

**Sanıtec**  
Annual Report

2001

*SANITEC'S ON-LINE REPORT*

*Last year Sanitec Corporation was one of the first corporations to publish its Annual Report as a multimedia presentation on the web. Sanitec Corporation's new On-line Report is even more dynamic. The site contains topics about the company, its operations and environmental issues, presented as animations and videos, in addition to traditional Annual Report elements.*

*Please visit our On-line Report at [www.sanitec.com](http://www.sanitec.com)*



# Sanitec

## Contents

Sanitec in Brief	4
Solutions, Design, Technology and Water	5
Events in 2001	6
Words from the President	7
Brands	8-9
Design & Designers	10-11
Technology, Concepts and Innovation	12-13
E-business	14-15
Human Resources	16-17
Future Trends	18-19
Evac	20-21
Environment	22
Markets and Business Areas	23
Board of Directors	24
Board of Management	25
Group Structure	26
Contact Information	27



Contents

# Sanitec in Brief

The Sanitec Group designs, manufactures, and markets bath and shower products, bathroom ceramics and vacuum sewage systems. The company works closely with customers and industrial partners as well as architects and designers to develop environmentally friendly bathroom concepts with advanced design that promote healthy lifestyle and wellbeing. Sanitec's strategic goal is to maintain and build on its leading European position as well as continuing to develop global opportunities.

Sanitec Group is based around locally well-known brand names, which have strong positions and long roots in the bathroom business. High quality products are a source of pride and continuous product development ensures attractive design and functionality as well as innovative solutions in water-saving technology and waste treatment systems.

During recent years the Sanitec family has grown both organically and through acquisitions. Today it is the leading manufacturer in its sector in Europe. The company is the largest or second largest supplier in all its main markets. Sanitec's subsidiary Evac is the world's leading supplier of vacuum sewage systems, which are used in marine vessels, trains, aircraft, and buildings.

## Five years in figures

### Going Forward

Sanitec Group has the ambitious vision of becoming a global player in the bathroom business. The Group wants to be customer focused, efficient and highly profitable.

Sanitec promotes well-being, good feeling and atmosphere at the same time as it provides high quality design products and solutions that are environmentally

sustainable. In order to be successful, Sanitec strives to ensure that it understands the needs and wants of the modern customer. In addition to supplying traditional ceramic products to satisfy the basic needs for comfort, the Group wants to appeal to its customers as design oriented and trend setting, offering that little extra innovative feature.

Sanitec believes that both building on its existing competencies as well as developing new ones is of vital importance to accomplish its goals. In order to reach business excellence, the company complements its strengths at local levels by co-operation and synergies across the Sanitec Group. Several important initiatives were implemented or started up last year to enable the company to fully benefit from its group strengths in the years to come.

EUR mill.	2001	2000	1999	1998	1997
Net sales	994.6	877.3	630.0	570.8	496.4
of which outside Finland	96.3	95.8	94.8	94.7	94.7
Personnel on average	8,858	8,302	5,796	5,034	4,640
of which in Finland	426	407	403	391	374
Operational EBIT	94.6	75.8	80.6	77.4	68.8
EBITDA	153.2	130.0	115.8	114.7	99.0
Operating profit	76.1	75.8	80.6	77.4	68.8
Profit before extraordinary items	60.3	64.3	71.3	65.6	62.1
Profit/loss for the financial year	37.6	39.2	43.4	37.0	37.7
Return on investment (ROI)	11.7	14.8	18.4	24.7	26.4
Return on equity (ROE)	10.7	11.0	15.9	19.0	26.1
Solvency ratio	41.3	47.3	42.5	43.7	40.2

# Sanitec



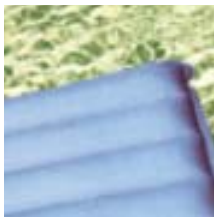
## Solutions

The Sanitec companies are working individually and together to launch technologically and environmentally advanced bathroom solutions that make it easy for modern people to choose inviting bathrooms for relaxing and revitalising moments.



## Design

Our companies are rich in tradition and versatility when it comes to design. Sanitec designers cherish local heritage while enjoying inspiration from colleagues in other countries: together we have excellent insight into the latest trends worldwide.



## Technology

Sanitec's extensive and versatile production network not only aims at enhanced efficiency but also offers a highly competitive framework for innovation. We use our resources to invest in new technology. We use our minds for creativity, synergy and innovation.



## Water

Water and environmental matters are an essential part of Sanitec's business. At our companies, minimising environmental impact has a high priority. Similarly, we focus on products that save fresh water and innovate with our unique vacuum sewage systems.

# Events in 2001

## **Changes in Sanitec's Organisation**

Sanitec continued its successful acquisition strategy and in January 2001 acquired the UK company Twyford Bathrooms (former Caradon Bathrooms), a leading manufacturer of bathroom ceramics in the UK.

Effective as of July 2001, Sanitec sold the majority of its shares in Sanitec Johnson Suisse, Malaysia, remaining a minority shareholder with a share of 19.9%.

## **Ownership Change and De-listing of Sanitec Corporation**

On 26 April 2001 Wärtsilä Corporation and a group of investors agreed to sell their shares in Sanitec, together representing 60.8% of the share capital and votes. The price was EUR 14.60 per share. The buyer was Pool Acquisition Helsinki Oy, a company ultimately owned by BC Partners' advised investment funds. BC Partners advised funds are among the leading European private equity investors.

On 10 May, a public tender offer was launched. Pool Acquisition's right to redeem 100% of the shares from the remaining shareholders was confirmed by an arbitral tribunal on 29 October 2001. The same arbitration tribunal set on 31 January 2002 the redemption price at EUR 14.60 per share.

On 30 October 2001, at the request of Sanitec, the Helsinki Exchanges discontinued trading in Sanitec shares and removed the company from its main list. The last day of Sanitec's stock listing was 1 November 2001.

# Significant Events 2002

Sanitec will be merged into its parent company Pool Acquisition Helsinki Oy on 31 March 2002. At the same time Pool Acquisition Helsinki Oy will change its name to Sanitec Oy, in English Sanitec Corporation.

Mr Berndt Brunow will be the new Chairman of the Board and Mr Rainer S Simon will assume the responsibilities of President and CEO of Sanitec.

## Words from the President

The past year was a year of change for Sanitec. New owners acquired the full share capital in Sanitec and the company was delisted from the Helsinki Exchanges. At the beginning of the year Twyford Bathrooms in the UK joined the Sanitec Group and is being successfully integrated. Other structural changes were conducted throughout the year; the integration process of Sphinx continued with good results and operations in Germany and Italy were restructured to fit the current needs, just to mention a few examples.

I am proud to say that in spite of all these internal changes and weak market development Sanitec managed to clearly improve its result from operations on the previous year. Sanitec's main markets did not show any significant growth last year and



forecasts were brought down to very low or even zero levels. Our ability to control costs in a situation with insignificant top-line growth is crucial and last year we proved our determination to remain market leaders and at the same time improve profits also in a tough market situation.

We are living in a continuously changing world and we need to adapt to these changes, and sometimes even to drive the change. In our business units we have an enormous knowledge base and we need to capitalise on that for the benefit of the whole Sanitec Group. Sharing and learning is essential for successful business and we continuously develop our competencies and skills in areas that will be crucial in the future.

During the year we started several initiatives within an overall program that spans over several years and impacts on the whole organisation. Through this programme we want to identify all the internal opportunities we have to improve our own efficiency and enable us to serve our markets even better in the future.

In the following section we will give you an insight into some of the areas we feel are important to us. I hope you will enjoy reading it and we will definitely keep up the speed in working with these issues.

A handwritten signature in black ink, appearing to read 'Berndt Brunow'. The signature is fluid and cursive, with a prominent vertical stroke at the end.

Berndt Brunow

March 2002

## Brands

*The name on the cover of this report may be Sanitec, but for most people, whether they are in the wholesale or retail trade or simply buying and using bathroom products, it is probable they will respond to other labels and logos.*

Sanitec as such is not a brand, but ask a German about Keramag, an Italian about Pozzi, or get someone in Britain to tell what the names Twyford or Royal Doulton suggest to them, and you are much more likely to find a reaction.

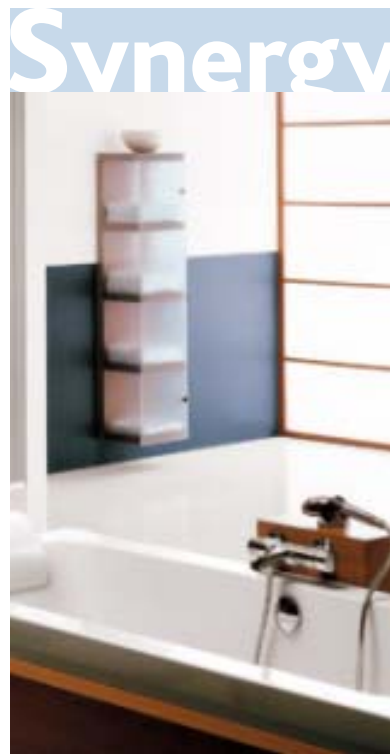
For a company such as Sanitec, the issue of brands and brand strategy in business operations is crucial. The Group already is successful on a local basis, but as distributors, too, are consolidating, there is now an increased need to serve customers regionally and on the pan-European level. This will require increased co-operation, synergy building and cross-selling between companies. The company believes strongly in its brands and sees them as an asset also for the future. Hence this was the first question put to **Dr Georg Wagner**, the Managing Director of Keramag AG.

*Now that there's a clear focus on a more integrated approach, what are the challenges and benefits to be found in cross-developing and cross-selling products within the Group?*

GW: Clearly, based on the development of the Group and our growth through acquisitions during the 1990s we have accumulated a series of leading brands that are mostly local. This local brand presence has contributed to building on our credibility also in neighbouring markets. Now we are developing this still further, backing up our efforts across distribution channels, across regions, and also by product segment.

*So is it possible in practice to integrate designs from one Sanitec Group member into the product assortment of another? Let's take the example of Keramag. Can you benefit from producing and selling Domino or Ido designs and vice versa?*

GW: Yes, we've demonstrated for a couple of years now that there is a good chance to cross-sell products out of other group companies into our local markets. We are also able to benefit from the individual companies' expertise in designing and developing product lines that are suitable not only for the local market but also for regional sales. This is happening already, but there is more to be done.



### Looking for Compatibility

One external constraint on this process is local regulations and technical certificates. In some sense the company finds itself running ahead of its various markets in the integration game. Wagner acknowledges the issue and the need to build technical compatibility into products for sale across market boundaries. His colleague **Corrado Giovannetti**, CEO of Pozzi-Ginori and of Domino, feels that the problem of the certificates jungle is a less acute one these days, as many of the former national institutes

have pooled their resources.

At the same time, companies like Domino have taken a pro-active stance in developing their own internal laboratories that are already authorised to ensure international norms are met, thus smoothing the way for selling local brands into the wider market.

*One further aspect that needs thought is the difference in customer requirements between European regions: some local markets are presumably more*



geared to high-end products and others are more active in the mid-range. How is this reflected in marketing strategies, Corrado Giovannetti?

CG: End-users vary quite a lot from country to country and satisfying all expectations isn't so simple. It's not always easy to understand what the expectations are. One part of addressing the problem is what we do in Domino: giving support to the showroom people, so that they know exactly what the products can deliver. After-sales service and support is another area, directed particularly at plumbers, who are of course the direct interface with our customers.

The subject of environmental questions in brand marketing is another interesting aspect.

*Is there a difference in the weighting given to environmental friendliness in marketing to different regions?*

CG: Within Europe as a whole, environmental awareness is definitely growing. And even if some Europeans might be less environment-conscious than others, it is important both in our R&D and production, and this of course gives the products a wider cross-sales appeal. Then again, you also have to consider just to whom you are selling to - is it the consumers themselves in a renovation set-up, or property developers and contractors in a new building project? It's important to have different marketing specifications for both sides of the business, even on the environmental front.

*Most of Sanitec's brands are leaders in their home markets. Long traditions, well established market positions and high quality products with attractive designs ensure continuous success.*



# brands

# Design and Designers

*It is no longer just a room – it is an experience. The guiding principle of bathroom design at Sanitec is customer satisfaction, and good design is defined as what the customer wants. The purchase must make the buyer feel better. To a large extent, that is the mandate handed to the designer.*

Comfort, well-being, relaxation, self-expression, respect for the architecture, ergonomics, advanced technology – these are all key elements in creating new designs. “We are changing from being a ceramics supplier to being a total bathroom experience designer”, says Sphinx Design and New Products Manager **Herbert Alken**. “Think of the home as an onion with the bathroom in the centre surrounded by other rooms. Each of these has an influence. People traditionally tended to think of bathrooms as cold, hard places. In fact ceramics is one of the oldest natural materials used by man. It is a wonderful medium. But we are not dealing with just ceramics any more, but the whole range of elements which surrounds us. A decade ago we were focused on ceramics, walls, floors, bowls. Today it is a real mix – the bathroom goes livingroom.”

## Creative Processes

Designers have seen a shift from an emphasis on the purely physical features of the bathroom to the more emotional and mental aspects of this facet of life. Sanitec’s professionals are now dealing with not only the physical effects in the bathroom environment, but also the more sensorial impact. What does it do for the user, how do you feel, how do you experience in your mind what is happening in the bathroom? And it doesn’t any longer necessarily have to do simply with getting clean. It is more and

more about the feeling of being clean, the feeling of being beautiful, and feeling magical.

Some of the most important skills for designers today and beyond are those that allow them to create valuable, compelling, and empowering experiences for others. The process of creating is roughly the same in any medium - the processes involved in solving problems, responding to audiences, and communicating to others. It requires a certain touch, technical skills, and a real desire to learn ever more. It demands both coherent concepts and attention to the little details to create an overall feeling. In this work, Sanitec designers not only cherish their local heritage, they also enjoy inspira-



*Some of the most important skills for designers today and beyond are those that allow them to create valuable, compelling, and empowering experiences for others.*

tion from colleagues in other countries.

“The broad principle in our work is to approach design without any pre-conceptions and setting expectations extremely high to produce concepts feeding into products”, is how **Simon Hopps**, Head of Design at Twyford, describes the process. “We are constantly looking at how to ‘talk’ to the end user. Nowadays, we are able to benchmark through Sanitec, drawing upon the

experience and skills available within the group in order to maximise expertise.” Industrial design goes well beyond aesthetics to encompass technical advances, features which Simon Hopps finds especially exciting right now. “One thing that is changing the way we design and develop products”, he says, “is how the building industry is looking at the way those products are installed. We have been manufacturing for traditional trades to install – builders are looking at pre-fabrication. That changes the way we think about our designs. This means looking at pre-fitted, pre-assembled, even plug-in offerings.”

### Translating the Language of Design

The vision is to understand and meet the needs and desires of customers. In practical terms designing is a well organised process flow. **Ute Kranz** heads the team of designers and CAD (Computer Aided Design) modelers at Keramag's Design Studio. "We often get a lot of impressions from contemporary art and architecture. If the marketing department has a special style in mind, we combine this with the ideas we gather from what is happening in the world around us. From initial sketches we put together 2-3 ideas and develop them via CAD, which gives us photo-realistic renderings. We work closely with the technical department, and once a design is fixed



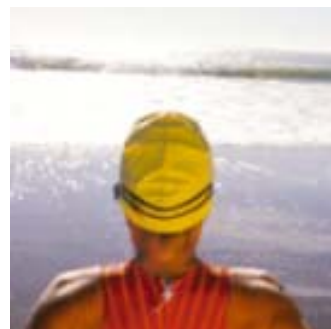
*Antonio Citterio, designer*

and approved, we can do a whole series, starting with one key product and following through in the same design language."

The language of design has to communicate in many ways. These designers are faced with more than one paradox. On the one hand, people want a fast, efficient bathroom before the morning rush to work or school; on the other hand, there is a growing demand for ambience, fitness features, and luxurious relaxation. We all function in a mass market, but we prize our individualism.

Translating those very different types of experiences into bathroom solutions has provided a new basic approach. It is aimed at making sure that innovation in the bathroom is right not only from the technological point of view. It is also about people - where we are, where we want to go - how we experience the spaces we live in.

"There is a revival going on", Herbert Alken declares, "What we are looking for in design now is totality."



## Technology, Concepts and Innovation

*It is a never-ending story. A whole new wave of technologies is hitting the bathroom: electronics, integrated units, improved materials, increased user demands for greater flexibility and innovation.*

The R&D in the bathroom business is on the right track, believes Sanitec's Senior Vice President for Ceramics Production, **Pertti Lehti**. "Our focus now is to put together concepts, instead of just products", he says. This technological convergence is transforming the manner in which development is now being approached. As an example, Lehti talks enthusiastically about a group project that they are currently working on "with the purpose of combining ceramics, shower products, and furniture as a total concept. From that point of view, we will be seeing several new products within 2-3 years. The technological development is a very exciting part of it all."

Development today is far from being just about hardware. It is also about the more abstract world of experiences. "If we examine our history, we were first a ceramics supplier, and now we are a total bathroom solutions provider - that is the major change", Lehti points out.

### **Economies of Scale**

"R&D is a must for any company to grow, and this is also the case in our field", adds **Corrado Giovannetti**, Managing Director of Domino and Pozzi-Ginori, Sanitec's Italian companies. "For a long time, the tendency has been very much marketing oriented, instead of market oriented. Instead of just looking at our own ideas and concepts, we are now going out on the road and asking people what they want and need from us. Fulfilling these needs is where technology plays an important role. After all, we are an industry – not a handicraft – and the profits are made by standardising and industrialising."

In bath and showers economies of scale have proven the worth of these new technologies. "Within Sanitec we have the power of marketing",

says Giovannetti. "If we think about, for example, normal bathtubs: we sell them here in Italy, Twyford sells some more in the UK, Allia in France, Keramag in Germany... It can all be added together!" he points out.

### **Sharing Strengths – Sharing Skills**

According to Giovannetti there is also a reservoir of talent and know-how within the Group to draw upon. One of the latest products developed by Domino is a good example of how both cross-selling and the cross-exchange of technology and specific know-how can be used to maximum benefit. Giovannetti believes strongly in the power of sharing skills and competencies across the group. In this particular example, all the shower products are developed by Koralle in Germany, while Domino is responsible for the development of bathtubs and the parts involving technology. The products are then combined. "This is a prime example of two companies within Sanitec creating a successful new product together", says Giovannetti with evident pride.

R&D within Sanitec's bathroom ceramics is organised around the co-operation between business units, which carry the responsibility for innovation. The different production processes, such as the automatic robot finishing and glazing systems, are the result of the joint effort of a group of engineers and plant managers. Decisions on where to invest in new technology and what technologies to put into service are taken on a group level.

In addition, there are design centres, one at Keramag in Germany, one at Sphinx in the Netherlands, and the newest at Twyford in the UK, which work closely together and sell services to other business units.

### **Changing Needs – New Concepts**

Basic research findings, like new materials or ways of using materials generally come from outside partners, such as universities, research centres, and the commercial sector. The crucial part is how these

findings are applied to products and how they are moulded into new concepts.

For example, the new technologies resulting from the massive development in the electronics field are also applied in Sanitec, Pertti Lehti notes. "If we look at the bathroom as such, it is still quite traditional. Yet there is more and more technology in the home and it is coming into the bathroom in the form of control panels and more integrated units. For example, in Scandinavia we are supplying complete walls with integrated toilets, piping and wash basin. At a later stage, they will also include the electronics", he says.

In the past, more technology often meant higher thresholds for adoption by end-users. Today and even more in the future it's got to be very, very simple. This is clear also to Domino's R&D Centre and one of their ideas is to use the same language we have in mobile phones to instruct the product. So the same way you would interact with your mobile phone, you will be able to give



instructions to your shower. And the advantage will be that the language, the interface, is already familiar.

"This is what I call hiding the technology", says Corrado Giovannetti. "The technology must be directed to serve the end-user, not to make his or her life more difficult. That is my objective; people should be able to enter the shower without being forced to read a manual first!"

The development cycle of the bathroom continues; it's still growing. It is one part of the house where there still is a lot to come. "We kept the bathroom hidden for too long. There are some very key changes in the end-users, in you and me, and in our way of seeking satisfaction and investing our money. And it is the bathroom that can satisfy these changes."

"The bathroom", smiles Giovannetti, "is a constant work in progress."

## E-business

*"There's no hype", says Tiina Pesonen in a firm but friendly tone. Since the subject is e-business and she has hardly even sat down yet, I'm interested already.*

Tiina Pesonen is Sanitec's VP Chief Information Officer, and is responsible for the Group's e-business Programme, which has been described by the Sanitec President and CEO Berndt Brunow as "about shaping the way Sanitec will be doing business in the future".

I'd come prepared to ask awkward jocular questions about how on earth one could sell something as "physical" as bathroom ceramics in a virtual medium, but I'm glad I held back. For this side of the Sanitec business is not about selling to the end-user as such, it is about improved customer service, internal efficiency, and closer relationships with suppliers; on the group-wide plane it's about solutions that offer the same level of service to clients, regardless of country, and through the corporate Intranet it is also obviously a vehicle for bringing the widely-dispersed elements of this company closer together under one virtual roof.

### "Quick Wins" and a Common Corporate Intranet

Pesonen's down-to-earth approach is quite refreshing. She throws across the terms "quick wins" and "pilot projects", and you immediately get the feeling that this is a venture that is very goal-oriented and closely integrated with the other operations of the business. There are expectations, obviously, but also the realism of the old saying about the best way of eating a bull elephant is "one bite at a time".

The quick wins were the first bite, and they have been implemented across Sanitec business units. Most are already up and running. They embrace such things as online brochures for customers, FAQs about products and services, and links to other Sanitec sites. Additionally, the corporate



Intranet, a result of the joint effort of information management, corporate communications and other group functions, provides the basic platform for group-wide information sharing and co-operation.

The importance of the Intranet cannot be overstated. In addition to providing a centralised information platform and a speedy communications channel, there are intangible benefits: it sows a seed of common direction, a team feeling, and it brings out the added value of the corporate culture. And this is all before we have even looked at the gains in cost, time, and resources. In a sense, the Intranet provides a way of grasping "what it means" to be a part of the Group.

### Meaningful Pilot Projects

*So far so good, but what if we go a little further? These pilot projects, aren't they more of an exercise in pushing the technology and seeing what happens?*

Not at all, Pesonen says, and she starts to tell me of a venture linking Keramag in Germany and Kolo in Poland. Inter-company sales and billing processes have been auto-

mated using EDI, or Electronic Data Interchange. It's again very results-oriented, and the result has been that when one company orders supplies from another, far fewer steps and processes are required to do the job. Accuracy has gone up, and efficiency, too. In a word, it's "dry, but hugely important", and with the success of the pilot it will be rolled out in all business units with a significant inter-company trade during 2002. The solution can also be copied and used with Sanitec's external customers as well.

There's an added dimension to projects like this one. They provide an excellent learning opportunity, and not just in learning about technological solutions. They are international cross-company ventures that help to underpin the co-operation between different business units.

Pozzi-Ginori, established in Italy in 1735, has



joined forces with the much younger Italian shower and bathtub manufacturer Domino to create a "virtual showroom" on the Net. Again, this extension of the "electronic brochure" using 3-dimensional modelling techniques will be a learning experience. One lesson learned is that some consumer internet connections are unable as yet to reap the full benefits. But there is a bottom-line here, too; real showrooms are costly, they cannot be everywhere, even in the home market, and certainly they are impractical for export sales.

Companies like those in the Sanitec Group rely heavily on their relationships with wholesalers, and Pesonen cites one very interesting venture in Germany whereby a business unit and a wholesaler are moving towards vendor-managed inventories, such that the customer's stock management routines can be handled by the supplier. And as wholesalers, like suppliers, become more consolidated, there are an increasing number who are selling across national boundaries and into a pan-European market. Sanitec wants to be able to grow with them, and the internet solutions are one means to this end.

This topic prompts Tiina Pesonen to get out a pen and draw a supply chain management diagram with suppliers at one end and customers at the other. The e-business focus is strongest at the poles, in procurement solutions, marketing to professionals, and connecting with customers, with the intranet, EDI, and common e-mail taking up the middle ground.

## Efficiency



*Tiina Pesonen, VP Chief Information Officer, Sanitec Corporation*

*I finally pluck up the courage and stab my finger down on the sales end. Can you really sell through the Net?*

Clearly there are limits. Delivery is an obvious issue; basins and toilets are not CDs, and for the building and plumbing trade goods are often required at short notice. But the picture has bright spots, too: in some markets we are evaluating the possibility of selling spare parts via the Internet, especially to small plumbing and refitting businesses who do not have easy access to wholesale outlets or large DIY and hardware stores.

Sanitec is eating its elephant patiently. It is obviously vital to improve the group's capability to operate in the e-world, but just as important to ensure that the steps taken benefit the core business and have a value-added dimension. Many of the tools are already in place, and the impression gained is that the right balance has been set between "exciting new ideas" and "solid gains in efficiency".

My money is on a "long term win" for Sanitec's e-business.

# Human Resources

*Let's do this first by the numbers: the Sanitec Group employs upwards of 8,500 people in production and sales locations in more than 30 countries all over the world.*

We are clearly dealing here with a multitude of different cultures and approaches to workplace issues, even if plants and offices in France, Germany, and the Nordic countries account for over 50% of the personnel. This is the background to the work of the Group's Human Resources.

## Changing with the Times

Sanitec has always been an umbrella under which a large number of strong brands have been brought, each successful in their local market. As part of a natural evolution, the Group is now moving towards a more integrated focus. This involves all levels of Sanitec's operations. What are the benefits - and what are the challenges - presented by the more strongly integrated way of thinking?

"On the human resources side", says **Michael Hellmund**, Vice President Human Resources for the Sanitec Group, "the basic thing will be to find the right way of integrating the existing cultures into the future we are heading for. The pride that people take in working for their local business units should also be taken into working for the Sanitec Group. So one clear focus will be to enable people to think in a more international way, to have them be European-minded in their thinking, to be open for other cultures without losing their own identity."

Often, the big picture is not evident for the employees of individual units, even if new communication channels, such as the Group's Intranet, provide an admirably comprehensive overview of what is going on.

And yet there is a recognition of being part of a bigger entity and co-operating with sister companies: staff at the Ifö sanitaryware plant in Bromölla, Sweden, explain that sometimes they produce items for Ido Bathrooms, to balance highs and lows in demand. This is just one way of using the

resources of a broad-based group for maximum efficiency. Sanitec already has the advantage of highly-talented men and women working in well-established companies across the continent: it is time to harness this know-how to the common good.

## Automation Comes Along

Streamlining and optimisation of the Group production network also involves investments and new technologies. As the bathroom ceramics industry has earlier been a very labour-intensive one, observing large blue industrial robots bobbing and swaying, spraying glaze onto washbasin units in one factory, one can't help but wonder about the feelings of the staff regarding the arrival of automation.

To some extent robots seem to have replaced parts of the production process that do not greatly appeal to factory floor staff. One employee relishes the fact that he has been given the opportunity to see different sides of the production process and to learn new skills. It is good for motivation, he says. The employee's comments meshes well with Hellmund's own remarks about the need to do more than merely attract talent into the company. Staff must be kept and "bound" to the Sanitec Group through offering them a dynamic environment and the space in which to develop.

## Internationalisation

Michael Hellmund energetically takes up this same theme on a broader level when he mentions job-rotation programmes among the various business units. Whilst the idea of staff from Finland spending time working in Limoges, France or in Southern Italy may sound attractive, for most it is equally stimulating to take part in international projects without having to uproot and move away from home. New cross-border ventures will be an important and exciting part of the Sanitec landscape in the years ahead. The Group wants to be active, and forward thinking management is needed.



Co-ordination and synergies are the order of the day in human resources management, just as they are in production, purchasing, marketing, communications, or finance. In an increasingly globalised world, it is the only sensible way forward.

#### European Works Council

Since 1995, the Sanitec EWC has been facilitating good and open-minded discussions about matters concerning the company. In the Sanitec EWC, a total of 18 staff delegates are drawn from eleven countries, together with three representatives of Group management.

## Cross-border

The full EWC normally meets once a year, but gatherings can also be convened on request if some important trans-national issue comes up. Naturally this forum is an excellent channel for communication between corporate management and the personnel, and as such has an important role to play. The EU's directive actually allowed the Group to hit the ground running when the time came to bring the various units closer together.

The Sanitec Group is clearly determined to enjoy the benefits of common identity and local particularities.



# Resources

# Future Trends

*Fashion lifecycles are shrinking. The bathroom used to be very much considered as a static element in the home, something you put in there and maybe left for 15-20 years. That is no longer true. Today, and tomorrow, the bathroom experience can provide a big opportunity to express some of the more transitory and contemporary elements of a lifestyle. And that is what the customer wants.*

Indeed, the speed at which people are changing their lives, and adapting their homes to these changes, is faster than ever before. Market studies and surveys of consumer tastes indicate that people want to be more self-indulgent, to be allowed to pamper themselves. They are seeking a bathing sensation complete with multiple body spray showers, hand-held nozzles, waterfall and rain showerheads which are all designed to turn ordinary showering into a hedonistic experience. This trend is increasingly turning the bathroom into a personally customised home retreat.

At the same time, the boundaries between bedroom and bath are disappearing and entirely new elements are moving in. Exercise equipment, personal spas, and audio equipment are being introduced into the bath area. What we are seeing is a shift in perception involving this "undervalued" space - one that is bringing the bathroom to a new level of prominence in the home.

Sphinx Managing Director **Rob van Brug** says that this future has already transformed the market from a sector where one sells only products into a business aimed at fulfilling desires and expectations. "The trend is for the bathroom to play more than one role in the consumer's life. It's not any more only about cleaning the body and waste disposal. In a real way it's going towards the all-round wellbeing of the end-user."

Will the bathroom continue to be a greater focus in the household? "We expect that it will really be a crucial point and that you'll now see that consumers are prepared to spend more money and invest more effort into the bathroom, rather than putting it into the kitchen, for example."

## Driving Needs

All this means increased pressure on design professionals to stay abreast of fast-changing consumer needs and buying patterns. The process requires looking at human drives and values. This is what a consultant is doing for Sanitec, "In a very real sense, the customers of today are the designers of the future. We've got psychologists and anthropologists looking at what it is that really drives people in their needs and their behaviour. From those very core socio-cultural dynamics we look at what influence there is on the bathroom and the bathroom experience."

It is from this perspective, looking at how the world is changing and how it stimulates consumer responses, that trends are recognised among the mass of short-lived fashions. Just to mention one style, "retro" has gone mainstream, and 20th-century vintage designs and replicas for the bath are more in demand than ever. **Ute Kranz**, the Head of the Keramag Design Studio, has a clear impression of why this is so. "Retro is playing a very important role in the whole design world right now. Look at the revival of the Volkswagen Beetle, or the Mini. Lots of products are based on designs from the 60's and 70's, but presented in a new context. One main reason seems to be the stresses caused by the pace of change - in the job market, politically, personally. People are again looking for traditional and familiar values."

Sanitec's consultant agrees, "We see people as very dynamic, being in a rush and very active. That's one experience. But on the other hand we find people wanting to take it easy, step back and say 'I want some time for myself or with somebody else to relax.' With this in mind, we can examine what a bathroom can be about not starting from the existing icons, but looking at it in new ways and seeing how people can interact with their bathroom, getting the most out of it. Whether it's being very active in the morning, or being very relaxed and laidback in the evening."

# Experience



## Dynamic Response

Responding to these challenges, Sanitec has created a programme of development to make sure that product ranges are structured to provide a maximum of flexibility in linking and combining various series. This allows focus to be placed on those products which best respond to future trends.

According to Rob van Brug, this has also led to placing further emphasis on innovation, and to the convergent use of Group resources. "What we are seeing in bathrooms is that there is more use of accessory-type products made of unusual materials, not only ceramics, and glass. What we see coming in furniture, for example, are often rough materials, different types of wood, plastics, artificial marbles, and so on. In a group like Sanitec, it is absolutely essential to combine resources in terms of research, development and design to make sure that you make the best use of your capabilities, competencies and total resources to meet the future."



# rends



# Evac - Trains and Boats and Planes - and a So

*The Evac Group is a subsidiary of Sanitec, but also a group in its own right, with operations in several different countries in Europe, Asia, and the Americas and an extensive global sales network. It is already at the forefront of vacuum sewage collection technology, and is the world leader in total water and waste water systems based on vacuum technology.*

Since these are solutions that save water and are environmentally sound, Evac Managing Director **Matti Tanska** is upbeat about the prospects for growth in a world where such issues are gaining increasing attention.

Evac's core business areas are aviation, the marine market, trains, and buildings, for example factories and supermarkets. In some respects, Evac resembles an engineering office more than a manufacturer, and good deal of the company's production is outsourced.

R&D expenditure figures are impressive, around 4% of sales, and the enormous importance of new inventions patented here each year suggest that we are definitely in high-tech territory.

2001 was a year clearly divided into two halves by events beyond Evac's control. Its main markets of aviation and marine, excellent until September last year, were inevitably affected by the unfortunate events in the USA.

Tanska, however, sees the slump in the marine and aviation sector as a temporary phenomenon and says it is expected that both markets will recover by 2004.

Whilst the airlines are still getting a hit, because of the very slow traffic on transatlantic routes, before very long people will shed their fears and start returning to the all-important cruising market. Much of Evac Marine's output of vacuum toilets, collecting units, and treatment plants goes to these sleek holiday palaces, many of which are incidentally built in Finnish yards.

This is one area in which Evac's global reach definitely pays off. The company's products are certified by Lloyd's Register in accordance with ISO 9001

quality assurance systems, they meet stringent international waste water discharge regulations, and a worldwide spare parts service ensures safe and smooth operation. Indeed, Evac's record of success is proven on more than 6,000 vessels.

## **Rolling into China**

Developments on the railway front are a cause of real excitement for Evac staff. Evac looks to have cornered an exceptionally attractive niche in China. Given a nudge perhaps by the example of the Japanese high-speed Shinkansen trains (where Evac is also the sole supplier of vacuum toilets), the Chinese government has decided to invest in the technology and production of vacuum toilets. Environmental issues are raising their head in China, and let us not forget that the Olympic Games will be held in Beijing in 2008.

Evac has recently signed a licensing agreement with the Jinan Locomotive and Rolling Stock Works for train vacuum toilet systems. And this is no ordinary contract, either, for China is a vast market by any standards, as Tanska explains:

"China is a very challenging area because of the sheer size of the country, and we have been there in the marine market about 15 years already. I'd say the future prospects are amazing, especially because of the new environmental approach and also because of the 2008 Olympics, which will create a lot of infrastructure investment in China. Jinan will have about 45,000 passenger coaches in 2010 and 35,000 of these will feature closed toilet systems in order to limit the contamination of the track network. And about 24,000 of those coaches will be new-builds between now and 2010. I'd guess that that volume is roughly one-half of the world market during that period!"

## **Evac and the Rain Forest**

Right now, the building sector is Evac's smallest branch, only accounting for around 6% of sales. In the future, a combination of Evac's water-saving technology and Sanitec designs could be a very

# olution in the Rain Forest

attractive and ecologically-sound answer for the smart building market.

But we do not have to look into the future: on the building front Evac's environmental know-how is already being applied in a very sensitive region - the Brazilian rain forest. Evac's Brazilian office recently supplied the large cosmetics company Natura Cosméticos S.A. with a vacuum wastewater collection system at a new state-of-the-art facility just outside São Paulo.

This has all the ingredients of a rain-forest protection success-story - the plant was being built on the edge of a tropical forest, and the owners wished to install systems that would not endanger the fragile environment. The Evac system they picked not only cuts wastewater volume by 60%, it also reduces the chances of the ex-filtration of sewage back into the ground. Natura officials are very proud that the quality of the water returned to the environment is actually much higher than that in the river it flows into.



The project has created great interest in the local architectural and engineering community, and there are signs that it could open up a healthy future market in the largest country in South America. For all that Brazil has the world's largest reserves of clean water, some 10% of the population still live beyond the reach of the country's water supply system, and the country has the most expensive water in the world. Clearly, there is a great deal of potential for water-saving solutions of the kind Evac can offer.

## Environment: Thinking about Tomorrow Today

*H<sub>2</sub>O. Water. Preferably clean water, please. Everybody wants it, not everybody has access to it. On an overpopulated planet, water is a scarce resource, and the scarcity is not confined simply to the developing world, although it is there we see the most alarming results of its absence.*

By its very nature, a multinational company such as the Sanitec Group is at the sharp end of the environmental conservation issue: developing water-saving technologies, closed processes to protect precious ground water supplies, and sophisticated waste management systems.

Sanitec's customers and end-users in different markets are becoming increasingly aware of environmental matters, and the company wants to take notice of their calls for products that do not burden the environment, either in their production or in daily use.

However, this is not solely a consumer-driven exercise. Sanitec is in many respects far ahead of its customers in this branch; there is a dedication and a sense of responsibility within the various business units to make that extra step - almost as if it were a corporate mantra to take national and international certificates of compliance and go one better. Compliance is seen as only a beginning, a platform to work from.

### The Challenge of Luxury

As living standards improve and bathroom solutions become more luxurious the designers and engineers also commit themselves to the challenge of creating environmentally friendly concepts. Fresh inno-

ventions are brought into the mix to uphold the ideals of sustainable development and reduce loadings in the manufacturing process, to improve energy-efficiency, cut water usage, and to find new recycling solutions with which to minimise the impact on the natural environment.

You find it in all areas of the company, and not just in the obvious sectors such as the vacuum sewage technology expert Evac, whose products for aircraft, ships, trains, and buildings all incorporate fully-integrated waste management systems.

Household baths and showers, too, and bathroom ceramics must all meet stringent environmental quality criteria.

Group companies across the board are urged to continuously improve their environmental performance, with each business unit held responsible for implementing best practice policies in this area, and the parent company in the role of overseer and co-ordinator. Individual units benchmark and exchange information with a common desire to minimise the impact of operations on the surroundings.

Responsibility and commitment are definitely healthy and far-

sighted values. Sooner rather than later, terms like "lifecycle analysis", "ISO 14001", and "natural resource management" will become more than the language of scientists and environmentalists - they will be an integral part of the consumers' agenda. And the Sanitec Group's record will speak for itself.

As society comes to terms with the finite nature of what we have around us, environmental credibility will pay for itself many times over.



ISO 14001



# Markets and Business Areas

In many places having a bathroom is still a luxury. Sanitec continues to supply emerging markets with products to satisfy the basic needs for comfort. On other markets the bathroom is no longer seen as a basic necessity, but also as a room for relaxation. Consumption in the Western world is increasingly shifting towards personal needs; more and more people are making healthy living an integral part of their lifestyle. Higher standards of living are encouraging people to give more attention to bathroom decoration and furnishings. Ageing of the population has likewise quickened interest in improving the quality of life. Combining the features of luxury products with environmental friendliness is a major challenge for the bathroom products industry.

Bath and shower products and bathroom ceramics are distributed from the manufacturer via wholesalers and installers to the end customer. Sanitec has a comprehensive sales network through which it maintains close contact with plumbers, planners and architects. Sanitec and its subsidiaries have long and well-established contacts with local distributors.

## Business Areas

Sanitec owes its strength to its core business concept - strong local brands in local markets - but it also systematically develops joint activities between its different business units. Sanitec closely monitors and benchmarks its internal efficiency to maintain and raise its profitability. Increased productivity and reduced production costs are the results of investments in new production equipment and increased production in more cost-competitive countries.

The operations are divided into three business areas.

## Bathroom Ceramics

*Wash basins, toilets, vanity tops*

Sanitec is the leading European manufacturer in bathroom ceramics, operating in all the main European markets. The aim is to provide high quality and cost-competitive ceramic products to support local brands according to customer needs. The flexible production network provides excellent support to intra-group sourcing and supply chain management.

## Bath & Shower Products

*Whirlpools, bathtubs, shower enclosures and shower systems*

In recent years the business area has grown significantly, both in terms of turnover and profit. Sanitec expects that the Bath and Shower business area will still grow and gain in importance for the Group. Increased cross-selling of products within the Group will bring further opportunities for innovative bathroom solutions.

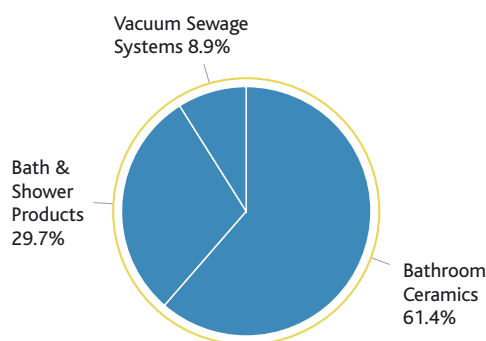
## Vacuum Sewage Systems

*Vacuum toilet systems, sewage treatment, waste collection and emptying systems*

Sanitec is the leading global producer of vacuum sewage systems. Through its subsidiary Evac, Sanitec markets vacuum sewage systems for aircraft, ships, trains and buildings, tailored to the needs of its customers. Evac is the only company in its business that operates in all these four segments.

## NET SALES BY BUSINESS AREA

2001



# Board of Directors



**Georg Ehrnrooth**  
Chairman  
MSc (Eng.), born 1940.  
Chairman of the Board of Assa Abloy AB (publ.), Vice Chairman of Rautaruukki Corporation, board member of Nokia Corporation, Sandvik AB (publ.), Sampo plc, and Wärtsilä Corporation. \*)



**Berndt Brunow**  
BSc (Econ.), born 1950.  
President and CEO of Sanitec Corporation since 2000, member of the boards of Hackman Oyj Abp and UPM-Kymmene Oyj.



**Peter Körfer-Schün**  
BSBA, born 1945.  
President and CEO of Friedrich Grohe AG & Co. KG, Germany.



**Stefano Mazzotti**  
BSc (Econ.), MBA, born 1964.  
Director at BC Partners Srl, Milan.



**Dr Hanns Ostmeier**  
MBA, born 1960.  
Director of BC Partner GmbH.



**Jens Reidel**  
Deputy Chairman  
MBA, Vice Chairman, born 1951.  
Director at BC Partner GmbH.

The Extraordinary General Meeting of Sanitec Corporation held on 29 June 2001 elected new board members to replace the former Board of Directors, which resigned due to the change of ownership in the company.

The Board consists of five to nine members. Their term of office lasts from their election until the close of the subsequent Annual General Meeting. The Board elects a chairman and a deputy chairman from among its members.

The Board of Directors exercises the highest authority in the Group and has the overall control over and responsibility for the Group. It approves the Group strategies, budgets and the financial accounts and periodically follows them up. It further authorises any major decisions related to capital expenditure, acquisitions, divestments, borrowings and other relevant matters within the Group.

Only duties in listed companies are included in this information.

\*) On 31 March 2002 Sanitec will be merged into its parent company, Pool Acquisition Helsinki Oy. The New Chairman of the Board will be Berndt Brunow. The New President and CEO will be Dr Rainer S Simon.



# Board of Management

The Board of Management comprises the President and CEO, the Senior Vice President and CFO, the Senior Vice President, Corporate Development, the Senior Vice President, Ceramics Production, and the managing directors of the major subsidiaries. The Board of Management acts within the powers and authority of the President and CEO. The tasks of the Board of Management include the formulation of Group strategy, budgets and action plans, as well as financial issues, top management resources and policy issues concerning the Group as a whole. Members of the Board of Management also chair the Group's various joint bodies set up to deal with Group co-ordination.

## **Berndt Brunow**

BSc (Econ.), born 1950. President and CEO of Sanitec Corporation since 2000, member of the boards of Hackman Oyj Abp and UPM-Kymmene Oyj. Joined Sanitec in 1999.

## **Corrado Giovannetti**

Born 1953. Managing Director of Domino S.p.A. since 2000 and Managing Director of both Domino and Pozzi-Ginori S.p.A. since 2001. Joined Sanitec in 2000.

## **Roger Haker**

BSc (Econ.), born 1957. Managing Director of Ido Bathroom Ltd since 2001. Joined Sanitec in 1994.

## **Marek Kukuryka**

MSc (Eng.), Licentiate of Journalism, born 1954. Managing Director of Sanitec Kolo Sp. Z o.o. since 1998. Joined Sanitec in 1993.

## **Pertti Lehti**

BSc (Econ.), born 1958. Senior Vice President, Production, of Sanitec Corporation since October 2001. Joined Sanitec in 1988.

## **Timo Lehto**

LLM, BSc (Econ.), born 1951. Senior Vice President and CFO of Sanitec since 2000. Joined Sanitec in 2000.

## **Johan Nilsson**

MSc (Eng.), BSc (Econ.), born 1960. Managing Director of Ifö Sanitär AB since August 2000. Joined Sanitec in 1993.

## **Pertti Nupponen**

MSc (Eng.), PhD (Econ.), born 1961. Senior Vice President, Corporate Development, of Sanitec since 2000. Joined Sanitec in 1990.

## **Mark Pickering \*)**

C. Eng, BSc, born 1958. Managing Director of Twyford Bathrooms Ltd since 1999. Joined Sanitec in 2001.

## **Yvon Riou**

BSc (Eng.), born 1940. Managing Director of Allia S.A. since 1987. Chairman of Allia, Leda and Selles since 1999. Joined Sanitec in 1990.

## **Matti Tanska**

MSc (Eng.), born 1946. Managing Director of Evac International Ltd since 1997. Joined Sanitec in 1997.

## **Rob van Brug**

BBA, born 1961. Managing Director of Koninklijke Sphinx B.V. since September 2001. Joined Sanitec in 2000.

## **Dr Georg Wagner**

DSc (Econ.), born 1953. Managing Director of Keramag AG since 1998 and Managing Director of Koralle Sanitärprodukte GmbH since 2000. Joined Sanitec in 1997.

\*) Until March 2002.

Kukuryka

Nilsson

van Brug

Tanska

Nupponen

Haker

Lehto

Giovannetti



Wagner

Brunow

Riou

Lehti

# Group Structure

Operational development is a continuous process at Sanitec Corporation. Sanitec seeks to promote active collaboration and co-ordination between its various business units in order to gain maximum benefit from its international structure.

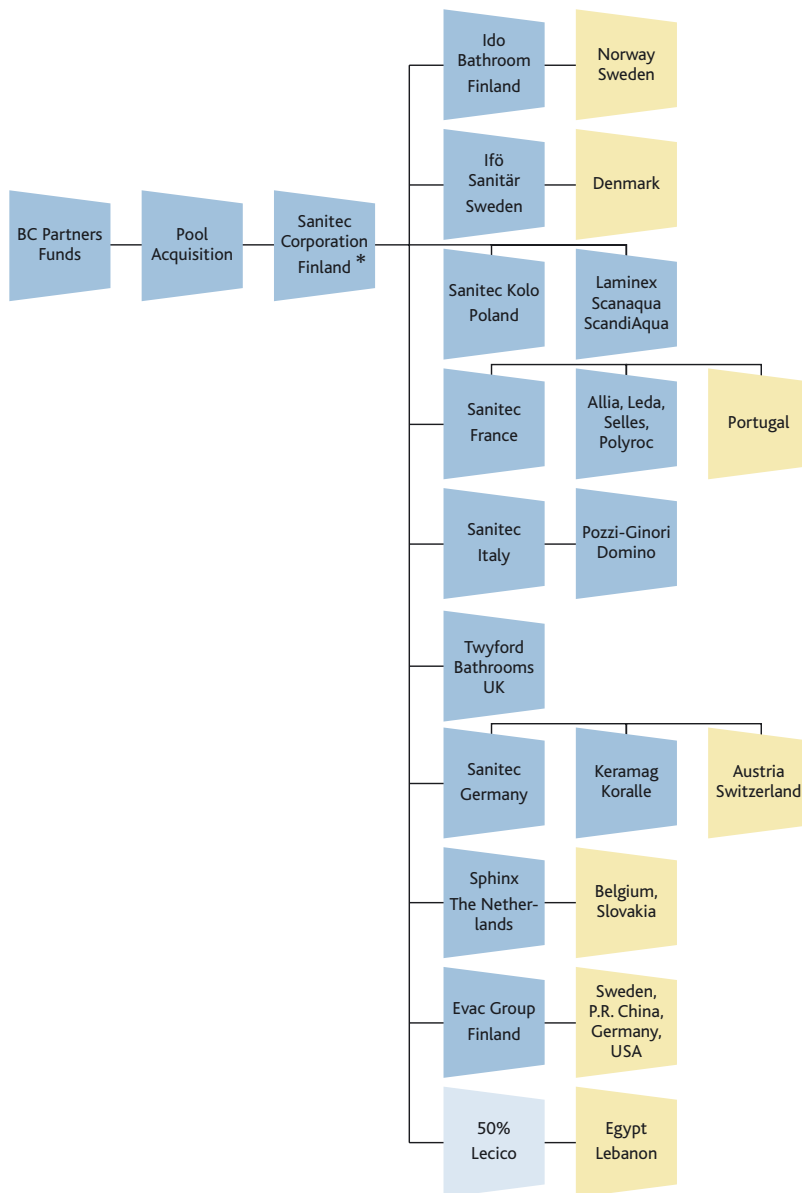
The Sanitec Group comprises the parent company, Sanitec Corporation, 11 business units, and a worldwide network of sales and marketing companies. The parent company is centrally responsible for the Group's corporate functions: strategic planning, purchasing, finance and accounting, treasury, production planning, internal auditing, legal matters, information management, human resources and corporate communications. Sanitec constantly pursues internal efficiency and improved competences across the organisation.

Sanitec's operations are largely decentralised. Since September 2000 Sanitec's operations have been divided into three business areas: Bathroom Ceramics, Bath & Showers and Vacuum Sewage Systems, in order to enhance internal efficiency and promote greater collaboration between the company's units.

International joint bodies, formed by experts from various units, co-ordinate the Group's unity and manage internal benchmarking. Local brands are the capital underlying Sanitec's success. Each business unit is responsible for local marketing and sales based on Sanitec's multibrand strategy.

\* On 31 March 2002 Sanitec will be merged into its parent company, Pool Acquisition Helsinki Oy.

## Group Operational Structure



Business units and other countries of production

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fax +44 1270 873864

The Sanitec logo consists of the word "Sanitec" in a bold, blue, sans-serif font. The letter 'S' is significantly larger and more prominent than the other letters, which are of uniform size and weight.

# Sanitec

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# Sanıtec

Financial Statements

2007

## Contents

Review by the Board of Directors	3 – 5
Five Years in Figures	6 – 7
Calculation of Financial Ratios	8
Income Statement, Net Sales and Operating Profit by Quarters	9
Income Statement	10
Financial Analysis	11
Balance Sheet	12 – 13
Accounting Principles	14 – 15
Notes to the Financial Statements	16 – 24
Proposal by the Board of Directors of Pool Acquisition Helsinki Oy	25
Proposal by the Board of Directors of Sanitec Corporation	26
Auditors' Statement	27

## Review by the Board of Directors

### Highlights

- *Profitability of operations improved in a demanding market situation*
- *Net sales grew out of Twyford Bathrooms acquisition*
- *BC Partners advised funds became 100% owner of Sanitec*
- *Sanitec was de-listed on 1 November 2001*
- *31 March 2002 Sanitec will be merged into its parent company Pool Acquisition Helsinki Oy*

### Financial performance

Despite a challenging year on the markets and major changes within Sanitec, the Group was able significantly to improve the profitability of all its operations.

In 2001 Sanitec Group net sales amounted to EUR 994.6 million, which marks a total increase of 13.4% on year 2000. The increase is almost fully attributable to the acquisition of Twyford Bathrooms in January 2001. Organic growth was 0.5%.

Sanitec's Operational EBIT (before one-time transaction costs and restructuring costs totalling EUR 18.4 million, related to Pool Acquisition's acquisition of Sanitec) developed well, improving by 24.7% to EUR 94.6 million (EUR 75.8 million). The corresponding EBITDA was EUR 153.2 million (EUR 130.0 million). Excluding Twyford Bathrooms which was acquired in the beginning of 2001, the Operational EBIT growth was 22.7%. Despite the demanding market situation throughout the year, the Operational EBIT margin improved to 9.5% from last year's 8.6%. Adding back aforesaid one-time costs, Sanitec Group's Operating Profit of 2001 was EUR 76.1 million (7.7% of net sales).

Pool Acquisition acquired majority shareholding in Sanitec as of 8 June 2001. Pool Acquisition itself was founded on 6 April 2001. Consequently, the 2001 financial information of Pool Acquisition Helsinki Group (including Sanitec Group) refer only to the period 6 April – 31 December 2001. There are no comparative numbers at Pool Acquisition level from previous year. Pool Acquisition had during the year only intragroup sales for providing services to the group companies, and its oper-

ative costs and expenses refer only to those intragroup services.

Sanitec's sales performed well in Scandinavia, Benelux and Russia. In Sanitec's major Central European markets, especially Germany, the market situation was slow throughout the year. The acquisition of Twyford Bathrooms in January opened up a major new market for Sanitec in the UK. In 2001 the local market, however, was quite difficult there as well. In these demanding market conditions Sanitec managed to increase its market share and retain a decent profitability level.

Restructuring measures were continued at Sphinx. They are now bringing tangible results, and Sphinx contributed to the improvement of Sanitec's financial performance in 2001. Integration of Twyford Bathrooms also proceeds, but the expected profitability improvements were delayed due to the slow market situation in the UK. A proposal has been made aiming at increased efficiency by way of discontinuing the operations of two Twyford production units. The cost of these, and all other currently planned restructuring measures have been fully provided for in Pool Acquisition Helsinki Group's 2001 financial closing. The total estimated effect of all such restructuring cost items is EUR 58.5 million, which is recorded as an increase of the Group's consolidation goodwill.

Sanitec Group's profit before extraordinary items was EUR 60.3 million (EUR 64.3 million). Extraordinary expenses were EUR 3.7 million. They include EUR 1.0 million as estimated costs for the accidental destruction in a fire of the bath and shower factory in Avranches, France, and EUR 2.7 million as a net loss from the sale of 80.1% of the shares of the loss-making subsidiary Sanitec Johnson Suisse in South East Asia. The Sanitec Group net profit for the financial period was EUR 37.6 million (EUR 39.2 million). Earnings per share (EPS) were EUR 0.66 (EUR 0.63). These figures include the negative effect of the one-time transaction and restructuring cost items of EUR 18.4 million referred to above.

Twyford Bathrooms was consolidated in the Sanitec Group as of 1 January 2001. Sanitec Johnson Suisse has been deconsolidated from the Sanitec Group as of 1 July 2001.

The gross capital expenditure of the Sanitec Group was EUR 188.2 million (EUR 57.6 million). Of this total, EUR 137.4 million arose from the acquisition of Twyford Bathrooms in January 2001, while the rest (EUR 50.8 million) was mainly industrial. The Twyford acquisition also contributed to the increase in Sanitec's net indebtedness in the first half of the year. This has since been reduced down to EUR 225.9 million (EUR 148.0 million). Pool Acquisition acquired 100% of Sanitec's shares in 2001 for the total cost of EUR 904.8 million. As a consequence, the total gross capital expenditure of Pool Acquisition Helsinki Group was EUR 957.2 million, and the net indebtedness (including shareholder loans and other acquisition financing comparable to equity) amounted to EUR 1,054.4 million.

## Business Areas

### Bathroom Ceramics

The net sales of the Bathroom Ceramics business area was EUR 610.5 million (EUR 524.9 million). The increase of 16.3% was attributable to the acquisition of Twyford Bathrooms. With only a negligible organic growth, Sanitec still outperformed the general market development. The operating profit was EUR 56.0 million (EUR 46.9 million), marking an increase of 19.4%. The operating profit margin was 9.2% (8.9%).

### Bath & Shower Products

Sanitec's special focus in the bath & showers business, and the strengthening of intragroup cross-selling and cross-branding, brought in good results in 2001. Net sales of the Bath and Showers business area were EUR 294.9 million (EUR 264.3 million), i.e. an increase of 11.6%. The operating profit improved by 31.1% and totalled EUR 29.1 million (EUR 22.2 million). The operating profit margin reached 9.9% (8.4%).

### Vacuum Sewage Systems

Evac accounted for EUR 89.1 million (EUR 88.1 million) of net sales during 2001. Operating profit improved by 40.3% to EUR 9.4 million (EUR 6.7 million), and the operating profit margin rose to 10.5% (7.6%). In the last

quarter, Evac's aviation and marine sales were negatively affected by the consequences of the 11 September tragedy in the U.S.A.

## Changes in Company Organisation

In January 2001, Sanitec acquired the UK company Twyford Bathrooms (former Caradon Bathrooms). The total debt-free purchase price was GBP 84.7 million and the goodwill on consolidation GBP 33.5 million. Twyford Bathrooms is a leading manufacturer of bathroom ceramics in the UK.

Effective as of 1 July 2001, Sanitec sold 80.1% of the shares in Sanitec Johnson Suisse in an MBO transaction to the local management of the company. Sanitec Johnson Suisse has a ceramics factory in Kuala Lumpur, Malaysia, and a local sales network in the South East Asia. Sanitec Johnson Suisse made a loss in the first half of the year, as well as in the previous year. After the divestment, Sanitec remains a minority shareholder with a share of 19.9%.

In September, the Managing Director of Sphinx, Mr Benny Persson, retired and was succeeded by Mr Rob van Brug. The Managing Director of Pozzi-Ginori, Mr Massimo Bonotti, resigned in October and was replaced by Mr Corrado Giovannetti, also Managing Director of Domino.

Recent acquisitions and increased structural complexity have created a need for stronger integration of all activities in the Sanitec Group. Sanitec's ongoing overall programme, started in autumn 2001, targets to build on Sanitec's existing strengths in its local business units and under local brands, while nurturing the full benefits of its Pan-European network of operations. As part of this process, Mr Pertti Lehti was appointed Corporate Senior Vice President, Production as of 1 October. Mr Roger Haker succeeded Mr Lehti as Managing Director of Ido Bathroom. Mr Mark Pickering, Managing Director of Twyford Bathrooms, and Mr Matti Tanska, Managing Director of Evac, will leave their positions on 31 March 2002. Mr Robert Schafer has been appointed new Managing Director of Evac.

Upon the merger of Sanitec and Pool Acquisition, as



of 1 April 2002, Mr Berndt Brunow will be succeeded by Dr Rainer S Simon as President and CEO of the Group. Mr Brunow will be elected as new Chairman of the Board of Directors, succeeding Mr Georg Ehrnrooth who will step down in connection with the merger.

## Changes in Sanitec's Ownership, Merger with Pool Acquisition

On 26 April 2001 Wärtsilä Corporation and a group of investors agreed to sell their shares in Sanitec, together representing 60.8% of the share capital and votes. The price was EUR 14.60 per share. The buyer was Pool Acquisition, a company ultimately owned by BC Partners' advised investment funds. BC Partners advised funds are among the leading European private equity investors.

Furthermore, Pool Acquisition made a public offer to all shareholders of Sanitec to acquire the entire outstanding share capital for EUR 14.60 per share. This represented a premium of 49% over the weighted average trading price of Sanitec for the 30 days prior to the announcement on 13 March 2001 by Wärtsilä of a possible transaction and a public offer. The offer was supported by Sanitec's Board of Directors.

Pool Acquisition announced on 23 July 2001 that it would initiate proceedings pursuant to the Finnish Companies Act to redeem all remaining shares. By that time, Pool Acquisition had acquired over 99.5% of the shares. By the end of the subscription period on 14 September 2001, no shares had been subscribed under the warrants issued by the company to its management in 1999. The arbitral tribunal appointed by the Finnish Central Chamber of Commerce confirmed at its session on 29 October 2001 the right of Pool Acquisition to redeem the shares of all remaining other shareholders. The redemption took place immediately, and Pool Acquisition became the holder of 100% shares in Sanitec. Consequently, at the request of Sanitec, the Helsinki Exchanges decided on 30 October 2001 to discontinue the trading in Sanitec shares and to remove the company from its main list. The last day of Sanitec's stock listing was 1 November 2001.

Upon decision by the Boards of Pool Acquisition and Sanitec on 7 November 2001, Sanitec will be merged into its parent company Pool Acquisition. The merger will become effective on 31 March 2002. At the time of the merger, Pool Acquisition will change its name into Sanitec Oy, in English Sanitec Corporation.

## Annual General Meeting

The Annual General Meeting of Sanitec on 22 March 2001 approved distribution of a dividend of EUR 0.21 per share on the financial year 2000. The meeting re-elected the previous board members, Chairman and Vice Chairman. The firm of authorised public accountants KPMG Wideri Oy Ab was elected the company's auditors.

Due to the change in ownership in Sanitec, the Board of Directors of Sanitec resigned. An Extraordinary General Meeting on 29 June decided the number of board members to be six and elected Messrs Berndt Brunow, Georg Ehrnrooth, Peter Körfer-Schün, Stefano Mazzotti, Hanns Ostmeier and Jens Reidel as members. Mr Georg Ehrnrooth was elected Chairman of the Board and Mr Jens Reidel was elected Vice Chairman.

Since its foundation on 6 April 2001, the Board of Directors of Pool Acquisition has consisted of the following members: Mr Jens Reidel as Chairman, and Messrs Hanns Ostmeier, Udo Simmat and Michael Twinning as members. In an Extraordinary General Meeting on 19 March 2002 Udo Simmat and Michael Twinning resigned from the Board of Directors. The number of board members was decided to be six. Mr Berndt Brunow was elected new Chairman and Messrs Peter Körfer-Schün, Stefano Mazzotti and Rainer S Simon new board members. Messrs Jens Reidel and Hanns Ostmeier continue as board members. The firm of authorised public accountants KPMG Wideri Oy Ab are acting as auditors of Pool Acquisition, as well.

28 March 2002

Pool Acquisition Helsinki Oy	Sanitec Corporation
Board of Directors	Board of Directors

# Financial Statements 2001

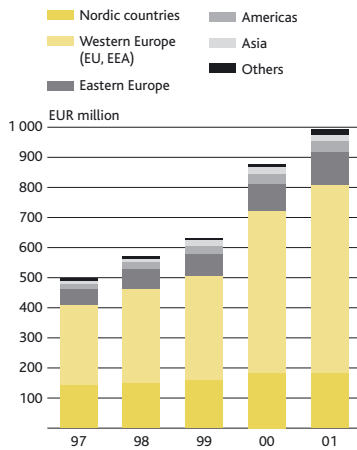
## Five Years in Figures

EUR mill.	Pool Acquisition		Sanitec Group				
	Helsinki	Group 2001	2001	2000	1999	1998	1997
Net sales		547.6	994.6	877.3	630.0	570.8	496.4
of which outside Finland	%	96.1	96.3	95.8	94.8	94.7	94.7
Exports from Finland		22.1	39.0	33.2	26.1	29.3	25.1
Personnel on average		8,861	8,858	8,302	5,796	5,034	4,640
of which in Finland		429	426	407	403	391	374
Orderbook, Evac		35.4	35.4	39.3	36.1	40.1	31.9
<b>From the income statement</b>							
Depreciation and writedowns		-51.0	-63.6	-50.5	-34.4	-34.3	-29.9
Share of profits/losses in associated companies		0.8	0.3	-3.8	-0.8	-3.0	-0.3
Operating profit		39.3	76.1	75.8	80.6	77.4	68.8
as a percentage of net sales	%	7.2	7.7	8.6	12.8	13.6	13.9
Net financial items		-40.8	-15.9	-11.4	-9.3	-11.8	-6.7
as a percentage of net sales	%	-7.5	-1.6	-1.3	-1.5	-2.1	-1.3
Profit/loss before extraordinary items		-1.5	60.3	64.3	71.3	65.6	62.1
as a percentage of net sales	%	-0.3	6.1	7.3	11.3	11.5	12.5
Profit/loss before taxes		-3.8	56.6	64.3	71.3	64.9	53.5
as a percentage of net sales	%	-0.7	5.7	7.3	11.3	11.4	10.8
Profit/loss for the financial year		-17.2	37.6	39.2	43.4	37.0	37.7
as a percentage of net sales	%	-3.1	3.8	4.5	6.9	6.5	7.6
<b>From the balance sheet</b>							
Fixed assets		1,130.0	527.1	425.0	444.0	260.6	248.6
Current assets							
Inventories		162.0	162.0	135.2	129.0	89.1	79.2
Receivables		238.4	241.9	206.1	207.2	125.5	112.7
Cash and bank balances		68.0	45.0	17.7	30.8	27.8	38.2
Shareholders' equity		131.9	398.6	366.9	339.5	210.1	183.2
Minority interests		3.8	3.8	3.9	4.9	9.6	9.1
Provisions		99.0	59.1	66.4	58.9	31.4	27.7
Interest-bearing liabilities		1,137.7	299.8	174.1	223.9	121.4	125.6
Non interest-bearing liabilities		226.3	214.7	172.7	183.8	130.5	133.1
Balance sheet total		1,598.6	976.0	784.0	811.0	503.0	478.7
<b>Financial ratios</b>							
Operational EBIT		39.3	94.6	75.8	80.6	77.4	68.8
EBITDA		89.5	153.2	130.0	115.8	114.7	99.0
Cash flow from operating activities		65.0	103.3	47.5	77.8	58.7	72.2
Gross capital expenditure		957.2	188.2	57.6	153.8	65.9	82.2
as a percentage of net sales	%	174.8	18.9	6.6	24.4	11.5	16.6
Research and development expenses		11.0	20.3	16.6	11.3	10.7	9.1
as a percentage of net sales	%	2.0	2.0	1.9	1.8	1.9	1.8
Return on investment (ROI)	%	5.8	11.7	14.8	18.4	24.7	26.4
Return on equity (ROE)	%	-18.0	10.7	11.0	15.9	19.0	26.1
Interest coverage		2.1	7.0	7.3	9.7	7.4	8.7
Solvency ratio	%	8.5	41.3	47.3	42.5	43.7	40.2
Gearing		7.88	0.63	0.42	0.56	0.43	0.45
Earnings per share (EPS)	euro	-0.50	0.66	0.63	0.75	0.70	0.81
Equity per share	euro	4.39	6.41	5.90	5.46	3.88	3.38
Dividend per share (1)	euro	-	-	0.21	0.21	-	-
Payout ratio (1)	%	-	-	33.3	30.0	-	-
Effective dividend yield (1)	%	-	-	2.5	1.6	-	-
Price / earnings (1)		-	-	13.5	17.4	-	-

1) Ratios presented for those periods only when Sanitec was listed on the Helsinki Stock Exchanges.

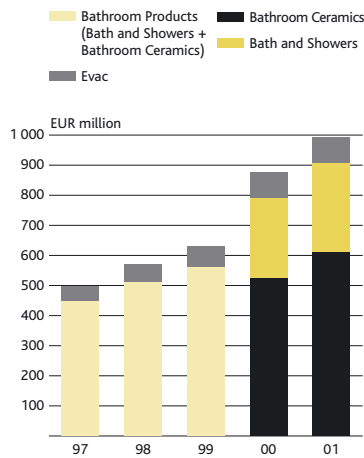
## NET SALES BY MARKET AREA

1997 – 2001



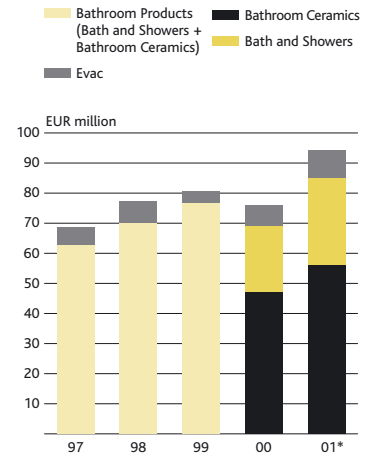
## NET SALES BY BUSINESS AREA

1997 – 2001



## OPERATING PROFIT BY BUSINESS AREA

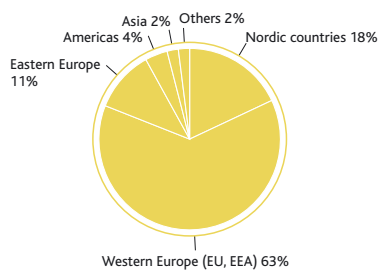
1997 – 2001



\* excluding transaction and restructuring related costs of EUR 18.4 million

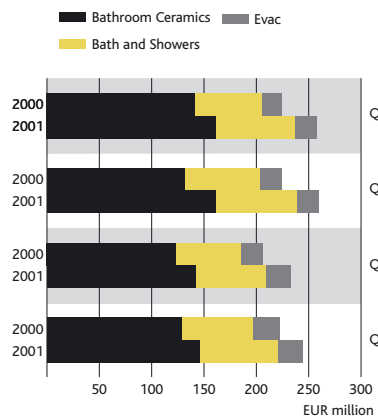
## NET SALES BY MARKET AREA

2001



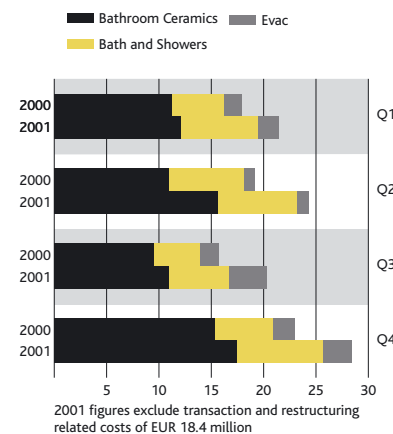
## NET SALES BY QUARTER

2000 – 2001



## OPERATING PROFIT BY QUARTER

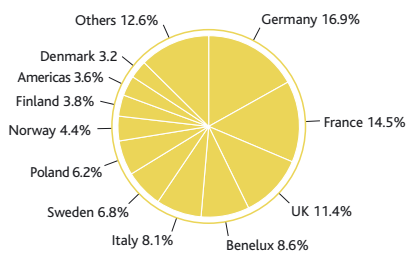
2000 – 2001



2001 figures exclude transaction and restructuring related costs of EUR 18.4 million

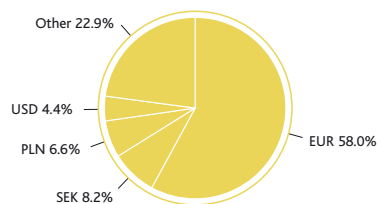
## NET SALES BY COUNTRY

2001



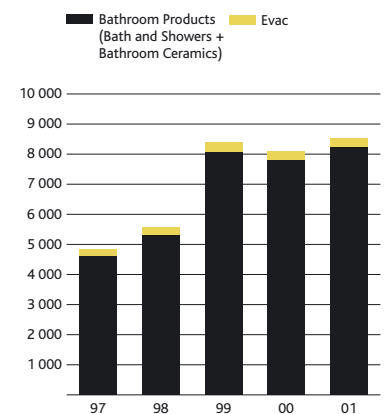
## CURRENCY DISTRIBUTION

Invoiced Sales 2001



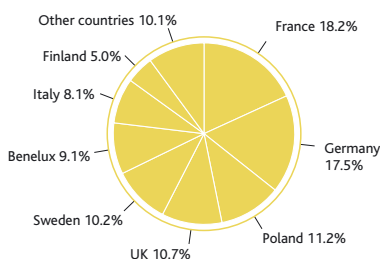
## PERSONNEL

1997 – 2001



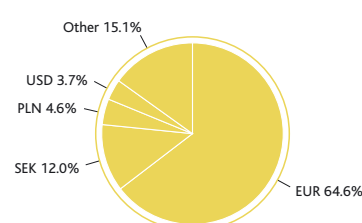
## PERSONNEL BY COUNTRY

2001



## CURRENCY DISTRIBUTION

Operating Costs 2001



## Calculation of Financial Ratios

### Operational EBIT

Operating profit before Transaction costs and Restructuring related costs

### EBITDA

Operating profit before Share of profits / losses in associated companies, Depreciations and Amortisations, Transaction costs and Restructuring related costs

### Return on investment (ROI)

$$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities - provision, average over the year}} \times 100$$

### Return on equity (ROE)

$$\frac{\text{Profit before extraordinary items - taxes for the financial year}}{\text{Shareholders' equity + minority interests, average over the year}} \times 100$$

### Interest coverage

$$\frac{\text{Profit before extraordinary items + depreciation + interest and other financial expenses}}{\text{Interest and other financial expenses}}$$

### Solvency ratio

$$\frac{\text{Shareholders' equity + minority interests}}{\text{Balance sheet total - advances received}} \times 100$$

### Gearing

$$\frac{\text{Interest bearing liabilities - cash and bank balances}}{\text{Shareholders' equity + minority interests}}$$

### Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items - direct taxes - minority interests}}{\text{Adjusted number of shares over the financial year}}$$

### Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at the end of the financial year}}$$

### Dividend per share

$$\frac{\text{Dividends paid for the financial year}}{\text{Adjusted number of shares at the end of the financial year}}$$

### Payout ratio

$$\frac{\text{Dividends paid for the financial year}}{\text{Profit before extraordinary items - taxes for the financial year - minority interests}} \times 100$$

### Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Adjusted share price at the end of the financial year}} \times 100$$

### Price/earnings

$$\frac{\text{Adjusted share price at the end of the financial year}}{\text{Earnings per share (EPS)}}$$

## Sanitec Group Income Statement, Net Sales and Operating Profit by Quarters

Income Statement EUR mill.	1Q/2001	2Q/2001	3Q/2001	4Q/2001	1Q/2000	2Q/2000	3Q/2000	4Q/2000
Net sales	258.1	259.5	232.5	244.5	224.4	224.7	206.0	222.2
Expenses	-221.2	-220.6	-199.0	-201.5	-191.9	-192.3	-177.4	-185.6
Depreciation and writedowns	-14.8	-14.6	-14.1	-14.5	-13.1	-12.0	-12.5	-12.9
Share of results in associated co:s	-0.6	0.1	0.8	0.0	-1.5	-1.2	-0.4	-0.7
Operational EBIT	21.5	24.4	20.2	28.5	17.9	19.2	15.7	23.0
Transaction and restructuring related costs	-	-	-	-18.4	-	-	-	-
Operating profit	21.5	24.4	20.2	10.1	17.9	19.2	15.7	23.0
Financial income and expenses	-2.8	-3.6	-6.2	-3.3	-3.3	-3.6	-2.4	-2.1
Profit before extraordinary items	18.7	20.8	14.0	6.8	14.6	15.6	13.3	20.9

Net Sales EUR mill.	1Q/2001	2Q/2001	3Q/2001	4Q/2001	1Q/2000	2Q/2000	3Q/2000	4Q/2000
Bathroom Ceramics	161.5	161.3	142.0	145.8	141.6	131.2	123.3	128.8
Bath and Showers	75.1	77.7	67.4	74.7	63.2	71.7	61.8	67.6
Bathroom Products	236.6	239.0	209.4	220.5	204.8	202.9	185.1	196.4
Evac	21.5	20.6	23.1	23.9	19.6	21.8	20.9	25.8
<b>Sanitec Group</b>	<b>258.1</b>	<b>259.5</b>	<b>232.5</b>	<b>244.5</b>	<b>224.4</b>	<b>224.7</b>	<b>206.0</b>	<b>222.2</b>

Operating Profit 1) EUR mill.	1Q/2001	2Q/2001	3Q/2001	4Q/2001	1Q/2000	2Q/2000	3Q/2000	4Q/2000
Bathroom Ceramics	12.1	15.6	10.9	17.4	11.2	10.9	9.5	15.3
Bath and Showers	7.3	7.6	5.8	8.4	5.0	7.2	4.4	5.6
Bathroom Products	19.4	23.3	16.7	25.8	16.2	18.1	13.9	20.9
Evac	2.1	1.1	3.6	2.7	1.7	1.1	1.8	2.1
Subtotal	21.5	24.4	20.2	28.5	17.9	19.2	15.7	23.0
Transaction and restructuring related costs	-	-	-	-18.4	-	-	-	-
<b>Total</b>	<b>21.5</b>	<b>24.4</b>	<b>20.2</b>	<b>10.1</b>	<b>17.9</b>	<b>19.2</b>	<b>15.7</b>	<b>23.0</b>

1) Including shares of associated companies' results

### Net Sales, Operating profit and Personnel by Business Area

	2001	2000	1999	1998	1997
<b>Net Sales, EUR mill.</b>					
Bathroom Ceramics	610.5	524.9	-	-	-
Bath and Showers	294.9	264.3	-	-	-
Bathroom products	905.5	789.2	559.5	510.2	445.6
Evac	89.1	88.1	70.5	60.6	50.8
<b>Total Sanitec Group</b>	<b>994.6</b>	<b>877.3</b>	<b>630.0</b>	<b>570.8</b>	<b>496.4</b>
<b>Operating Profit, EUR mill.</b>					
Bathroom Ceramics	56.0	46.9	-	-	-
Bath and Showers	29.1	22.2	-	-	-
Bathroom products	85.1	69.1	76.5	69.8	62.7
Evac	9.4	6.7	4.1	7.6	6.1
Subtotal	94.5	75.8	80.6	77.4	68.8
Restucturing and transaction costs	-18.4	-	-	-	-
<b>Total Sanitec Group</b>	<b>76.1</b>	<b>75.8</b>	<b>80.6</b>	<b>77.4</b>	<b>68.8</b>
<b>Personnel, end of period</b>					
Bathroom products	8,233	7,790	8,070	5,308	4,609
Evac	303	321	329	249	215
<b>Total Sanitec Group</b>	<b>8,536</b>	<b>8,111</b>	<b>8,399</b>	<b>5,557</b>	<b>4,824</b>

# Financial Statements 2001

## Income Statement

Income Statement EUR mill.	Note	Pool Acquisition Helsinki Group		Sanitec Group			
		6 Apr - 31 Dec 2001	%	2001	%	2000	%
<b>Net sales</b>	1	547.6		994.6		877.3	
Change in inventories of finished goods and work in progress		0.2		10.8		2.6	
Production for own use		1.3		2.0		1.1	
Other operating income	2	8.6		11.7		6.6	
Materials and services							
Materials and consumables							
Purchases during the financial year		-168.7		-312.6		-269.5	
Change in inventories		-7.9		-5.2		1.9	
External services		-52.3		-94.3		-80.6	
		-228.9		-412.1		-348.3	
Personnel expenses	3	-166.4		-304.0		-268.6	
Depreciation and writedowns	4	-51.0		-63.6		-50.5	
Other operating expenses		-73.0		-163.7		-140.8	
Share of profits / losses in associated companies		0.8		0.3		-3.8	
<b>Operating profit (*)</b>		39.3	7.2	76.1	7.7	75.8	8.6
Financial income and expenses	5						
Income from financial assets		0.2		0.2		-	
Other interest income and financial income		3.3		4.8		5.9	
Exchange gains and losses		-0.2		-0.1		0.8	
Interest expenses and other financial expenses		-44.1		-20.8		-18.2	
		-40.8		-15.9		-11.4	
<b>Profit/loss before extraordinary items</b>		-1.5	-0.3	60.3	6.1	64.3	7.3
Extraordinary items	6						
Extraordinary expenses		-2.3		-3.7		-	
		-2.3		-3.7		-	
<b>Profit/loss before taxes</b>		-3.8	-0.7	56.6	5.7	64.3	7.3
Income taxes	7	-13.2		-18.9		-24.9	
Minority interests		-0.2		-0.2		-0.2	
<b>Profit/loss for the financial year</b>		-17.2	-3.1	37.6	3.8	39.2	4.5

\*) Sanitec Group 2001 operating profit includes total of 18.4 EUR mill. transaction and restructuring related costs.

# Financial Analysis

Financial Analysis	Pool Acquisition Helsinki Group 6 Apr - 31 Dec 2001	Sanitec Group	
EUR mill.		2001	2000
<b>Cash flow from operating activities</b>			
Operating profit	39.3	76.1	75.8
Adjustment for:			
Share of profits / losses in associated companies	-0.8	-0.3	3.8
Depreciation and writedown	51.0	63.6	50.5
Selling profit and loss of fixed assets	-1.8	-2.0	-0.6
Cash flow before working capital changes	87.7	137.4	129.4
Changes in working capital			
Accounts and other receivables, non-interest bearing, increase (-) / decrease (+)	33.6	11.7	-25.1
Inventories, increase (-) / decrease (+)	6.8	-12.3	-4.9
Accounts and other payables, non-interest bearing, increase (+) / decrease (-)	-15.6	-6.1	9.8
	24.7	-6.6	-20.2
<b>Cash flow from operating activities before financial items and taxes</b>	112.4	130.8	109.2
Interest paid	-40.0	-18.0	-15.2
Interest received	3.7	4.4	4.6
Other financial items received and paid	-6.7	-3.8	-12.5
Income taxes paid	-4.3	-10.1	-38.6
<b>Cash flow from operating activities (A)</b>	65.0	103.3	47.5
<b>Cash flow from investing activities</b>			
Acquisitions	-904.8	-137.4	-4.4
Investments in shares	-	-	-8.5
Investments in other tangible and intangible assets	-52.4	-50.8	-44.7
Proceeds from sale of tangible and intangible assets	1.6	2.0	45.6
<b>Cash flow from investing activities (B)</b>	-955.6	-186.2	-12.0
<b>Cash flow from financing activities</b>			
Issuance of share capital	30.0	-	-
Issue premium	120.0	-	-
Loans receivable, increase (-) / decrease (+)	-1.7	-14.5	18.4
Current loans increase (+) / decrease (-)	-123.4	-83.5	-6.3
New long term loans	994.1	288.5	0.0
Amortisation of long term loans	-66.0	-68.6	-48.6
Dividends paid	-	-13.6	-14.3
Other changes, including exchange rate changes	5.6	1.7	2.2
<b>Cash flow from financing activities (C)</b>	958.6	110.1	-48.6
<b>Change in cash and cash equivalents (A+B+C), increase (+) / decrease (-)</b>	68.0	27.1	-13.1
Cash and cash equivalents at the beginning of period	-	17.9	30.8
Cash and cash equivalents at the end of period	68.0	45.0	17.7
The impact of changes in exchange rates on consolidation has been eliminated.			
<b>Reconciliation of Cash and cash equivalents</b>			
As previously reported for 1999 and 2000	-	17.7	30.8
Foreign exchange adjustment	-	0.2	-
	-	17.9	30.8
Change in Cash and cash equivalents	68.0	27.1	-13.1
Cash and cash equivalents as reported for 2000 and 2001	68.0	45.0	17.7

# Financial Statements 2001

## Balance Sheet

Balance Sheet, Assets		Pool Acquisition Helsinki Group		Sanitec Group			
EUR mill.	Note	6 Apr - 31 Dec 2001	%	2001	%	2000	%
<b>Fixed assets</b>	8						
Intangible assets							
Intangible rights		6.0		6.0		4.9	
Goodwill on consolidation		769.6		182.8		133.5	
Other long term expenditure		25.6		2.9		2.2	
		801.2	50.1	191.7	19.6	140.7	17.9
Tangible assets							
Land and water		52.5		52.5		37.2	
Buildings and structures		97.1		97.1		82.6	
Machinery and equipment		104.7		111.2		100.8	
Other tangible assets		6.7		6.7		6.4	
Advance payments and construction in progress		15.8		15.8		10.8	
		276.8	17.3	283.3	29.0	237.8	30.3
Financial assets							
Shares in associated companies		41.7		41.7		39.3	
Other shares and securities		0.8		0.8		0.8	
Other receivables		9.6		9.6		6.4	
		52.1	3.3	52.1	5.3	46.5	5.9
<b>Total fixed assets</b>		1,130.0	70.7	527.1	54.0	425.0	54.2
<b>Current assets</b>							
Inventories							
Materials and consumables		58.4		58.4		50.1	
Work in progress		17.3		17.3		15.5	
Finished products / goods		85.8		85.8		69.4	
Advance payments		0.5		0.5		0.2	
		162.0	10.1	162.0	16.6	135.2	17.2
Long-term receivables							
Trade receivables		4.3		4.3		1.8	
Loan receivables		0.1		0.1		0.1	
Deferred tax assets	14	10.3		4.0		5.6	
Other receivables		0.6		0.6		1.1	
Prepaid expenses and accrued income	9	4.0		4.0		0.5	
		19.3	1.2	13.0	1.3	9.1	1.2
Short-term receivables							
Trade receivables		156.8		156.8		147.0	
Receivables from Group companies	10	-		15.6		-	
Receivables from associated companies	10	0.0		0.0		0.1	
Loan receivables		6.3		6.3		3.7	
Deferred tax assets	14	3.1		3.1		2.5	
Other receivables		15.6		15.4		14.4	
Prepaid expenses and accrued income	9	37.4		31.4		29.2	
		219.1	13.7	228.6	23.4	196.8	25.1
Investments in other securities		0.2	0.0	0.2	0.0	0.2	0.0
Cash and bank balances		68.0	4.3	45.0	4.6	17.7	2.3
<b>Total current assets</b>		468.6	29.3	448.9	46.0	359.0	45.8
<b>Assets</b>		1,598.6	100.0	976.0	100.0	784.0	100.0

Intragroup items in the Group column arise from transactions with other Pool Acquisition Netherlands Group Companies.



# Balance Sheet

Balance Sheet, Shareholders' equity and liabilities		Pool Acquisition Helsinki Group		Sanitec Group			
EUR mill.	Note	6 Apr - 31 Dec 2001	%	2001	%	2000	%
<b>Shareholders' equity</b>	11						
Share capital		30.0		64.9		64.9	
Share premium reserve		120.0		90.5		90.5	
Other reserves		0.2		25.5		19.7	
Retained earnings		-1.1		180.2		152.6	
Profit/loss for the financial year		-17.2		37.6		39.2	
<b>Total shareholders' equity</b>		131.9	8.3	398.6	40.8	366.9	46.8
<b>Minority interests</b>		3.8	0.2	3.8	0.4	3.9	0.5
<b>Provisions</b>	12						
Provisions for pensions		33.1		33.1		32.6	
Provisions for taxation		0.1		0.1		0.0	
Other provisions		65.8		25.9		33.7	
		99.0	6.2	59.1	6.1	66.4	8.5
<b>Liabilities</b>	13						
<b>Long term</b>							
Loans from credit institutions		486.9		275.1		68.3	
Deferred tax liability	14	7.8		7.8		3.4	
Other long term debt, intragroup, total		305.0		-		-	
Other long term liabilities		312.2		-		1.9	
		1,111.9	69.5	283.0	29.0	73.7	9.4
<b>Current</b>	13						
Loans from credit institutions		29.0		20.7		31.1	
Advances received		0.6		0.6		0.2	
Trade payables		91.0		90.1		72.3	
Liabilities to Group companies	16	6.9		0.2		-	
Liabilities to associated companies	16	0.1		0.1		0.3	
Other current liabilities		22.9		19.4		82.7	
Accrued expenses and deferred income	15	101.6		100.3		86.6	
		252.1	15.8	231.5	23.7	273.2	34.8
<b>Total liabilities</b>		1,364.0	85.3	514.5	52.7	346.8	44.2
<b>Shareholders' equity and liabilities</b>		1,598.6	100.0	976.0	100.0	784.0	100.0

Intragroup items in the Group column arise from transactions with other Pool Acquisition Netherlands Group Companies.

## Accounting Principles

The consolidated financial statements of Pool Acquisition Helsinki Group have been prepared in accordance with the Finnish accounting regulations. The financial statements are presented in euro.

The preparation of the financial statements in conformity with applicable regulations and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation and allocation of the reported figures. Actual results may differ from such estimates.

### Principles of consolidation

The consolidated financial statements include the accounts of the parent company and the accounts of its directly or indirectly owned subsidiaries (over 50 % of the voting rights) and associated companies. Acquired or established subsidiaries and associated companies are consolidated from the date of acquisition or establishment until the end of the period of ownership.

Sphinx Technical Ceramics B.V., a fully owned company of the Group, is excluded from the consolidation, as the company was acquired with a view to its subsequent disposal, and the ownership is intended to be temporary.

All intragroup transactions as well as distribution of profit, receivables and liabilities, and unrealized margins on intragroup transactions are eliminated in the consolidation. Minority interests are presented in the income statement as a separate item after taxes. The share of minority interests in shareholders' equity is also shown separately in the consolidated balance sheet.

Mutual shareholdings are eliminated using the acquisition cost method. The goodwill in the subsidiaries is calculated on the basis of their acquisition cost by eliminating the Group's share of the equity in the acquired subsidiaries, including untaxed reserves, less deferred tax liability. Provisions related to restructuring plans in the acquired subsidiaries at the moment of acquisition, are included in the consolidation goodwill. Of the difference between the cost of the acquisition and the equity of the subsidiaries at the date of acquisition, that amount by which the value of fixed assets can be considered to exceed the subsidiary's balance sheet value has been entered under respective items in fixed assets. The remainder of the difference is recorded as goodwill, which is amortised over the useful life of the asset, nevertheless over a period not exceeding twenty years.

While Pool Acquisition Helsinki Oy has acquired Sanitec Corporation in 2001, the difference between the cost of the acquisition and the equity of Sanitec Group, including the provisions related to restructuring plans assumed in connection to the acquisition, has nevertheless been accounted for as consolidation goodwill in its entirety. The allocation of this goodwill over the assets of Sanitec Group will take place during 2002, which may change the balance sheet structure of the Group in

2002. The consolidation goodwill will be amortised over the estimated useful life of the asset in 20 years.

Investments in associated companies (voting rights between 20% and 50%) are included in the consolidated accounts using the equity method. The consolidated income statement includes the Group's share of results in associated companies after the moment of acquisition, taking into account goodwill write-offs and dividends received. The Group's share of post-acquisition change in the net assets of these companies, deducted by accumulated goodwill write-offs, is included in the acquisition cost and shareholders' equity. The book values of the shares in associated companies are listed in the notes to the financial statements as recorded by the shareholding subsidiaries. Investments in other companies are listed in the balance sheet at acquisition cost and the book values of these shares are written down, if required, to correspond with their market value.

### Foreign subsidiaries

In the consolidated accounts, all items in the income statements of foreign subsidiaries are translated into euro at the average exchange rates for the financial year. The balance sheet items of subsidiaries are translated into euro at the rates of exchange ruling on the balance sheet date. Translation differences arising from the application of the purchase method are treated as an adjustment affecting consolidated shareholders' equity; the translation difference applying to shareholders' equity at the time of acquisition is allocated to distributable and non-distributable equity. Differences arising from the translation of income statement items and balance sheet items at different rates, are recorded as part of the consolidated distributable equity.

Outside the euro area, the Group has applied the equity hedging method in accordance with the principles approved by the Board of Directors, to hedge the shareholders' equities of foreign subsidiaries using currency loans or forward contracts to reduce the effects of exchange rate fluctuations on the Group's shareholders' equity. The Group has ceased the application of equity hedging method by the end of 2001. Exchange gains and losses resulting from the hedging transactions are netted against the translation differences recorded in the shareholders' equity of the consolidated balance sheet.

### Transactions denominated in foreign currencies

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 exchange rates prevailing on that date. Open hedging instruments of foreign currency based items, including interest components, are valued at the balance sheet date. Exchange gains and losses related to business operations are treated as adjust-

ments to net sales and operating expenses. Exchange gains and losses related to financing operations are entered at their net values under financial income and expenses.

### Revenue recognition

Net sales is calculated by deducting items including indirect sales taxes and discounts from gross sales revenues. Revenue is recognised at the date of delivery.

### Research and development

Research and development costs are expensed in the financial period in which they occurred.

### Pension arrangements

Statutory and supplementary pension obligations in Finland are covered through payments to pension insurance institutions and recorded as determined by periodical actuarial calculations prepared by those institutions. In the Group companies outside Finland, the pension obligations are arranged and pension liabilities recorded in accordance with local regulations and practice. Changes in uncovered pension obligations are entered in the income statement and the pension liability is included in provisions in the balance sheet.

### Warranty costs

The estimated warranty costs of goods delivered to customers are included under current liabilities in the balance sheet. Actual warranty costs, including changes in warranty liability, are charged against earnings for the period.

### Valuation of inventories

Inventories are valued at their direct acquisition cost, which includes direct manufacturing costs and an appropriate proportion of indirect production overheads and acquisition costs. The upper value used in the valuation of inventories is their net realizable value.

### Fixed assets and depreciation

Fixed assets are valued in the balance sheet at their direct acquisition cost less accumulated depreciation according to plan. Interest expenses related to some major investment projects in Poland have been capitalised.

Costs related to loans taken for the acquisition of Sanitec Corporation have been capitalised in Pool Acquisition Helsinki Oy. The depreciation of these costs will be based on a plan derived from the maturity and the repayment schedule of the respective loans.

The following indicative useful lives are used:

Intangible assets	3-10 years
Buildings	20-30 years
Machinery and equipment	3-15 years

### Leasing

Operating leasing payments are treated as rentals. Significant financial leasing items are capitalised as fixed assets.

### Extraordinary income and expenses

Extraordinary income and expenses include items, which fall outside the ordinary activities of the company, such as items arising from divestments of operations. In the income statement of the parent company, extraordinary items include the group contributions received from other group companies.

### Appropriations

Appropriations comprise voluntary provisions and the depreciation difference. In the consolidated accounts, accumulated appropriations are divided into tax liability and shareholders' equity. The change in appropriations, net of tax liability, is included in the result for the year. The amount of appropriations entered under shareholders' equity is not regarded as distributable funds.

### Provisions

Provisions in the balance sheet comprise those items which the Company is committed to cover either through agreements or otherwise, but which are not yet realised. These include e.g. uncovered pension liabilities and restructuring expenses. Changes to provisions arising from normal operations are included in the income statement.

### Income taxes

Income taxes in the income statement include taxes of subsidiaries for the financial period, calculated in accordance with local regulations, as well as adjustments to prior year taxes and deferred taxes.

Deferred tax liabilities or assets are calculated as the temporary differences between the tax and financial periods using the tax rate for subsequent years confirmed on the balance sheet date. The balance sheet includes deferred tax liabilities in their entirety and the probable realizable amount of deferred tax assets.

# Notes to the Financial Statements

EUR mill.	Pool Acquisition Helsinki Group	Sanitec Group	
	6 Apr - 31 Dec 2001	2001	2000
<b>1. Net sales</b>			
Net sales by country			
Germany	91.0	168.2	183.5
France	74.6	144.0	143.3
United Kingdom	66.1	113.6	16.5
Benelux	46.1	85.4	80.7
Sweden	36.0	67.7	74.0
Italy	43.0	80.5	80.9
Norway	24.3	43.5	42.0
Denmark	16.8	32.0	30.5
Finland	21.2	37.4	36.6
Poland	36.3	61.3	57.0
America	21.9	35.9	34.1
Other countries	70.3	125.3	98.2
Total	547.6	994.6	877.3
<b>2. Other operating income</b>			
Rental income	0.3	0.5	0.5
Profit on sales of fixed assets	1.8	2.0	0.9
Other operating income	6.5	9.2	5.2
Total	8.6	11.7	6.6
<b>3. Personnel expenses</b>			
Wages and salaries	131.2	242.7	212.3
Pension costs	1.6	2.4	2.4
Other compulsory personnel costs	33.6	58.9	53.9
Total	166.4	304.0	268.6
Pension costs contain only pension costs for Finnish companies. Pension costs for foreign companies are included in other compulsory personnel costs.			
Salaries and emoluments to senior management			
Presidents and members of the Boards of Directors	3.7	6.5	5.0
The CEO and the presidents of some Group companies have the right to retire at the age of 60 years. The company's Board of Directors decides the remunerations of the President and his immediate subordinates.			
Personnel on average	8,861	8,858	8,302
<b>4. Depreciation and writedowns</b>			
Depreciation according to plan and writedowns			
Intangible assets	1.9	2.9	2.2
Goodwill on consolidation	25.2	14.4	11.6
Other long-term expenditure	2.2	1.2	1.1
Land and water	0.0	0.0	0.1
Buildings and structures	3.0	11.1	5.1
Machinery and equipment	17.1	31.4	27.5
Other tangible assets	1.6	2.6	2.9
Total depreciation according to plan	51.0	63.6	50.5
<b>5. Financial income and expenses</b>			
Other interest income and financial income			
From Group companies	-	0.1	-
From other companies	3.5	4.9	5.9
Total	3.5	5.0	5.9
Exchange gains and losses	-0.2	-0.1	0.8
Writedowns of financial assets	-	-	-0.1
Interest expenses and other financial expenses			
To Group companies	-8.9	-	-
To other companies	-35.2	-20.8	-18.0
Total	-44.1	-20.8	-18.0
Financial income and expenses, total	-40.8	-15.9	-11.4

EUR mill.	Pool Acquisition Helsinki Group	Sanitec Group	
	6 Apr - 31 Dec 2001	2001	2000
<b>6. Extraordinary income and expenses</b>			
Extraordinary expenses	-2.3	-3.7	-
Total	-2.3	-3.7	-
<b>7. Income taxes</b>			
Income taxes			
for the financial year	-8.7	-17.6	-29.1
for prior years	0.4	1.0	0.5
Change in deferred tax	-4.9	-2.2	3.7
Total	-13.2	-18.9	-24.9
<b>8. Fixed assets</b>			
Intangible assets			
Intangible rights			
Acquisition cost opening balance	-	12.7	9.0
Increases	7.9	4.0	3.7
Decreases	-	-	-
Accumulated depreciation and writedowns opening balance	-	-7.8	-5.5
Accumulated depreciation in decreases	-	-	-
Depreciation during year	-1.9	-2.9	-2.3
Residual value closing balance	6.0	6.0	4.9
Goodwill on consolidation			
Acquisition cost opening balance	-	200.6	182.1
Increases	798.6	67.4	18.5
Decreases	-6.9	-6.9	-
Accumulated depreciation and writedowns opening balance	-	-67.1	-55.6
Accumulated depreciation in decreases	3.2	3.2	-
Depreciation during year	-25.3	-14.5	-11.5
Residual value closing balance	769.6	182.8	133.5
Other long-term expenditure			
Acquisition cost opening balance	-	7.2	6.3
Increases	27.8	1.9	1.0
Decreases	0.0	0.0	-0.1
Accumulated depreciation and writedowns opening balance	-	-5.0	-4.0
Accumulated depreciation in decreases	0.0	0.0	0.1
Depreciation during year	-2.3	-1.2	-1.1
Residual value closing balance	25.6	2.9	2.2
Total Intangible assets			
Acquisition cost opening balance	-	220.5	197.4
Increases	834.3	73.3	23.3
Decreases	-7.0	-6.9	-0.1
Accumulated depreciation and writedowns opening balance	-	-79.9	-65.2
Accumulated depreciation in decreases	3.2	3.3	0.1
Depreciation during year	-29.5	-18.7	-14.8
Residual value closing balance	801.2	191.7	140.7
Tangible assets			
Land and water			
Acquisition cost opening balance	-	37.2	40.0
Increases	56.4	19.2	0.8
Decreases	-4.3	-4.3	-3.5
Accumulated depreciation and writedowns opening balance	-	0.0	-0.1
Accumulated depreciation in decreases	0.4	0.4	0.1
Depreciation during year	0.0	0.0	-
Residual value closing balance	52.5	52.5	37.2

# Notes to the Financial Statements

EUR mill.	Pool Acquisition Helsinki Group	Sanitec Group	
	6 Apr - 31 Dec 2001	2001	2000
<b>Buildings and structures</b>			
Acquisition cost opening balance	-	129.2	119.9
Increases	103.6	23.7	11.3
Decreases	-5.1	-5.2	-2.0
Accumulated depreciation and writedowns opening balance	-	-46.6	-42.0
Accumulated depreciation in decreases	1.5	7.0	0.5
Depreciation during year	-2.9	-11.0	-5.1
Residual value closing balance	97.1	97.1	82.6
<b>Machinery and equipment</b>			
Acquisition cost opening balance	-	298.0	282.7
Increases	138.7	59.7	27.9
Decreases	-28.5	-32.2	-12.6
Accumulated depreciation and writedowns opening balance	-	-197.2	-175.7
Accumulated depreciation in decreases	12.5	15.1	6.5
Depreciation during year	-18.0	-32.2	-28.1
Residual value closing balance	104.7	111.2	100.8
<b>Other tangible assets</b>			
Acquisition cost opening balance	-	20.0	15.1
Increases	8.0	3.2	6.8
Decreases	-0.2	-1.7	-1.9
Accumulated depreciation and writedowns opening balance	-	-13.6	-12.3
Accumulated depreciation in decreases	0.2	1.1	1.1
Depreciation during year	-1.2	-2.2	-2.4
Residual value closing balance	6.7	6.7	6.4
<b>Advance payments and construction in progress</b>			
Acquisition cost opening balance	-	10.8	8.2
Increases	26.7	16.2	7.2
Decreases	-10.9	-11.2	-4.6
Accumulated depreciation and writedowns opening balance	-	0.0	-
Accumulated depreciation in decreases	0.0	0.0	-
Depreciation during year	0.0	0.0	-
Residual value closing balance	15.8	15.8	10.8
<b>Total Tangible assets</b>			
Acquisition cost opening balance	-	495.3	466.0
Increases	333.5	122.1	53.9
Decreases	-49.1	-54.7	-24.6
Accumulated depreciation and writedowns opening balance	-	-257.5	-230.0
Accumulated depreciation in decreases	14.5	23.6	8.1
Depreciation during year	-22.1	-45.4	-35.6
Residual value closing balance	276.8	283.3	237.8
<b>Financial assets</b>			
<b>Shares in associated companies</b>			
Acquisition cost opening balance	-	42.2	36.9
Increases	41.5	2.2	9.1
Decreases	0.0	0.0	-3.8
Accumulated depreciation and writedowns opening balance	-	-2.8	-2.8
Accumulated depreciation in decreases	0.2	0.2	-
Depreciation during year	0.0	0.0	-
Residual value closing balance	41.7	41.7	39.3
<b>Other shares and securities</b>			
Acquisition cost opening balance	-	3.2	42.5
Increases	0.8	0.0	-
Decreases	0.0	0.0	-39.3
Accumulated depreciation and writedowns opening balance	-	-2.4	-2.4
Accumulated depreciation in decreases	0.0	0.0	-
Depreciation during year	0.0	0.0	-
Residual value closing balance	0.8	0.8	0.8

EUR mill.	Pool Acquisition Helsinki Group	Sanitec Group	
	6 Apr - 31 Dec 2001	2001	2000
<b>Other receivables</b>			
Acquisition cost opening balance	-	6.4	1.6
Increases	9.6	3.2	4.8
Decreases	-	-	-
Accumulated depreciation and writedowns opening balance	-	0.0	-
Accumulated depreciation in decreases	-	-	-
Depreciation during year	-	-	-
Residual value closing balance	9.6	9.6	6.4
<b>Total Financial assets</b>			
Acquisition cost opening balance	-	51.8	81.0
Increases	51.9	5.4	13.8
Decreases	-0.1	-0.1	-43.1
Accumulated depreciation and writedowns opening balance	-	-5.2	-5.2
Accumulated depreciation in decreases	0.2	0.2	-
Depreciation during year	-	-	-
Residual value closing balance	52.1	52.1	46.5
<b>Capitalised interests during construction, included in Group fixed assets</b>			
<b>Buildings and structures</b>			
Acquisition cost opening balance	-	0.6	0.5
Increases	0.5	-0.1	0.1
Decreases	-	-	-
Accumulated depreciation and writedowns opening balance	-	0.0	-
Accumulated depreciation in decreases	-	-	-
Depreciation during year	0.0	0.0	0.0
Residual value closing balance	0.5	0.5	0.5
<b>Machinery and equipment</b>			
Acquisition cost opening balance	-	1.5	1.3
Increases	1.4	0.2	0.2
Decreases	-	-	-
Accumulated depreciation and writedowns opening balance	-	-0.2	-
Accumulated depreciation in decreases	-	-	-
Depreciation during year	0.0	-0.1	-0.2
Residual value closing balance	1.4	1.4	1.3
<b>Total Capitalised interests</b>			
Acquisition cost opening balance	-	2.1	1.7
Increases	1.9	0.1	0.3
Decreases	-	-	-
Accumulated depreciation and writedowns opening balance	-	-0.2	-
Accumulated depreciation in decreases	-	0.0	-
Depreciation during year	-	-0.1	-0.2
Residual value closing balance	1.9	1.9	1.8
<b>9. Main items in prepaid expenses and accrued income</b>			
Interest	0.5	0.5	0.4
Other financial items	9.9	4.0	2.9
Income and other taxes	15.3	15.3	16.7
Other	15.7	15.6	9.7
Total	41.4	35.4	29.7

# Notes to the Financial Statements

EUR mill.	Pool Acquisition Helsinki Group	Sanitec Group	
	6 Apr - 31 Dec 2001	2001	2000
<b>10. Specification of short and long term receivables</b>			
Short term			
Receivables from Group companies			
Trade receivables	-	1.4	-
Loan receivables	-	14.2	-
Prepaid expenses and accrued income	-	0.0	-
Total	-	15.6	-
Receivables from associated companies			
Trade receivables	0.0	0.0	0.1
Prepaid expenses and accrued income	-	0.0	0.0
Total	0.0	0.0	0.1
<b>11. Shareholders' equity</b>			
Share capital on opening balance	-	64.9	64.9
Share issue during the financial year	30.0	-	-
Share capital on closing balance	30.0	64.9	64.9
Share premium reserve on opening balance	-	90.5	90.5
Issue premium	120.0	-	-
Share premium reserve on closing balance	120.0	90.5	90.5
Other reserves on opening balance	-	19.7	18.0
Transfers from retained earnings	-	0.7	0.5
Translation differences and other changes	0.2	5.2	1.2
Other reserves on closing balance	0.2	25.5	19.7
Retained earnings on opening balance	-	191.8	166.1
Transfers to other reserves	-	-0.7	-0.5
Dividend distribution	-	-13.1	-13.1
Translation differences and other changes	-1.1	2.0	0.1
Profit for the financial year	-17.2	37.6	39.2
Retained earnings on closing balance	-18.3	217.7	191.8
<b>Distributable equity</b>			
Retained earnings on closing balance	-18.3	217.7	191.8
Voluntary provisions and depreciation difference	-1.0	-35.6	-34.1
Deferred tax liability	0.4	12.7	12.5
Distributable equity on closing balance	-18.9	194.8	170.2
<b>12. Provisions</b>			
Provisions for pensions	33.1	33.1	32.6
Provisions for taxation	0.1	0.1	0.0
Provisions for restructuring	58.5	18.6	27.1
Other provisions	7.3	7.3	6.7
Total	99.0	59.1	66.4
Change in provisions in Income statement	0.1	-0.6	-1.1
<b>13. Liabilities</b>			
Long term			
Non-interest bearing	7.8	7.8	4.1
Interest bearing	1,104.1	275.1	69.6
Total	1,111.9	283.0	73.7
Current			
Non-interest bearing	219.2	206.9	168.7
Interest bearing	32.9	24.6	104.5
Total	252.1	231.5	273.2



Maturity profile of external long term debt, Pool Acquisition Helsinki Group	Bank loans	Shareholder loan	Total
2002	18.1	0.0	18.1
2003	27.2	0.0	27.2
2004	39.2	0.0	39.2
2005	48.2	0.0	48.2
2006	58.2	0.0	58.2
2007-	314.0	312.2	626.2
Total 31 December 2001	505.0	312.2	817.2

Maturity profile of external long term debt, Sanitec Group	Bank loans	Other loans	Total
2002	16.1	0.0	16.1
2003	25.1	0.0	25.1
2004	37.1	0.0	37.1
2005	46.1	0.0	46.1
2006	56.0	0.0	56.0
2007-	110.9	0.0	110.9
Total 31 December 2001	291.2	0.0	291.2
Total 31 December 2000	72.9	2.3	75.2

EUR mill.	Pool Acquisition Helsinki Group 6 Apr - 31 Dec 2001	Sanitec Group 2001	2000
Division of long term loans by currency %			
EUR and other EMU-currencies	99.8%	99.1%	83.8%
SEK	0.0%	0.1%	15.6%
Other currencies	0.2%	0.8%	0.6%
Total	100.0%	100.0%	100.0%

#### 14. Specification of deferred tax assets and liabilities

Deferred tax assets			
Based on consolidation	0.7	0.7	0.8
Based on balance sheets of Group companies	12.7	6.4	7.3
Total	13.4	7.1	8.1
Deferred tax liabilities			
Based on appropriations	9.0	9.0	13.5
Based on consolidation	0.9	0.9	1.0
Based on balance sheets of Group companies	-2.0	-2.0	-11.0
Total	7.8	7.8	3.4

In certain countries deferred tax assets and liabilities have been netted

#### 15. Main items in accrued expenses and deferred income

Warranty costs	6.9	6.9	7.9
Income and other taxes	13.4	13.4	8.4
Personnel expenses	39.2	39.1	35.9
Financial items	4.8	3.6	1.8
Others	37.3	37.3	32.6
Total	101.6	100.3	86.6

#### 16. Specification of current liabilities

Liabilities to Group companies			
Trade payables	-	0.2	-
Other current liabilities	-	0.0	-
Accrued expenses and deferred income	6.9	0.0	-
Total	6.9	0.2	-
Liabilities to associated companies			
Trade payables	0.1	0.1	0.2
Other current liabilities	0.0	0.1	0.1
Total	0.1	0.1	0.3

# Notes to the Financial Statements

17. Collateral, contingent liabilities and other commitments EUR mill.	Pool Acquisition Helsinki Group Balance sheet 2001	
	Debt	Security
Other pledges given as collateral for liabilities		
Loans from credit institutions	-	0.3
Off balance sheet commitments	-	1.6
<b>Total</b>	-	1.9

	Pool Acquisition Helsinki Group 2001	
Collateral on behalf of Pool Acquisition Helsinki Group companies		
Mortgages		0.1
Other pledges		0.4
Guarantees and contingent liabilities		
on behalf of Pool Acquisition Helsinki Group companies		2.6
on behalf of others		13.3
All pension liabilities are included in the balance sheet.		
Nominal amounts of rents according to operating leasing contracts		
Payable within one year		9.1
Payable after one year		16.8
<b>Total</b>		25.9

Collateral, contingent liabilities and other commitments	Sanitec Group			
	Balance sheet 2001		Balance sheet 2000	
	Debt	Security	Debt	Security
Mortgages given as collateral for liabilities and commitments				
Loans from credit institutions	-	-	0.4	-
<b>Total</b>	-	-	0.4	-
Chattel mortgages given as collateral for liabilities				
Off balance sheet commitments	-	-	-	1.8
<b>Total</b>	-	-	-	1.8
Other pledges given as collateral for liabilities				
Loans from credit institutions	-	0.3	0.7	0.3
Other liabilities	-	-	-	0.2
Off balance sheet commitments	-	1.6	-	1.7
<b>Total</b>	-	1.9	0.7	2.2

EUR mill.	Sanitec Group	
	2001	2000
Collateral on behalf of Sanitec Group companies		
Mortgages	0.1	0.5
Other pledges	0.4	1.0
Guarantees and contingent liabilities		
on behalf of Sanitec Group companies	2.6	3.0
on behalf of others	13.3	0.2
All pension liabilities are included in the balance sheet.		
Nominal amounts of rents according to operating leasing contracts		
Payable within one year	9.1	9.3
Payable after one year	16.8	21.3
<b>Total</b>	25.9	30.6

In addition to the above contingencies, the companies belonging to the Pool Acquisition Helsinki Group have jointly and severally granted guarantees, taken out mortgages on business assets and mortgages on real property in their ownership, and pledged shares in their ownership as collateral security for loans from banking institutions to Pool Acquisition Helsinki Group and its sister group by the name of Pool Sub-Financing Helsinki, said loans totalling EUR 756.2 million. Of said loans, the Pool Acquisition Helsinki Group is liable for the amount of EUR 511.2 million and Pool Sub-Financing Helsinki Group for the amount of EUR 245.0 million. The nominal value of all collateral securities given exceeds the combined book value of the loans for which they have been given.

#### Inner circle loans and commitments

There are no loan receivables from the management and the Board of Directors.

No pledges or other commitments were given on behalf of senior management or shareholders.

#### 18. Nominal values of derivative instruments on 31 December 2001, Pool Acquisition Helsinki Group

	Total amount	of which closed contracts
Interest rate swaps	380.0	-
Interest rate options	100.0	-
Forward foreign exchange contracts	246.3	5.7

If all the above instruments were reversed (sold) at the market prices at the end of the period, the net effect would be EUR 7.5 million.

#### Nominal values of derivative instruments on 31 December 2001, Sanitec Group

	Total amount	of which closed contracts
Interest rate swaps	50.0	-
Forward foreign exchange contracts	246.3	5.7

If all the above instruments were reversed (sold) at the market prices at the end of the period, the net effect would be EUR -0.6 million.

#### 19. Exchange rates at closing

	Closing rates		Average rates	
	31 Dec 2001	31 Dec 2000	31 Dec 2001	31 Dec 2000
USD	0.88130	0.93050	0.89581	0.92409
GBP	0.60850	0.62410	0.62194	0.60946
SEK	9.30120	8.83130	9.25663	8.44670
NOK	7.95150	8.23350	8.04984	8.11419
PLN	3.49530	3.84980	3.67046	4.00752
CHF	1.48290	1.52320	1.51050	1.55772

# Notes to the Financial Statements

## 20. Shares and securities % of

### Pool Acquisition Helsinki Group 31 Dec 2001 shares and votes

#### SUBSIDIARIES

Sanitec Corporation	Finland	100.0
Ido Kylpyhuone Ltd	Finland	100.0
Ido Badrum AB	Sweden	100.0
Porsgrund Bad A/S	Norway	100.0
Ifö Sanitär AB	Sweden	100.0
Fastighets AB Pressarna	Sweden	100.0
Ifö Sanitär A/S	Norway	100.0
Scandi-aqualine A/S	Denmark	100.0
Ifö Sanitär Eesti AS	Estonia	100.0
Scandiaqua Sp.z.o.o.	Poland	100.0
Sanitec International S.A.	France	100.0
Allia S.A.	France	100.0
Polyroc S.A.	France	99.9
Omnium de Distribution Sanitaires S.A.S.	France	99.9
Omnium de Distribution Sanitaires Sp. Zo.o.	Poland	99.9
Murena S.A.	France	99.9
Leda S.A.	France	100.0
Leda Production S.A.	France	100.0
Produits Ceramiques de Touraine S.A.	France	100.0
S.N.B. Manufacture S.A.R.L.	France	100.0
Sphinx B.V.	The Netherlands	100.0
Sphinx Services B.V.	The Netherlands	100.0
Sphinx Sanitair B.V.	The Netherlands	100.0
Sanitair Techniek Rosmalen B.V.	The Netherlands	100.0
Warneton Industrie S.A.	Belgium	100.0
Sanker Spol. S.r.o.	Slovakia	100.0
ODS Panda Sp.Zo.o.	Poland	100.0
Sphinx Gustavsberg Wroclaw Sp.z.o.o.	Poland	80.4
Deutsche Sphinx Beteiligungen GmbH	Germany	100.0
Sphinx International B.V.	The Netherlands	100.0
Baduscho Vertriebs Ges.m.b.H	Austria	100.0
Richard Heinze GesmbH	Austria	100.0
Richard Heinze GesmbH & Co. KG	Austria	100.0
Bekon Koralle AG	Switzerland	100.0
Koralle Sp.Z.o.o.	Poland	100.0
Sphinx Bathrooms Belgium N.V.	Belgium	100.0
Sphinx Bathrooms Ltd	Great Britain	100.0
Koralle International GmbH	Germany	94.8
Deutsche Sphinx Sanitär GmbH	Germany	96.8
Koralle Sanitärprodukte GmbH	Germany	96.8
Servico Gesellschaft fur Sanitärtechnik GmbH	Germany	96.8
Keramag Keramische Werke AG	Germany	95.0
Keramag Keramische Werke Haldensleben GmbH	Germany	95.0
Varicor S.A.	France	95.0
Keramag Vertriebs Holding GmbH	Germany	95.0
Deutsche Sphinx Vertriebs GmbH	Germany	95.0
Eurocer Industria de Sanitarios S.A.	Portugal	100.0
Laminex Sp. z o.o.	Poland	100.0
Evac International Ltd	Finland	100.0
Evac AB	Sweden	100.0
Evac Vacuum Systems (Shanghai) Co Ltd.	China	100.0
Evac GmbH	Germany	100.0
AquaMar GmbH	Germany	100.0
Evac Oy	Finland	100.0
Evac S.A.R.L.	France	100.0
Evac S.r.l.	Italy	100.0
Envirovac Inc.	USA	100.0
Evac Ltda	Brazil	100.0
Sanitec Kolo Sp.z o.o.	Poland	99.5
Scan Aqua Sp.Zo.o.	Poland	100.0
Sugarlop B.V.	The Netherlands	100.0
Sanitec Leasing AB	Sweden	100.0
Domino Italia S.p.A.	Italy	100.0
Sanitec Italia S.p.A.	Italy	100.0
Pozzi Ginori S.p.A.	Italy	100.0
Sanitec Servizi Logistici S.r.l.	Italy	100.0
Domino S.p.A.	Italy	100.0
Royal Sanitec AB	Sweden	100.0
Sanitec UK	Great Britain	100.0
Twyford Holdings Ltd	Great Britain	100.0
Twyford Bathrooms	Great Britain	100.0
Sanitec Service GmbH	Germany	100.0

#### ASSOCIATED COMPANIES

Hutschenreuther-Keramag GmbH	Germany	47.5
Ina/Ifö Co Ltd.	Japan	50.0
Ceramics Holdings Middle East B.V.	The Netherlands	50.0
Ceramic Holdings Middle East C.V.	The Netherlands	50.0
AWEK Industrial Patents Ltd. Oy	Finland	25.0

#### OTHER COMPANIES

Sanitec Holding AG	Switzerland	19.9
Sanitec Holdings Pte Ltd	Singapore	19.9
Sphinx Technical Ceramics B.V. 1)	The Netherlands	100.0

#### Pool Acquisition Helsinki Oy total shares and securities

1) Loss for the financial year EUR -0.9 million and shareholders' equity EUR -3.4 million.

A complete list of shares and securities in accordance with the Finnish Companies Act is included in the official financial statements.

## Proposal by the Board of Directors of Pool Acquisition Helsinki Oy

The consolidated retained earnings of Pool Acquisition Helsinki Group on 31 December 2001 amounted to EUR -18.3 million and included distributable funds totalling EUR -18.9 million.

The parent company's net profit for the financial year amounted to EUR -33.4 million.

The distributable funds on 31 December 2001 amounted to EUR -33.4 million.

The number of shares entitled to a dividend is 30.000.000.

The Board of Directors proposes that the net profit to be transferred to the shareholder's equity and that no dividend is paid.

The retained earnings of EUR -33.4 million will be carried forward in the parent company.

Helsinki, 28 March 2002

Berndt Brunow

Peter Körfer-Schün

Stefano Mazzotti

Hanns Ostmeier

Jens Reidel

Rainer S Simon

## Proposal by the Board of Directors of Sanitec Corporation

The distributable funds for the Group on 31 December 2001 amounted to EUR 194.8 million. The parent company's net profit for the financial year was EUR -0.1 million and the distributable funds on 31 December 2001 amounted to EUR 113.6 million.

The Board of Directors proposes that the net profit to be transferred to the shareholder's equity and that no dividend is paid.

Helsinki, 28 March 2002

Georg Ehrnrooth

Peter Körfer-Schün

Stefano Mazzotti

Hanns Ostmeier

Jens Reidel

Berndt Brunow

## Auditors' Statement

The financial information of the consolidated Sanitec Group ("Sanitec") and Pool Acquisition Helsinki Group (the "Group") set out in "Financial Statements 2001" are extracts from the annual financial statements of Sanitec and the Group as at December 31, 2001 which are expected to be adopted at the Shareholder's Meetings. On these financial statements, which have been prepared in conformity with accounting principles generally accepted in Finland, we have issued auditors' reports on April 12, 2002.

Helsinki, April 30, 2002  
KPMG WIDERI OY AB

Sixten Nyman  
Authorized Public Accountant

# Sanitec

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