequency converter series with different capacities. NXL is a general purpose frequency converter for general applications. NXS is a modular product that is flexible and easy to modify for tough applications. NXP covers very demanding separate drives and coordinated system applications.



	Applications	CX	CXL	CXS	NXL	NXS	NXP
System drives	Metal lines Paper machines Plastic lines Textile machining etc...						█
Demanding separate drives	Cranes Elevators Machine tools Conveyors	█	█	█	█	█	█
General purpose drives	Extruders Compressors Pumps Fans	█	█	█	█	█	█



Standard Drives

Markets and distribution channels

The Standard Drives business unit markets and sells frequency converters to end users, contractors, distributors and brand label customers. These customer segments represent about half of the entire frequency converter market. This business unit also sells frequency converters to OEM manufacturers that do not require special products or services.

In its sales Vacon uses its own sales companies in Europe and sales offices in China and Singapore. The largest brand label customer, Cutler-Hammer, with its distributors provides good coverage in the North American market. The competitive edge of Vacon's products and Cutler-Hammer's strong sales expertise increased Vacon's market share in North America last year. Local manufacturers have suffered from the strong US dollar. In other market areas Vacon operates through distributors. Vacon has reinforced its distributor network in the Far East, signing new distributor agreements in China, Korea, India and elsewhere. Vacon has more than 100 distributors all over the world.

Vacon's frequency converters are sold with different brand names in about 100 countries, which in practice covers the entire industrialized world.

Products

Vacon's product series provides good coverage of the needs of the entire frequency

converter markets. The product selection contains all necessary supply voltages and motor power. A comprehensive range of extra cards, filters and other accessories extends the operations of the basic series so that Vacon can provide motor drives for all applications. Vacon's products are CE and UL approved, so they are safe to sell everywhere.

Most competitors offer general purpose products with parameters that need to be set. In contrast, Vacon's standard frequency converter contains seven ready variations, and in most cases one of these is suitable for a customer's particular need. As a result, few adjustments are needed, which reduces the risk of mistakes. So Vacon's reliable frequency converters are easy to introduce and use. Numerous special applications are also available, extending the range of the standard applications. The special applications and upgrades for the standard applications can be downloaded from the Internet.

The new NX series of frequency converters is an improvement on the CX series in supporting Vacon's strategy of providing customers with reliable, easy to use precision frequency converters that speak the customer's language.

Vacon is the Drives House that has solid expertise in motor drives and related technologies. Expert assistance is available in dimensioning motors, feeder transformers, switchgear and their components as well as advice in issues relating to EMC (Electro Magnetic Compatibility)

and earthing, for example which ensures successful design and start-up of applications.

The company has continued to systematically expand its service network, which consists of its own sales companies, distributors and brand label partners. During 2001 seven new Vacon service centres received certification. We now serve customers everywhere 24 hours a day. This has been a key principle in our service concept right from the start.

Prospects

Vacon has built up a comprehensive global sales network. Winning new markets often takes years. Many of Vacon's sales companies and partnerships are still very young. Vacon's frequency converters have an excellent reputation among customers. They are known to be reliable and technically advanced. In many markets growth will be strong in the next few years.

The frequency converter market is fragmented, with about 80 companies operating in the sector. In contrast to Vacon, many of these offer an extensive portfolio of services and products. The competitive environment is changing rapidly and many companies in the field are looking for partners. Vacon will profit from these developments since it is an independent player that concentrates purely on frequency converters and is the technology leader in software controlled precision frequency converters.

OEM (Machine- and Equipment Manufacturers)

Markets and distribution channels

OEM customers manufacture machines and equipment for the needs of industry and the public sector. They use our frequency converters as part of the machines and equipment they manufacture.

OEM customers need frequency converters and a service concept that fit in smoothly with their products and operating methods. Requirements vary, depending on the size of the customer and the business sector and geographical area in which they operate. The OEM business unit has wide-ranging expertise. Working with Vacon's sales companies and distributors, the OEM unit offers strong technical support, develops and verifies the appropriate frequency converter, and builds effective logistics. This enables OEM customers to produce successful products for the market.

The OEM customer segment represents about 40 per cent of the frequency converter market. The segment is growing fast, since end users will in the future purchase complete, functioning sub-units instead of building them themselves from components.

Products

Vacon's product series is eminently suitable for the needs of OEM customers. The wide power range, suitability for all supply voltages, approval to several international

and local standards, and a comprehensive service network make it a product series that can be used everywhere.

The requirements of OEM customers were taken into account from the very start in the development of the new NX product series. Modular, flexible NX frequency converters are suitable for all sorts of different OEM needs. The separate control and power units also give extra freedom in the mechanical design of machinery. The NC1131-3 programming tool makes it possible to integrate machine controls into the Vacon frequency converter and to optimize the controls precisely for the machine. This results in better performance at lower costs than could be achieved by adapting a general purpose frequency converter.

OEM customers test their products thoroughly. This gives Vacon information about the performance of its products and their suitability in different operating conditions. Close cooperation with major customers ensures that our products are developed in accordance with global requirements.

Prospects

Sales through OEM manufacturers is growing, because more and more end customers wish to purchase complete systems. Today almost all compressor manufacturers provide products with frequency converters, whereas just a few years ago this was rare. Performance requirements

are rapidly increasing the use of frequency converters for example in elevators and cranes. The need to save energy is also increasing the number of machines supplied with variable speed drives.

A major technology breakthrough is taking place in the marine and offshore sector. This aims in many applications to move away from oil and complex, expensive hydraulic systems that require servicing. Frequency converters are inevitably replacing DC drives. The price is also no longer an obstacle, since with customized frequency converter drives it is usually possible to find the most overall economical solution.

In the future OEM customers will be using even more innovation as they look for the optimal solutions for their products. High-speed motors in fast rotating machines often offer an effective solution. Vacon has in-depth experience of special motor applications. In November Vacon acquired a 51 per cent majority holding in Rotatek Finland Oy, a company specializing in high-speed electric motors. The purchase of Rotatek adds depth to our motor knowhow. Following this acquisition Vacon can also offer electrical gear boxes for many applications.

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RECEPTION
AUBUNTOLO





Engineered Drives

Markets and distribution channels

Many industrial production lines modify or produce material, with the material moving on a continuous line. For the process to function properly, precise, simultaneous speed and/or torque control is essential at every point in the machine. Paper and board making machines and production lines in the metal industry are examples of these. Vacon Engineered Drives designs and supplies engineered frequency converter solutions for the above mentioned applications and frequency converter components to automation and system suppliers.

Vacon is an independent company that concentrates entirely on frequency converters and for that reason is a suitable partner for automation and system suppliers. The market leaders in frequency converters often also have their own operations in the automation and systems businesses.

Our strategy is based on open automation. We support international standards in the automation sector. In this way

we give our customers the freedom to choose the best components and partners for their applications.

Products

Open automation equipment has a communications interface that conforms to international standards, usually a series bus. Through this it is possible to connect a device to equipment from other manufacturers. The most common standard serial communications buses are available for Vacon frequency converters, and through these they can, for example, communicate with automated equipment from other manufacturers.

Vacon frequency converters also have the NC1131-3 tool that conforms to international standards. This makes it possible to adapt the software in the frequency converter to the control principles of the automation and system supplier.

The core competence of the Engineered Drives business unit includes a knowledge of the requirements of system drives, and the configuring and control of drives. Closely connected to this is

in-depth application knowhow, especially of the paper, pulp and metal industries. A delivery may include commissioning, design, and installing the frequency converters in switchgear, as well as the documentation for each delivery.

Prospects

Vacon has demonstrated its capabilities as a supplier of system drives. It has references in the paper and metal industries. Vacon's equipment has shown that it has suitable features and performance for use in system drives.

In the future we shall be increasingly working in partnership with automation suppliers to supply production line drives. We will also be looking for system suppliers who provide automation and electrification for lines and machines, to whom we will sell frequency converters for engineered drives.

Vacon Traction

Markets and distribution channels

Vacon Traction designs, manufactures and markets frequency converters and other necessary high-power electronic equipment, such as switch mode power supply units and battery chargers, for vehicles: trains, trams and heavy-duty road vehicles worldwide.

The market is in a state of flux. National operations are becoming global. The markets are changing very slowly, since design projects are long, lasting several years. It takes years from when the first offer is submitted before serial production starts. The products are for individual projects and customers.

During 2001 Vacon Traction supplied its products in Finland, Sweden, Central

Europe and the Far East. The distribution channel has as a rule been direct sales from Finland to the customer, although in a few cases a Vacon sales company has been involved.

Products

Vacon Traction uses Vacon's main technologies and components in its products. This takes advantage of the parent company's large series production. Competitors in the field design their products purely for use in vehicles. Product standards in the vehicle sector differ from those for industrial drives, so some parts are modified to meet the demands of the business area.

Drives are needed for example to control the motors in fans, air conditioning

equipment and compressors. Some of the major projects for Vacon Traction in 2001 were control systems for air conditioning equipment installed in locomotives, especially in the Far East.

Prospects

2001 was an important year for product development. R&D was carried out on many different air conditioning systems in all market areas. If successful, the investments in R&D could start to show results in 2002.

PUB

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SPÅRAKOFF

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Radio City

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Research and Development

Vacon NX

Our successful customers require reliability, flexibility, overall economy and quality from their processes - taking environmental aspects into account. During 2001 Vacon launched the new generation NX products. They are reliable, simple and very easy to adapt for different processes, so they have met our customer's requirements extremely well and have consolidated our position as the technology leader in precision frequency converters that speak the customer's language.

The scalability of NX frequency converters, in part patented by Vacon, has made it possible to customize the products quickly, from low-power micro frequency converters to large over 1 MW high-power solutions. A major factor in the success of the new NX technology is the separate power and control units, which have made it possible to develop air and liquid cooled frequency converter units side by side utilizing the same control part.

Vacon's NX products have from the very start been designed so that they can be part of larger open automation systems, in which independent intelligent field devices communicate with each other using the same language. The open system gives end users the opportunity to choose the best available components for their systems to ensure the overall economy of the process. Vacon achieves open automation in its products by offering well-known communications systems based on open international standards - in all products, at all power ratings.

Thanks to our integrated application-based software technology, we can

program an NX frequency converter to control a single pump or fan. On the other hand, the same frequency converter can be used as part of a paper machine using software that is meant for it. Our software-based scaleable technology is suitable for use in hundreds of different applications in industry and different parts of the public sector in controllable machines and equipment for which a squirrel cage motor provides the energy.

Vacon NXL

The Vacon NXL frequency converter is an optimal solution for basic applications like pumps, fans and conveyor belts. Automation for unit manufacturing lines, the food industry and the public sector offers hundreds of different applications for NXL frequency converters.

We have delivered the first NXL frequency converters. When developing these products, we paid particular attention to using a small number of parts and to making them easy to assemble and distribute, to achieve overall cost-efficiency. With this product we are aiming at international markets that operate with large volumes and for which the price is critical.

Liquid cooled frequency converter

The liquid-cooled NXW frequency converter is designed for usage in applications where the compact size of the product, its ease of instalment and cooling technology are key factors. The advantage of liquid-cooled frequency converters, compared to air-cooled devices, is that

they are smaller and can be used in places where liquid circulation is available for cooling. Suitable applications include compressors and processing lines in heavy industry, pumping and drilling applications in the oil drilling industry, and ship propeller drives.

The Future

The growing need to save energy and take environmental issues into account will increase the usage of frequency converters worldwide. Renewable energy production and use offer new challenges for applying our frequency converter technology. The NX frequency converter series is flexible and scaleable, which gives us a competitive edge in serving our customers faster than our competitors in the global markets.

The new Vacon NXL





Production

Vacon's production is based on extensive networking, with Vacon itself responsible for strategically important production stages such as customization and quality assurance for the end product. During 2001 Vacon has focused on mass customization, with the aim of reducing delivery time from weeks to even just a few days and of cutting the amount of capital tied up.

The mass customization project has created a concept that makes it possible to respond quickly to changes in the market, both in Vacon's own production and in the company's sub-contracting chain. Vacon aims to significantly raise production efficiency in order-controlled production for several thousand different sales items. Its target is to reach the same level of efficiency as that achieved by mass producers who have just a few different items in production. Vacon's production is able to react quickly to individual customer needs in the market and to achieve cost-effective production. In Vacon's production the number of pull buffers is controlled and final modifications are made at as late a stage as possible.

In 2001 Vacon took various steps to cut delivery times and raise the rate of turnover for inventories. Production personnel received training and the teams order their material themselves by e-mail. The amount of partial assembly work has increased and slow and fast moving materials have been identified. The company has switched to management of incoming materials on a daily basis and has intensified cooperation with the sub-contracting network. Changes have been made in the factory lay-out to support product modification.

These steps have given benefits throughout the chain. Partnership with the sub-contractor network is closer and at a deeper level. Information and material flows have become more efficient. We have also achieved faster through-put times, more flexible production, smaller stocks and better customer service.

Mass customization is the logical next step to the Vacon Concept for Supplier Partnership and Management operating model, which the company introduced in 2000. With this innovative model we can assess and develop the performance of

the entire Vacon network. The main areas in the Vacon Concept for Supplier Partnership and Management model are quality, time, cost-effectiveness, technology, and the level of partnership and management.

Factory 2001

The factory expansion which was taken into service in 2001 gives Vacon room for growth in the years ahead. The expansion took into account the requirements of a modern electronics factory, including ESD shields, effective information systems and machines. The expansion has a floor area of 5,500 m².

Way of Working

'Year of Shared Information' in process development

The "Year of shared information" was the theme for 2001 in process development. The programme aimed to provide accurate information for all those who needed it to help them in their decision making.

The first step was to define the desired business models. After this, an information system solution was developed to support the business model. The process models were defined in all the company's core business processes, such as concurrent engineering, customer satisfaction and logistics. Business and resource development as a process that supports business was also handled.

For **concurrent engineering**, shared information means clarifying project and document management procedures. A systematic approach was introduced to managing main product customizing projects. Project plans, reports and minutes of meetings were located in individual databases for each project.

In the **customer satisfaction** process, tools were developed to support the management of customer relations. These include VaconSales, VaconQuote and VaconCustomer. VaconSales is a tool for placing orders via the Internet. Initially the tool is meant mainly for use by subsidiaries.

The VaconQuote tool and the VaconCustomer tool for managing customer relations, together with VaconSales constitute a product package that provides accurate and relevant information for managing customer relationships.

The **logistics process** also saw the introduction of a new tool, VaconSupplier, for managing supplier information. Shared databases, such as the new media VaconNet (intranet) for internal communications, were considered a useful source of information in the logistics process as well as in other processes.

In the **business and resource development process**, development activities focused on internal reporting, strategy planning and implementation, and human resource management methods.

In **internal reporting**, improvements were made in calculating the profitability of individual products. To improve the availability of accurate information, a reporting tool was developed that makes it easy to produce various reports on individual customers and products quickly and flexibly.

Steps were taken to improve **strategic planning and decision making** and make them more responsive to change.

The process was divided into annual strategy reviews and quarterly reviews. The quarterly reviews take into account themes for the year such as customer satisfaction, employee satisfaction and self-assessment based on the EFQM model (European Foundation for Quality Management). Strategic planning and implementation are supported by a database that contains the company action plans and business development projects.

In **human resource management**, clearly defined, common procedures were established for recruitment, staff orientation and skills development.

Cooperation with various places of learning, which supports recruitment, made progress in the right direction during the year. These partnerships ensure that the highly skilled personnel needed by the company will also be available in the future.

Towards the end of the year the Vacatemia started up, training for supervisors, which aims to develop the individual human management skills and capabilities of the participants.

The entire personnel participated in processing the annual employee satisfaction survey and in planning activities to increase job satisfaction.

Year of Shared Information

VACON VALUES

- 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

... smooth control **vacon**



Key Figures

	2001	2000 (pro forma)	1999 (pro forma)	1998	1997
Per share data					
Earnings per share, EUR	0.45	0.41	0.33	0.16	0.14
Equity per share, EUR	1.52	1.32	0.56	0.34	0.19
Dividend per share, EUR *)	0.16	0.14	0.07	0.03	0.01
Dividend payout ratio, % *)	35.5	35.3	22.2	21.7	10.6
Effective dividend yield % *)	1.7	1.7			
Price/earnings-ratio	20.7	20.2			
Share price information					
Lowest during the period, EUR	7.85	7.50			
Highest during the period, EUR	12.60	8.50			
Closing price at the end of the period, EUR	9.33	8.30			
Average price for the period, EUR	10.02	7.76			
Market value of shares, MEUR	141.35	125.75			
Number of shares exchanged	6,240,984	211,041			
Number of shares exchanged, %	41.2	1.5			
Adjusted average number of shares during the financial period	15,150,000	13,722,242	11,721,500	11,721,500	11,721,500
Number of shares at the end of the financial period	15,150,000	15,150,000	11,721,500	11,721,500	11,721,500
Financial Ratios					
Revenues, MEUR	90.5	64.9	44.3	25.7	17.0
Revenues, increase, %	39.5	46.6	71.9	51.4	106.9
Operating profit, MEUR	10.4	8.1	6.0	3.2	2.6
Operating profit, increase %	28.4	34.7	91.4	22.8	311.1
Operating profit, % of revenues	11.5	12.5	13.6	12.2	15.1
Profit before appropriations and taxes, MEUR	10.1	8.2	5.7	2.9	2.3
Profit before appropriations and taxes, % of revenues	11.2	12.7	12.9	11.1	13.6
Return on equity, %	32.9	44.3	71.3	57.5	111.2
Return on investments, %	38.1	46.8	47.4	32.4	41.6
Interest bearing net debt, MEUR	3.5	2.3	4.3	7.0	2.0
Net gearing (%)	15.4	12.7	62.8	166.8	89.0
Equity ratio (%) (preferred capital notes excluded)	47.7	49.1	33.1	24.6	23.0
Gross investments in fixed assets, MEUR	7.5	8.8	1.4	2.9	0.6
Gross investments in fixed assets, % of revenues	8.3	13.6	3.3	11.1	3.4
Research and development expenditure, MEUR	6.9	5.8	3.6	**)	**)
Research and development expenditure, % of revenues	7.6	8.9	8.1	**)	**)
Personnel at the end of the period	409	308	220	141	96
Orderbook at the end of the period, MEUR	6.5	5.8	2.5	2.4	***)

*) The 2001 dividend is the Board of Directors' proposal to the Annual General Meeting

**) R&D expenditures were not separately identified for year 1998 and 1997.

***) The order book was not classified in the same manner during 1997.

Calculation of Financial Ratios

In the calculations the preferred capital notes are included in interest-bearing liabilities, not in shareholders' equity

Earnings per share =	$\frac{\text{Profit before extraordinary items - income taxes -/+ minority interests}}{\text{Adjusted number of shares over the financial year}}$
Equity per share =	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$
Dividend per share =	$\frac{\text{Dividends paid for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$
Dividend payout ratio =	$\frac{\text{Dividends paid for the financial year} \times 100}{\text{Profit before taxes - income taxes -/+ minority interest}}$
Effective dividend yield =	$\frac{\text{Dividend per share} \times 100}{\text{Adjusted share price at the end of the financial year}}$
Price/earnings =	$\frac{\text{Adjusted share price at the end of the financial year}}{\text{Earnings per share}}$
Return on equity =	$\frac{(\text{Profit before extraordinary items - income taxes}) \times 100}{\text{Shareholders' equity} + \text{minority interests, average over the year}}$
Return on investments =	$\frac{(\text{Profit before extraordinary items} + \text{interest and other financial expenses}) \times 100}{\text{Balance sheet total - non interest-bearing liabilities, average over the year}}$
Equity ratio =	$\frac{(\text{Shareholders' equity} + \text{minority interests}) \times 100}{\text{Balance sheet total - advances received}}$
Net gearing =	$\frac{(\text{Interest bearing liabilities} - \text{cash and bank balances}) \times 100}{\text{Shareholders' equity} + \text{minority interests}}$



Board of Directors' Report for 1 January – 31 December 2001

Vacon Group continued to see profitable growth. The Group met most of its targets for the financial year very well and strengthened its market position on all continents. The Far East was the region with the fastest growing net sales, with China in particular leading the way.

The first engineered drives based on Vacon technology for the paper and metal industries started up successfully. This demonstrates not only the capabilities of our technology but also that end users with the most demanding requirements have given us their approval as a supplier of reliable frequency converters.

We are the technology leader in customer and application specific frequency converters. Our heavy investments in R&D now place us in the position to offer products in the full power range, for all supply voltages, for everything from very simple to extremely complex applications.

Market position

By following our precision product strategy we have consolidated our position as a supplier of reliable, easy to use electric

drives. Vacon currently holds about two per cent of the global frequency converter market and we believe that this figure will continue to rise. The frequency converter market is still fragmented. The market leader has about 13 per cent of the total market and the largest 13 suppliers have a combined market share of 80 per cent. Competition is getting tougher and a restructuring of the sector is going to take place.

The technology is developing rapidly, which can be seen in terms of higher performance products, a wider range of applications and communications options, and falling product prices. Success in the sector requires continuous development of products and working methods.

The market leaders are multinational corporations in the automation and electrical engineering sectors who offer a broad range of products and services. Their products conform to their own internal standards and operating methods. In contrast to Vacon, for many of our competitors frequency converters only make a marginal contribution to the net sales of the entire group.

In its sales and marketing Vacon is aiming at the widest possible geographical coverage. Vacon channels its sales and marketing through its own direct sales, and through distributors, original equipment manufacturers (OEM), and brand label customers who wish to extend their own product range. Vacon sells its products through these different channels in more than 100 countries.

Vacon's direct sales are mainly to heavy industry and system suppliers. Vacon has more than 100 distributors all over the world. When looking for and selecting distributors, Vacon's main criteria are geographical coverage and end-customer coverage in different industrial sectors.

Brand label customers sell and market Vacon frequency converters under their own brand label to extend their own product range. In the view of company management, Vacon has the capabilities to boost its sales through the brand label channel, since it has the reliability, flexibility and technical know-how that brand label customers demand of their suppliers.

From left:

Erkki Raunio, Harry Ollila, Harri Niemelä, Stefan Wikman, Veijo Karppinen, Jari Eklund and Mauri Holma.

To work with original equipment manufacturers, Vacon needs to have the ability to analyze customer and end-user processes and to make alterations to products according to customer needs. OEM contracts are by their very nature usually long-term commitments.

Some of the key features of our strategy are customer-oriented operations, the ability to respond promptly, focusing on our core competence, continuous development of expertise, and unbeatable quality. In fact, these factors, coupled with expert, motivated personnel are vital to the company's success. Vacon is systematically building a network of partners, consisting of customers, suppliers, universities and its own specialist expertise, to develop ever better frequency converters to control public sector and industrial processes.

Group structure

Vacon continued to build its sales company network in Europe. The Group established sales companies in Russia, France and Norway during the year.

In December 2001 agreement was reached to raise Vacon's holding in the Group company Vacon Traction Oy, located in Tampere, from 65 per cent to 90 per cent by purchasing shares from other shareholders. The agreement was realized in January 2002.

In November Vacon acquired a 51 per cent majority holding in Rotatek Finland Oy, a company specializing in high-speed electric motors. The technology has been developed at the Lappeenranta University of Technology for ten years and is now entering the commercial stage. In this transaction Vacon acquired a technology of the future and not ready business operations.

The investments in the joint venture company Vacon Americas did not bring

the expected results. The company's owners, Vacon and Cutler-Hammer, decided to reorganize the company's operations. All the company's employees have transferred to Cutler-Hammer and all new customers are looked after either by Vacon or Cutler-Hammer.

Prospects

Vacon has systematically developed its sales network to cover the entire industrial world. Vacon is known in more than 100 countries and in seven years we have built a strong reputation as a supplier of reliable, easy to use products. New customer relations and our own sales companies create a firm foundation for the growth of operations in the current year as well.

Setting a target for net sales in 2002 is extremely difficult in the prevailing economic situation. If the recession continues, growth even in the frequency converter markets is expected to tail off. In the opinion of the company's management, the markets will continue to maintain a slight growth trend in 2002 as well. Vacon has a market share of about 2 per cent, and being the technology leader in software-controlled frequency converters it has plenty of potential for growth. Rising energy prices will increase investments to achieve energy savings using frequency converters, and this should make up for business cycle fluctuations in frequency converter sales. Vacon's target is to achieve growth of 20 - 30 per cent in 2002 and an operating profit of 12.5 per cent.

Net sales

Consolidated net sales rose from EUR 64.9 million in the previous year to EUR 90.5 million, an increase of 39.5 per cent. The parent company Vacon Plc recorded net sales of EUR 81.2 million.

Vacon's net sales in 2001 by distribution channel were: own direct sales 38 per cent, distributors 17 per cent, OEM 24 per cent and brand label customers 21 per cent.

Vacon's net sales by market area were: Finland 19.6 per cent, rest of Europe 47.0 per cent, North America 19.7 per cent, Far East 12.0 per cent and others 1.7 per cent.

Order intake and order backlog

The frequency converter business is a component business, with lead times varying from a few days to several weeks. To ensure flexible customer service, Vacon aims to cut delivery times still further. The order backlog is short, but forecasts given by OEM and brand label customers and by distributors make it much easier to predict order levels. Delivery reliability remained at an excellent level throughout the year.

The order book at the end of the year totalled EUR 6.5 (2000 EUR 5.8) million.

Profitability

The Group's profit after financial items was EUR 10.1 million, compared to EUR 8.2 million in the previous year. Net profit for the financial year was EUR 6.8 million, an increase of 22.1 per cent on the previous year's figure of EUR 5.6 million. Taxes accounted for EUR 3.3 million.

The profitability target for 2002 is to raise the operating profit margin to 12.5 per cent from 11.5 per cent in 2001.

Balance sheet and financing

The consolidated operative cash flow was EUR 7.6 million positive. This shows that the group's vigorous growth can be financed by income from operations. The balance sheet total was EUR 49.2 million, an increase of

32.4 per cent, which is less than the growth in net sales. The equity ratio remained at strong level at 47.7 per cent.

The Group's liquidity remained at a good level throughout the year. Interest-bearing liabilities totalled EUR 8.8 (2000 EUR 4.9) million at the end of the year and the net gearing was 15.4 per cent. The return on investment 38.1 per cent and return on equity 32.9 per cent remained at a good level.

Investments

Gross investments in the review period totalled EUR 7.5 million. Investments were made in production and testing lines for the Vacon NX frequency converter family, in tools for NX products, in the product development laboratory, in information technology and in furnishings and equipment for the additional premises.

Half of the insignificant financial income from the joint venture company Vacon Americas LLC was included in the consolidated income statement last year and the acquisition cost for the company's shares were included in investments in the consolidated balance sheet. During the review period the figures for Vacon Americas LLC have been incorporated in the consolidated financial statement, which means

that the acquisition cost for the shares reduces the net investments for the period.

A total of EUR 1.8 million has been capitalized in the financial statement of the parent company for the R&D expenses for small (NXL) and liquid-cooled (NXW) frequency converters, in the same way as the previous year. A total of EUR 2.1 million has been capitalized in the consolidated financial statement for R&D expenses. In accordance with to the company's accounting principles, R&D costs for creating new business and developing new products for the future are capitalized.

Personnel

The number of parent company personnel increased by 66 to 307 at the end of the year. New employees were hired in all functions and workforce turnover was minimal.

At year end, 102 persons worked in the Group's subsidiaries, an increase of 35 from the beginning of the year. The entire Group had 409 employees at the end of 2001.

Board of Directors and Auditor

The members of Vacon Plc's Board of Directors were Jari Eklund, 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.

Shareholders

In April 2001 the company paid a dividend of EUR 2 million or EUR 0.13 per share.

The company's share price on the Helsinki Exchanges ranged between EUR 7.85 and EUR 12.60. The share price on the closing date was EUR 9.33.

The proposal by the Board of Directors regarding distribution of retained earnings

The parent company's distributable equity is EUR 18.6 million. Distributable consolidated equity is EUR 15.9 million. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.16 per share be paid, a total of EUR 2.4 million.



The President of Finland, Ms Tarja Halonen, visited the Vacon factory in Vaasa.

Income Statement

1 000 €	Note	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
Net sales	1	90,533	64,893	81,233	57,119
Change in inventories of finished goods and work in progress, increase (+)/decrease (-)		385	1,008	-76	751
Production for own use		37	49	37	49
Other operating income		68	230	68	34
Materials and services					
Materials and consumables					
Purchases during the financial year		-46,663	-34,020	-44,564	-32,112
Change in inventories		136	1,564	136	1,258
External services		-736	-684	-669	-218
		-47,263	-33,140	-45,097	-31,072
Personnel expenses	2	-16,511	-11,804	-11,184	-7,950
Depreciation and write-downs	5	-1,876	-1,363	-1,496	-1,000
Other operating expenses		-14,945	-11,751	-12,057	-9,529
Operating profit		10,428	8,122	11,428	8,402
Financial income and expenses	6				
Interest income from financial assets				139	73
Other interest income and financial income		74	422	48	463
Interest expenses and other financial expenses		-378	-290	-331	-256
		-304	132	-144	280
Profit before appropriations and taxes		10,124	8,254	11,284	8,682
Appropriations	7			-575	252
Income taxes	8	-3,355	-2,715	-3,103	-2,610
Minority interests		50	44		
Profit for the financial year		<u>6,819</u>	<u>5,583</u>	<u>7,606</u>	<u>6,324</u>

Cash Flow Statement

1 000 €	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
Cash flow from operating activities:				
Operating profit	10,429	8,122	11,428	8,402
Depreciation	1,876	1,363	1,496	1,000
Cash flow before changes in working capital	12,305	9,485	12,924	9,402
Changes in working capital:				
Current assets, non-interest bearing, increase (-)/decrease (+)	-3,801	-5,527	-4,096	-6,321
Inventories, increase (-)/decrease (+)	-563	-2,572	-60	-2,009
Current liabilities, non-interest bearing, increase (+)/decrease (-)	2,571	6,163	3,401	5,032
	-1,793	-1,936	-755	-3,298
Cash flow from operating activities before financial items and taxes	10,512	7,549	12,169	6,104
Interest received	74	143	187	265
Interest paid	-347	-289	-306	-256
Other financial items	-10	277	-4	272
Taxes paid	-2,642	-2,715	-2,489	-2,610
Cash flow from operating activities	7,587	4,965	9,557	3,775
Cash flow from investing activities:				
Investments in tangible and intangible assets	-7,470	-7,789	-6,091	-5,583
Investments in financial assets	837	-1,023	-3,059	-3,130
Cash flow from investing activities	-6,633	-8,812	-9,150	-8,713
Cash flow from financing activities:				
Long-term loans, increase (+), decrease (-)	2,481	-2,000	2,603	-895
Short-term loans receivable, increase (-), decrease (+)		252		252
Current loans, increase (+), decrease (-)	1,234	-871	-306	-205
Preferred capital loans, increase (+), decrease (-)	208	1,460		1,460
Raising of share capital		10,495		10,495
Dividends paid	-1,969	-870	-1,969	-870
Other changes		-3,762		-4,718
Cash flow from financing activities	1,954	4,704	328	5,519
Change in liquid funds	2,908	857	735	581
Liquid funds at beginning of period	2,396	1,539	1,457	876
Liquid funds at end of period	5,304	2,396	2,192	1,457

Balance Sheet

1 000 €	Note	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
Assets					
Fixed assets					
Intangible assets					
Formation expenses			2		
Development expenses	9	3,469	1,417	3,075	1,284
Intangible rights		531	295	408	293
Goodwill on consolidation		2,388	2,018		
Other long-term expenditure		134	16	110	
		6,522	3,748	3,593	1,577
Tangible assets					
Machinery and equipment		6,667	4,257	6,296	4,001
Other tangible assets		441	277	269	216
Construction in progress		2,265	2,029	2,259	2,029
		9,373	6,563	8,824	6,246
Financial assets					
Shares in group companies	10		845	4,645	3,910
Receivables from group companies				3,620	1,284
Other shares		117	117	117	117
Other receivables		454	447	208	220
		571	1,409	8,590	5,531
Total fixed assets		16,466	11,720	21,007	13,354
Current assets					
Inventories					
Materials and consumables		3,550	3,320	3,455	3,320
Finished products/goods		3,367	3,034	1,436	1,511
		6,917	6,354	4,891	4,831
Short-term receivables					
Trade receivables	11	18,285	15,060	18,247	14,301
Other receivables		963	1,183	677	1,075
Prepaid expenses and accrued income	12	1,313	473	1,202	653
		20,561	16,716	20,126	16,029
Cash and bank balances		5,304	2,396	2,192	1,457
Total current assets		32,782	25,466	27,209	22,317
Assets		49,248	37,186	48,216	35,671

1 000 €	Note	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
Shareholders' equity and liabilities					
Shareholders' equity					
	13, 14				
Share capital		3,030	3,030	3,030	3,030
Share premium reserve		3,499	3,499	3,499	3,499
Other reserves		23	19		
Retained earnings		9,612	6,048	11,035	6,681
Profit for the financial year		6,819	5,583	7,606	6,324
		22,983	18,179	25,170	19,534
Preferred capital notes	15	2,016	1,808	1,808	1,808
Total shareholders' equity		24,999	19,987	26,978	21,342
Minority interests		19	26		
Group reserves		77	83		
Accumulated appropriations					
	17				
Depreciation difference				575	
Liabilities					
Long-term					
	18				
Loans from credit institutions		4,905	2,395	4,778	2,081
Other long-term liabilities		118	147	44	138
Deferred tax liability		198	46		
		5,221	2,588	4,822	2,219
Current					
Loans from credit institutions		1,812	578	916	1,222
Advances received		1,013	83	1,009	73
Trade payables		10,097	8,386	9,842	8,147
Other current liabilities		2,232	2,837	1,277	589
Accrued expenses and deferred income		3,778	2,618	2,797	2,079
		18,932	14,502	15,841	12,110
Total liabilities		24,153	17,090	20,663	14,329
Shareholders' equity and liabilities		49,248	37,186	48,216	35,671

Accounting Principles

General accounting principles

The financial statements of Vacon Plc and the consolidated financial statements are prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements.

The financial statements are presented in euros. Vacon changed its accounting currency to euro during the financial period. The figures for comparison have been changed to euros.

When preparing the financial statements, the company's management is required by the regulations in force and good accounting practice to make assessments and assumptions that affect the valuation and allocation of financial statement items. Although the assessments are based on the latest available information, the final figures may differ from these assessments.

The figures for comparison, key figures and other information for the 2000 financial year are pro forma figures and are based on the financial information for Vacon Plc, Vaasa Control Oy and Vaasa Engineering Invest Oy. The Vacon Plc Group was formed on 31 August 2000 when Vaasa Control Oy and Vaasa Engineering Invest Oy merged with Vacon Plc. The operations of the current group consist of the business that Vaasa Control Group was engaged in. The key figures and other information for the 1999 financial year are based on the financial information of Vacon Oy and Vaasa Control Group. The figures for 1998 and 1997

are from the consolidated financial statements of Vaasa Control Oy.

Principles of consolidation

The consolidated financial statements include the accounts of the parent company and the accounts of companies in which the parent company owns more than half of the voting rights. Subsidiaries established during the financial year are consolidated from the date of establishment. The subsidiary Rotatek Finland Oy acquired during the year is consolidated as of 31 December 2001. The Group's share of the figures for the joint venture company Vacon Americas LLC have been incorporated in the consolidated financial statements from the beginning of 2001. In the previous financial period, half of the company's insignificant financial income was included in the consolidated income statement and the acquisition cost for the company's shares was included under investments in the consolidated balance sheet. Investments in other companies (Group ownership and voting rights less than 20 per cent) are presented in the balance sheet at acquisition cost.

The consolidated financial statements are prepared using the acquisition cost method. The acquisition cost of subsidiary company shares has been eliminated against the equity of the subsidiaries as at the date of acquisition. The resulting group goodwill is depreciated over fifteen years and the resulting Group reserve is entered as income over fifteen years.

Intra-Group business transactions, receivables as well as liabilities and unrealized margins on intra-group transactions are eliminated in the consolidation.

Minority interests are presented as a separate item in the consolidated income statement and the share of minority interests in shareholders' equity is also shown separately in the consolidated balance sheet. Changes in the depreciation difference of group companies are divided into changes in tax liability and the result for the year in the consolidated balance sheet. Accumulated appropriations are divided into tax liability and shareholders' equity in the consolidated balance sheet.

Foreign subsidiaries

Items in the income statements of foreign subsidiaries are translated into euros at the average of the monthly average exchange rates, and items in their balance sheets at the average exchange rate on the balance sheet date. Translation differences resulting from the different exchange rates used in the income statement and balance sheet are entered under consolidated shareholders' equity. Translation differences arising from the application of the acquisition cost method, resulting from changes in exchange rates, are also entered under consolidated shareholders' equity.

Net sales

Net sales are calculated by deducting indirect sales taxes, discounts and exchange

rate differences from gross sales revenues. Revenue is recognized at the date of delivery, except for large, long-term projects, which are recognized using the percentage-of-completion method.

Foreign currency transactions

Business transactions in foreign currencies are recorded at the rates of exchange prevailing on the transaction date. Receivables and payables on the balance sheet date are valued at the average exchange rate on that date. Exchange rate differences relating to sales and purchases are recorded as adjustments to these items. Exchange gains and losses related to financing operations are recorded under financial income and expenses.

Pension arrangements

Statutory and supplementary pension obligations in Finland are covered through payments to pension insurance companies and recorded as determined by periodical actuarial calculations prepared by those institutions. In Group companies outside Finland, the pension obligations are arranged and pension liabilities recorded in accordance with local legislation and practice.

Leasing

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

Research and development

The costs of research activities are recorded under expenses. Development costs are also recorded under expenses, except for significant projects that create new business operations and will generate revenue in the future. These are capitalised and amortised during their effective life span, but no later than in five years. Grants received are entered as deductions in the relevant items.

Income taxes

In the consolidated income statement, taxes are calculated in accordance with the local tax regulations for each company. Taxes include taxes paid during the period and adjustments to the taxes for previous periods. Taxes also include the change in the deferred tax liability.

Fixed assets and depreciation

Fixed assets are valued in the balance sheet at their original acquisition cost less accumulated planned depreciation. Planned depreciation is calculated on a straight-line basis on the original acquisition cost, based on the estimated useful economic life, as follows:

Intangible assets	5 - 15 years
Buildings and structures	15 - 40 years
Machinery and equipment	4 - 15 years
Other tangible assets	5 - 10 years

Inventories

Inventories are valued at the cost of acquisition and manufacturing, or the net realizable value if this is lower. The average price method has been used to determine the acquisition price. The acquisition cost of finished and semi-finished products includes an appropriate proportion of indirect production costs.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the Annual General Meeting.

Notes to the Financial Statements

1 000 €	Group 2001		Group 2000 pro forma		Parent 2001		Parent 2000 pro forma	
1. Net sales	%		%				%	
Net sales by market area								
Finland	17,835	19.6	12,627	19.4	17,835	22.0	12,627	22.1
Rest of Europe	42,486	47.0	31,982	49.3	33,836	41.7	24,208	42.4
North America	17,812	19.7	13,112	20.2	17,812	21.9	13,112	23.0
Far East	10,871	12.0	5,642	8.8	10,221	12.6	5,642	9.9
Other countries	1,529	1.7	1,530	2.3	1,529	1.9	1,530	2.7
Total	90,533	100.0	64,893	100.0	81,233	100.0	57,119	100.0
Projects for which percentage-of-completion method is applied								
Recognized accumulated income	835				835			
2. Personnel expenses	Group 2001		Group 2000 pro forma		Parent 2001		Parent 2000 pro forma	
Wages and salaries								
Presidents and members of the Boards of Directors	1,645		1,353		300		281	
Other wages and salaries	11,525		8,038		8,672		6,090	
	13,170		9,391		8,972		6,371	
Other personnel expenses								
Pension costs	1,595		1,395		1,284		1,116	
Other compulsory personnel costs	1,746		1,018		928		463	
	3,341		2,413		2,212		1,579	
3. Average number of personnel								
Office personnel	251		174		163		113	
Factory personnel	154		109		149		109	
Total	405		283		312		222	

4. Pension commitments to the president

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

1 000 €	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
5. Depreciation				
Intangible assets	113	169	56	117
Tangible assets	1,619	1,050	1,440	883
Total	1,732	1,219	1,496	1,000
Goodwill on consolidation	150	150		
Decrease of group reserves	-6	-6		
Total	144	144		
Depreciation according to plan, total	1,876	1,363	1,496	1,000
6. Financial income and expenses				
Interest income from financial assets				
From group companies			139	73
			139	73
Other interest income and financial income				
From group companies			16	64
Profit from sale of real estate		272		272
From others	74	150	32	127
	74	422	48	463
Interest expenses and other financial expenses				
From others	-378	-290	-331	-256
	-378	-290	-331	-256
Financial income and expenses, total	-304	132	-144	280
7. Appropriations				
Change in depreciation difference			-575	252
8. Income taxes				
Income taxes on operations	-3,201	-2,763	-3,103	-2,610
Change in deferred tax liability	-154	48		
	-3,355	-2,715	-3,103	-2,610

1 000 €	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
9. Assets				
Intangible assets				
Formation expenses				
Acquisition cost on 1 January	9	9		
Increases				
Acquisition cost on 31 December	9	9		
Accumulated depreciation on 1 January	-7	-6		
Depreciation during the financial year	-2	-2		
Accumulated depreciation on 31 December	-9	-7		
Net book value on 31 December	0	2		
Development expenses				
Acquisition cost on 1 January	2,824	1,540	2,589	1,305
Increases	2,093	1,284	1,791	1,284
Acquisition cost on 31 December	4,917	2,824	4,380	2,589
Accumulated depreciation on 1 January	-1,406	-1,284	-1,305	-1,224
Depreciation during the financial year	-42	-122		-81
Accumulated depreciation on 31 December	-1,448	-1,406	-1,305	-1,305
Net book value on 31 December	3,469	1,417	3,075	1,284
Intangible rights				
Acquisition cost on 1 January	405	255	401	259
Increases	296	149	168	143
Acquisition cost on 31 December	701	405	569	401
Accumulated depreciation on 1 January	-110	-71	-108	-72
Depreciation during the financial year	-60	-39	-53	-36
Accumulated depreciation on 31 December	-170	-110	-161	-108
Net book value on 31 December	531	295	408	293
Goodwill on consolidation				
Acquisition cost on 1 January	2,239	214		
Increases	520	2,026		
Acquisition cost on 31 December	2,759	2,239		
Accumulated depreciation on 1 January	-221	-71		
Depreciation during the financial year	-150	-150		
Accumulated depreciation on 31 December	-371	-221		
Net book value on 31 December	2,388	2,018		
Other long-term expenditure				
Acquisition cost on 1 January	59	59		
Increases	126		113	
Acquisition cost on 31 December	185	59	113	
Accumulated depreciation on 1 January	-43	-37		
Depreciation during the financial year	-8	-6	-3	
Accumulated depreciation on 31 December	-51	-43	-3	
Net book value on 31 December	134	16	110	
Intangible assets, total on 31 December	6,522	3,748	3,593	1,577

1 000 €	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
Tangible assets				
Machinery and equipment				
Acquisition cost on 1 January	6,495	4,252	5,974	3,920
Increases	3,923	2,243	3,677	2,054
Acquisition cost on 31 December	10,418	6,495	9,651	5,974
Accumulated depreciation on 1 January	-2,238	-1,271	-1,973	-1,138
Depreciation during the financial year	-1,513	-967	-1,382	-835
Accumulated depreciation on 31 December	-3,751	-2,238	-3,355	-1,973
Net book value on 31 December	6,667	4,257	6,296	4,001
Other tangible assets				
Acquisition cost on 1 January	520	390	291	152
Increases	270	130	111	139
Acquisition cost on 31 December	790	520	402	291
Accumulated depreciation on 1 January	-243	-159	-75	-27
Depreciation during the financial year	-106	-84	-58	-48
Accumulated depreciation on 31 December	-349	-243	-133	-75
Net book value on 31 December	441	277	269	216
Construction in progress				
Construction in progress on 1 January	2,029	66	2,029	66
Increases	236	1,963	230	1,963
Construction in progress on 31 December	2,265	2,029	2,259	2,029
Tangible assets, total on 31 December	9,373	6,563	8,824	6,246
Financial assets				
Shares in group companies				
Shares on 1 January			3,910	904
Increases		845	735	3,006
Net book value on 31 December		845	4,645	3,910
Receivables from group companies				
Receivables on 1 January			1,284	1,153
Increases			2,336	131
Net book value on 31 December			3,620	1,284
Other shares				
Shares on 1 January	117	117	117	117
Increases				
Net book value on 31 December	117	117	117	117
Other receivables				
Receivables on 1 January	447	138	220	97
Increases	7	309	-12	123
Net book value on 31 December	454	447	208	220
Financial assets, total on 31 December	571	1,409	8,590	5,531

10. Shares

Group companies	Group holding-%	Group votes %	Parent company holding-%
Vacon GmbH, Düsseldorf, Germany	100	100	100
Vacon Traction Oy, Tampere, Finland	65	65	65
Vacon Benelux BV, Gorinchem, Netherlands	100	100	100
Vacon SpA, Montecchio Emilia, Italy	100	100	100
Vacon Drives Ibérica S.A., Manresa, Spain	100	100	100
Vacon Drives (UK) Ltd, Leicestershire, United Kingdom	80	80	80
Vacon AB, Sundbyberg, Sweden	100	100	100
Vacon AT Antriebssysteme GmbH, Leobersdorf, Austria	70	70	70
Vacon Americas LLC, Milwaukee, USA	50	50	50
ZAO Vacon Russia, Moscow, Russia	100	100	100
Vacon France s.a.s., Moissy Cramayel, France	70	70	70
Rotatek Finland Oy, Lappeenranta, Finland	51	51	51
Vacon AS, Holmestrand, Norway	80	80	80

	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
Group reserves				
Acquisition value on 1 January	83	89		
Increases				
Acquisition value on 31 December	83	89		
Accumulated value entered as income	-6	-6		
Net book value on 31 December	77	83		

11. Short-term receivables

From group companies				
Trade receivables			6,521	5,517
			6,521	5,517
From others				
Trade receivables	18,285	15,060	11,726	8,784
Other receivables	963	1,183	677	1,075
Prepaid expenses and accrued income	1,313	473	1,202	653
	20,561	16,716	13,605	10,512
Short-term receivables, total	20,561	16,716	20,126	16,029

12. Main items in prepaid expenses and accrued income

Recognized accumulated income according to percentage-of-completion method	835		835	
Contributions	143	277	84	277
Other	335	196	283	376
	1,313	473	1,202	653

	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
13. Shareholders' equity				
Share capital on 1 January	3,030	580	3,030	580
Change		2,450		2,450
Share capital on 31 December	3,030	3,030	3,030	3,030
Share premium reserve on 1 January	3,499		3,499	
Change		3,499		3,499
Share premium reserve on 31 december	3,499	3,499	3,499	3,499
Other reserves on 1 January	19			
Change	4	19		
Other reserves on 31 December	23	19		
Retained earnings on 1 January	11,631	5,515	13,005	7,585
Dividend distribution	-1,970	-870	-1,970	-870
Other changes	-26	1,381		-34
Translation differences	-23	22		
Retained earnings on 31 December	9,612	6,048	11,035	6,681
Profit for the financial year	6,819	5,583	7,606	6,324
Preferred capital notes on 31 December	2,016	1,808	1,808	1,808
Shareholders' equity, total	24,999	19,987	26,978	21,342
14. Distributable equity				
Retained earnings on 31 December	9,612	6,048	11,035	6,681
Profit for the financial year	6,819	5,583	7,606	6,324
- Capitalised formation expenses		-2		
- Depreciation difference and other untaxed reserves	-484	-112		
Distributable equity, total	15,947	11,517	18,641	13,005

15. Preferred capital notes

The parent company has received a capital note of EUR 348,149 from Tekes and EUR 1,460,334 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 2002.
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 3.5 per cent.
3. No security was required for the note.
4. If the development 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 repayed, 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 repayed 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 EUR 53,936 were allocated at the end of year 2001.

16. Option program

The Annual General Meeting, held on March 28th 2001, adopted the Board's proposal of option terms for Vacon Group's key personnel. The main conditions are as follows.

Each option right will entitle its holder to subscribe for one (1) share each with a par value of 0.2 Euros. Pursuant to the share subscriptions, the share capital can increase by a maximum of 300,000 shares corresponding to 60,000 Euros.

The share subscription price will be the average price of the closing prices on the Helsinki Stock Exchange during the period January 2 through February 28, 2001, in other words 10.45 Euros.

The option rights are divided into series AI, All, BI and BII. Each series includes 75,000 option rights.

The option rights entitle subscription for the shares as follows:

1. Series AI and All from August 16 to September 15, 2002.
2. Series BI and BII from August 16 to September 15, 2003.

The holders of series All and BII option rights are entitled to subscription for the shares only if the following conditions are fulfilled:

1. Series All option rights entitle subscription for shares only if the profit of the Vacon Group in the financial year from January 1 to December 31, 2001 is a minimum of 11,500,000 Euros and the return on investment is a minimum of 35 per cent.

These conditions were not met during the financial year.

2. The Board of Directors will later determine the financial targets that have to be fulfilled so that the series BII option rights entitle the subscription for shares. The targets have to be determined so that they support the Group's profitable growth and efficient management of the working capital.

New shares will qualify first for a dividend payment for the financial year during which the subscription has taken place. Other rights will commence on the date when the increase in the share capital is entered into the Trade Register.

17. Appropriations

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

	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
18. Liabilities				
Long-term				
Interest-bearing *)				
Loans from credit institutions	4,905	2,395	4,778	2,081
Other long-term liabilities	118	147	44	138
	5,023	2,542	4,822	2,219
Non interest-bearing				
Deferred tax liability	198	46		
	198	46		
Long-term liabilities, total	5,221	2,588	4,822	2,219
Current				
Interest-bearing				
Loans from credit institutions	1,812	578	916	1,222
	1,812	578	916	1,222
Non interest-bearing				
Advances received	1,013	83	1,009	73
Trade payables	10,097	8,386	9,503	7,884
Trade payables to group companies			339	263
Other current liabilities	2,232	2,837	1,277	589
Accrued expenses and deferred income	3,778	2,618	2,797	2,079
	17,120	13,924	14,925	10,888
Current liabilities, total	18,932	14,502	15,841	12,110
Interest-bearing liabilities *)	6,835	3,120	5,738	3,441
Non interest-bearing liabilities	17,318	13,970	14,925	10,888
Liabilities, total	24,153	17,090	20,663	14,329

*) The preferred capital notes are not included in long-term interest-bearing liabilities

	Group 2001	Group 2000 pro forma	Parent 2001	Parent 2000 pro forma
19. Liabilities falling due after five years				
Loans from credit institutions		480		480
		480		480
20. Collateral and contingent liabilities				
Company mortgages given as collateral for liabilities				
Loans from credit institutions	1,507	1,604	1,507	1,604
Mortgages given	5,129	3,196	5,129	3,196
Collateral given on behalf of group companies				
Contingent liabilities	783	783	783	783
Collateral given on behalf of others				
Contingent liabilities	87	87	87	87
21. Amount payable according to leasing contracts				
Maturity within one year	488	248	169	87
Maturity after one year	583	187	261	112
	1,071	435	430	199

Auditor's Report

To the shareholders of Vacon Plc

We have audited the accounting, the financial statements and the corporate governance of Vacon Plc for the period 1.1. - 31.12.2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of

material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of

the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Vaasa, February 8th, 2002

KPMG WIDERI OY AB
Raimo Wiklund
APA



Corporate Governance

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 board of directors

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 and the management team

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 market-

ing 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.

Insider dealing

Vacon observes the guidelines for insiders for listed companies approved by the Helsinki Exchanges. Vacon's insiders include the Board of Directors and the auditor, the

Vacon Plc's Board of Directors in 2001



Harri Niemelä (57) chairman
President, Vaasa Engineering Oy
B.Sc. (El. Eng.)
399,840 shares



Mauri Holma (51)
President, Vaasa Switchgears Oy
B.Sc. (El. Eng.)
382,171 shares



Veijo Karppinen (51)
President, Vacon Plc
M.Sc. (Engineering)
594,249 shares



Harry Ollila (51)
President, Konecranes Nordic Oy
M.Sc. (Engineering)
37,740 shares



Erkki Raunio (52)
Executive Vice President, Vacon Plc
B.Sc. (El. Eng.)
556,683 shares



Stefan Wikman (45), secretary
Partner, Roschier Holmberg, Attorneys Ltd,
Attorney
No shares

Management Team, personnel in the treasury and communications departments and secretaries to senior management. The holdings of the company's permanent insiders can be viewed in the SIRE system maintained by the Finnish Central Securities Depository Ltd.

The company maintains registers of insiders for individual projects.

Incentive schemes

The company has an incentive scheme for the entire personnel and an options scheme approved by the Annual General Meeting in 2001.



Jari Eklund (38)
Investment Director, Tapiola Insurance Group
M.Sc (Econ.)
No shares

The members of the Board of Directors do not hold any stock options. Shareholdings are as per the share register on 28 December 2001.

President and Management Team 2001



Veijo Karpinen

Member of the Board, President
Born 1950, M.Sc. (Eng.), President of Vacon Plc. Responsible for Vacon's vision and strategy. President since the company was established in 1993.

Other Management Team members:



Erkki Raunio

Member of the Board; Executive Vice President, Marketing and Sales; Deputy to the President; Vice President Standard Drives
Born 1949, B.Sc. (Eng.); Executive Vice President and Vice President, Sales since 1994; responsible for Group marketing and regional sales including subsidiaries, and also for short- and long-term development and steering of the Standard Drives business area.



Tuula Hautamäki

Vice President, Business Development
Born 1964, M.Sc. (Eng.), M.Sc. (Econ.), Vice President, Business Development since 2000. Responsible for co-ordination of business development and for developing the Company's quality and environmental management systems.



Dan Isaksson

Vice President, Engineered Drives
Born 1965, M.Sc. (El. Eng.), Vice President, Engineered Drives business area since 1998. Responsible for drive system solutions and deliveries for demanding industrial applications.



Jukka Kasi

Vice President, R&D
Born 1966, M.Sc. (Eng.), Vice President, R&D since 1999. Responsible for the continuous development of Vacon's frequency converter products and for the company's technological competence.



Jari Koskinen

Vice President, Production
Born 1960, M.Sc. (Econ.), MBA, Vice President, Production since 1994. Responsible for the manufacturing processes and the logistics chain for Vacon's products, from Vacon's suppliers via Vacon to its customers (supply chain, manufacture at Vacon, invoicing and forwarding, and service and start-up of drives).



Jukka-Pekka Mäkinen

Vice President, OEM Customers
Born 1959, B.Sc. (Eng.), Vice President, OEM Customers business area since 1999. Responsible for the business area selling Vacon products to OEM customers.



Dag Sandås

Vice President, Finance and Control
Born 1959, M.Sc. (Econ.), Vice President, Finance and Control since 1998. Responsible for monitoring and developing Vacon's financial position and for managing the company's treasury functions.



Leena Taka

Vice President, Human Resources
Born 1954, Graduate of Vaasa Commercial Institute (Marketing), Vice President, Human Resources since 2000. Responsible for Vacon's personnel administration and its development.



Tapio Vuojus

President, Vacon Traction Ltd
Born 1949, MBA (Henley), B.Sc. (Eng.), Diploma of Business Studies, Managing Director of Vacon Traction Oy since March 2000.

Shares and Shareholders

The shares of Vacon Plc were listed on the Helsinki Exchanges on 14 December 2000. Vacon's company code on the Helsinki Exchanges is VAC1V. The roundlot for trading of the shares is 100 shares. Each share carries one vote. The company has 15,150,000 shares with a nominal value of EUR 0.20 each. During 2001 a total of 6,240,984 shares were traded with a value of EUR 62.6 million. Vacon's share price has remained above the listing price (EUR 7.0) throughout the year. The highest quoted price during the review period was EUR 12.60 and the lowest was EUR 7.85. On the last day of 2001 the quoted price was EUR 9.33, which gave the company a market value of EUR 141.3 million.

At the end of the year a total of 1,970,683 shares, or 13.0 per cent of Vacon's share stock, were in the direct ownership of members of the Board of Directors and the President.

Vacon Plc does not own any of its own shares.

Breakdown of ownership

Division of shares

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-500	2,008	81.33	448,885	2.96
501-1,000	154	6.23	121,848	0.80
1,001-5,000	140	5.67	317,073	2.09
5,001-10,000	65	2.63	492,554	3.25
10,001-50,000	59	2.39	1,220,492	8.06
50,001-100,000	17	0.69	1,161,323	7.67
Over 100,000	26	1.05	11,387,825	75.17
Total	2,469	100.0	15,150,000	100.0

Ownership structure

Corporations	102	4.14	2,211,949	14.60
Banks and insurance companies	20	0.81	5,093,977	33.62
Public sector entities	3	0.12	634,200	4.19
Non-profit organizations	11	0.45	21,800	0.14
Households	2,328	94.5	7,188,074	47.4
Total	2,464	100.0	15,150,000	100.0
Of which nominee registered			4,334,198	28.61

Ownership outside Finland on 28 December 2001 (incl. nominee registered) 30.6% .

Major shareholders 28.12.2001

	No. of shares	% of shares
Nordea Bank Nominee registered *)	3,920,289	25.9
Ahlström Capital	1,200,000	7.9
Vaasa Engineering Oy	631,433	4.2
Karpinen Veijo	594,249	3.9
Tapiola Mutual Pension Insurance Company	574,500	3.8
Raunio Erkki	556,683	3.7
Niemelä Harri	399,840	2.6
Tapiola Insurance Group	396,900	2.6
Holma Mauri	382,171	2.5
Koskinen Jari	360,294	2.4
Other	6,133,641	40.5
Total	<u>15,150,000</u>	<u>100.0</u>

*) Nordea Bank Nominee registered 28.12.2001

Fidelity Funds	1,999,165	13.2
Goldman Sachs Funds	180,760	1.2
Threadneedle Investment Funds	166,327	1.1
GE Investment Group Trust	117,898	0.8
Other Nordea Bank Nominee registered	1,456,139	9.6
Nordea Bank Nominee reg. Total	<u>3,920,289</u>	<u>25.9</u>

Financial analysts that monitor Vacon as an investment object

ABG Sundal Collier	Ms Marion Björkstén	+44 207 905 5611	marion.bjorksten@abgsec.com
Alfred Berg Finland Oyj Abp	Mr Robert Sergelius	+358 (0)9 228 321	robert.sergelius@alfredberg.fi
Cazenove & Co	Mr Henrik Olsson	+44 (0)20 7214 7626	henrik.olsson@cazenove.com
Crédit Agricole Indosuez Cheuvreux	Mr Jan Kaijala	+358 (0)9 6969 2969	jkaijala@indocdv.com
D. Carnegie Ab, Finland Branch	Mr Mikael Huhtamäki	+358 (0)9 61 871 237	mikael.huhtamaki@carnegie.fi
FIM Securities Ltd	Mr Pasi Pitkälä	+358 (0)9 6134 6307	pasi.pitkajarvi@fim.com
Handelsbanken Securities	Mr Kalle Uljas	+358 (0)10 444 2454	kaul01@handelsbanken.se
Impivaara Securities Limited	Mr Jeff Roberts	+44 20 7284 3937	impivaara@pomor.com
Mandatum Stockbrokers Ltd	Mr Eeva Mäkelä	+358 (0)10 236 4851	eeva.makela@mandatum.fi
Nordea Securities	Mr Tobias Björk	+358 (0)9 3694 9320	tobias.bjork@nordeasecurities.com
Opstock Investment Banking	Mr Michael Schröder	+358 (0)9 404 4351	michael.schroder@oko.fi



Vacon Plc arranged its first Capital Markets Day on November 22, 2001 in Vaasa.

Information for Investors

Annual general meeting

The Annual General Meeting of Vacon Plc will be held on Monday, 25 March 2002 at 3.00 pm in the Gloria Auditorium, Hovioikeudenpuistikko 16, Vaasa, Finland.

To be entitled to attend the Annual General Meeting, shareholders must be registered on 15.3.2002 in the company's list of shareholders maintained by the Finnish Central Securities Depository. Shareholders wishing to attend the Annual General Meeting are requested to notify the company not later than 4.00 pm (Finnish time) on 18.3.2002 - by e-mail to catarina.fant@vacon.com, by telephone to Catarina Fant on +358 201 212 276, by mail to Vacon Plc, Catarina Fant, P.O.Box 25, 65381 Vaasa, Finland, or by fax to +358 201 212 208. Letters of authorisation should be sent with the notification of attendance.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.16 per share be paid for the 2001 financial year. The record date for dividend payment will be 2 April 2002 and the proposed payment date for the dividend is 9 April 2002.

Financial reports in 2002

Vacon is publishing three interim reports in 2002 as follows:

January-March

Tuesday, 2 May 2002, at 10.00 am

January-June

Thursday, 1 August 2002, at 10.00 am

January-September

Thursday, 31 October 2002, at 10.00 am

Contact information:

Catarina Fant,
Investor Relations Manager
P.O. Box 25, 65381 Vaasa, Finland
tel: +358 201 212 276
fax: +358 201 212 208
e-mail: catarina.fant@vacon.com
Further information:
www.investors.vacon.com

The financial statements and interim reports are also published in Finnish. The Annual Report is also available in Finnish and Swedish. This English annual report and the Swedish annual report are available on the Internet at www.investors.vacon.com. The Finnish annual report is available at www.sijoittajat.vacon.fi



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

Rotatek Oy

Laserkatu 6
53850 Lappeenranta
Finland
www.rotatek.vacon.com
Info@rotatek.vacon.com
phone: +358 (0)5 6243 870
fax: +358 (0)5 6243 871

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
Aumühlweg 21
2544 Leobersdorf
www.vacon.at
vacon.austria@vacon.com
phone: +43 2256 651 66
fax: +43 2256 651 66 66

Belgium

Vacon Benelux NV/SA
Interleuvenlaan 62
B 3001 Heverlee (Leuven)
www.vacon.be
phone: +32 (0)16 394 825
fax: +32 (0)16 394 827

France

Vacon France s.a.s.
Batiment le Sextant
462 rue Benjamin Delessert
ZI Moissy Cramayel
P.O. Box 83
Moissy Cramayel
vacon.france@vacon.com
phone: +33 (0)1 64 13 54 11
fax: +33 (0)1 64 13 54 21

Germany

Vacon GmbH
Alexanderstrasse 31
40210 Düsseldorf
www.vacon.de
vacon.germany@vacon.com
phone: +49 (0)211 876 3470
fax: +49 (0)211 876 347 29

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 F.lli Guerra, 35
42100 Reggio Emilia
www.vacon.it
vacon.italy@vacon.com
phone: +39 0522 276 811
fax: +39 0522 276 890

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

Norway

Vacon AS
Langgata 2
3080 Holmestrand
vacon.norway@vacon.com
phone: +47 330 96120
fax: +47 330 96130

Spain

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

Russia

ZAO Vacon Drives
Bolshaja Jakimanka, 31
109180 Moscow
vacon.russia@vacon.com
phone: +7 (095) 974 14 47
fax: +7 (095) 974 15 54

ZAO Vacon Drives

Proletarskoj diktaturi Square
house 6 A, office 305
193124 St. Petersburg
phone: +7 (812) 320 92 66
fax: +7 (812) 320 92 66

Sweden

Vacon AB
Target 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
Room 516, South Tower
210B Grand Pacific Garden Mansion
8A Guanhua Road
Beijing 100026
www.vacon.com.cn
vacon.china@vacon.com
phone: +86 10 6581 3734
fax: +86 10 6581 3754

Singapore

Vacon Plc
Singapore Representative Office
102F Pasir Panjang Road
#02-06 Citilink Warehouse Complex
Singapore 118530
www.vacon.com.sg
vacon.singapore@vacon.com
phone: +65 6278 8533
fax: +65 6278 1066