

Annual report 2001



## Information for shareholders

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### The Annual General Meeting

Uponor Oyj's Annual General Meeting is to be held on Wednesday, 13 March 2002 at 4.00 p.m. at the Radisson SAS Royal Hotel, Runeberginkatu 2, FIN-00100 Helsinki, Finland.

### Important dates in the year 2002

- Financial accounts bulletin for 2001, 5 February at 11 am
- Financial statements for 2001, 5 February at 4 pm
- Annual General Meeting, 13 March at 4 pm
- Record date for dividend payment 18 March\*
- Date for dividend payment 26 March\*
- Interim report: Jan.–March on Tuesday, April 23 at 11 am
- Interim report: Jan.–June on Tuesday, August 6 at 11 am
- Interim report: Jan.–September on Tuesday, October 22 at 11 am

\* Proposal by the Board of Directors

### Publications

The annual report will be published in Finnish, English and German and will also be available on the company website at [www.uponor.com](http://www.uponor.com). The interim reports and corporate releases will be published in Finnish and English on the company website.

To order financial publications or the English-language corporate magazine, please contact:

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### Insider register

The public register of Uponor Oyj insiders may be viewed at the Legal Department at the address above, tel. +358 9 4789 6325, email: [legal@uponor.com](mailto:legal@uponor.com).

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## Uponor in brief

Uponor is one of the world's leading suppliers of pipe systems for the building industry and utilities market. Uponor products are used in heating, water and gas distribution, wastewater disposal and treatment, and in telecoms networks.

Our high-grade, technologically advanced, environmentally friendly systems offer solutions that truly bring comfort to life.

The trade names mentioned in this report are registered trademarks.

## Overview of businesses

Pipe Systems	Description	Mission
<b>Housing Solutions, Europe*</b>	The Division offers comfort-creating, reliable solutions in the tap water, heating, and indoor climate segments of the building market. Uponor is the world's largest supplier of radiant underfloor heating applications and a world leader in plastic tap water pipe systems.	The Division's goal is to grow its market share through a comprehensive, value-adding systems offering and to increase the recognition of the Uponor brand as a world-leading supplier of housing solutions.
<b>Housing Solutions, North America*</b>	The Division's offering comprises advanced systems mainly for domestic radiant floor heating, plumbing, and fire safety as well as snow and ice melting in outdoor applications. Uponor is North America's largest supplier of plastic systems for residential plumbing and heating applications.	The Division's mission is to rapidly grow the business by offering the highest quality, most comprehensive and most innovative portfolio of systems, supported by marketing with an added value orientation and strong brand management.
<b>Infrastructure and Environment, Europe*</b>	Uponor is a European leader in solutions for wastewater disposal and treatment, rainwater management, reliable distribution of natural gas and construction of high-speed telecommunication networks.	The Division's mission is to develop and offer its customers professional solutions that contribute to promoting a clean environment and safe, economic and functional modern infrastructure.
<b>Municipal Americas*</b>	The Division's companies, Uponor ETI Company and Uponor Aldyl Company, are major U.S. suppliers of PVC and PE pipe systems, while Uponor Aldyl S.A. is responsible for South American markets.	The companies offer a wide range of pipe systems for municipal water supply, sewage networks and gas distribution.
<b>Real Estate</b>		
<b>Real Estate</b>	The Real Estate Division manages Group real estate holdings that are not in active use by the core business.	The Division's target is to profitably run the ongoing real estate business while at the same time freeing up capital for use in the development of the Group's core business.

\*) effective from 1 January 2002

## Key data

Operating 14 manufacturing sites in Europe and 14 sales offices in 12 countries, the Division markets its products in Europe and in export markets. The Division's net sales for 2001 amounted to EUR 481.7 million and it employed 2,691 people at year-end.

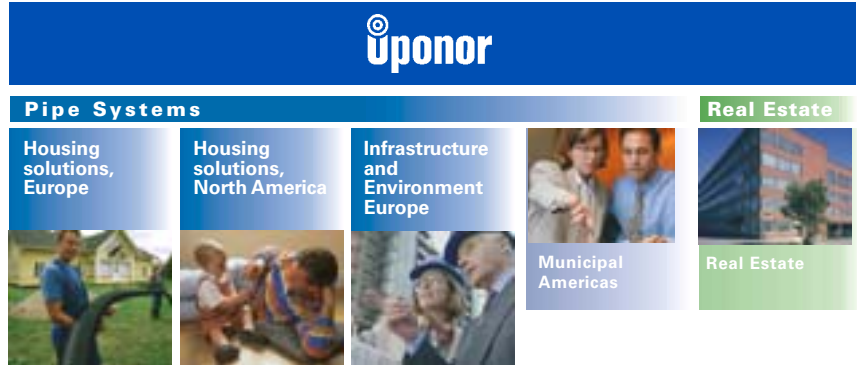
Operating from 11 facilities, of which three are manufacturing sites, the Division sells products and services in the U.S. and Canada. Its 2001 net sales amounted to USD 111.2 million (EUR 124.8 million) and it employed 379 people at year-end.

Operating from 16 factories close to European customers, the Division's net sales amounted to EUR 406.8 million in 2001. Personnel numbered 1,785 at year-end.

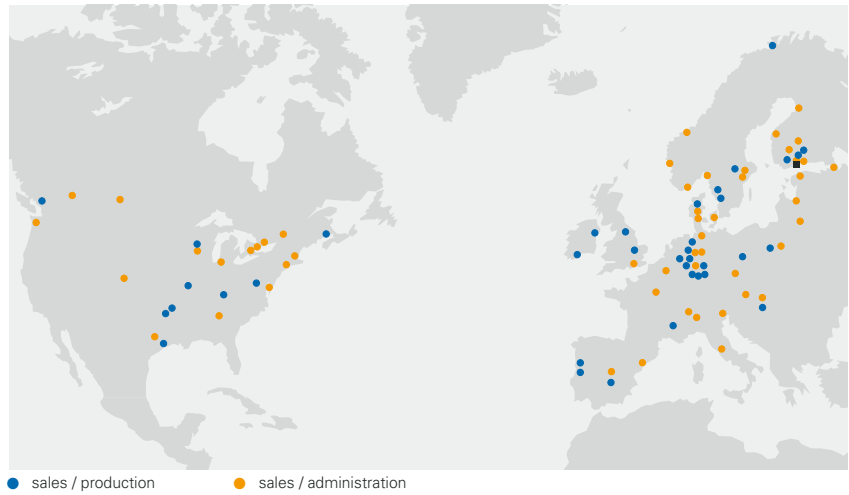
Operating seven factories in North and South America, the Division's net sales amounted to USD 145.5 million (EUR 163.3 million) in 2001 and it employed 561 people at year-end.

The Division's net sales amounted to EUR 25.6 million and its personnel totalled 41 at year-end.

## Uponor corporate structure



## Uponor worldwide



## Mission, strategy and vision

Uponor's mission, strategy and vision were modernised in 2001. Uponor aims to establish global brand leadership as a supplier of comprehensive housing, building and environmental infrastructure solutions.

The new strategy will bring about an all-encompassing evolution in the Group's operations.

### Mission

Uponor's mission consists of the corporate values and the corporation's core purpose:

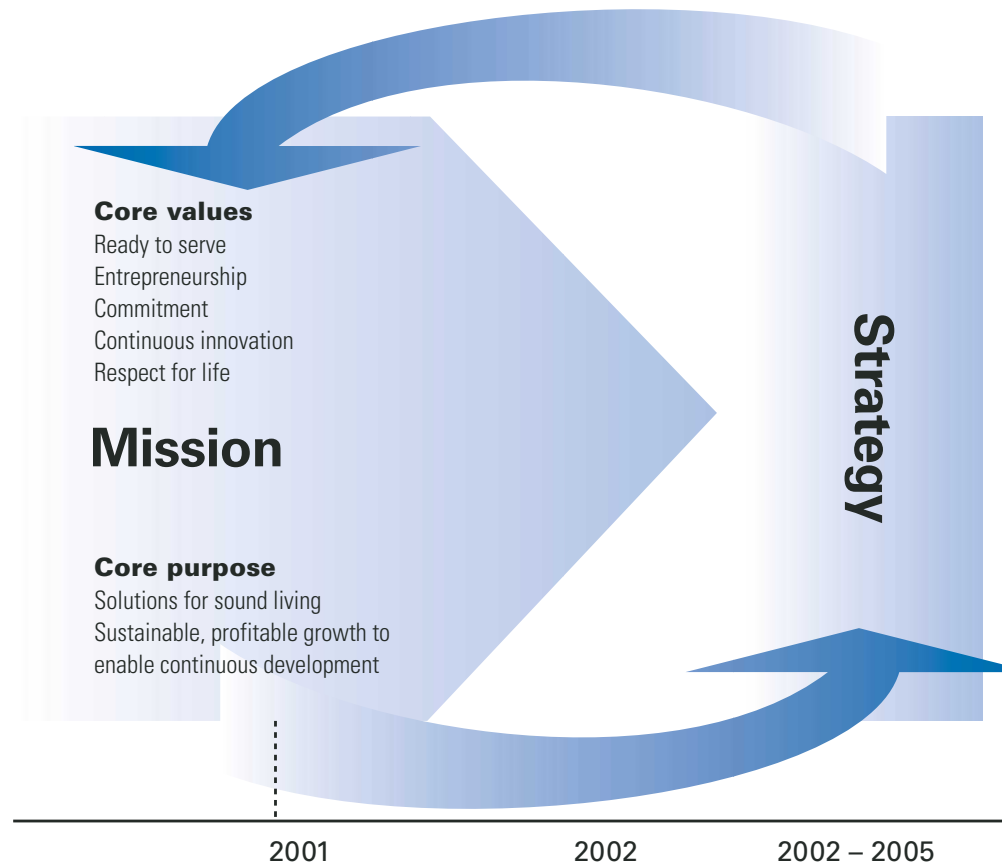
### Core purpose

#### Solutions for sound living

Uponor provides solutions that bring comfort to the lives of our customers. Comfort consists of many things, such as physical well-being, safety, and peace of mind. Uponor's solutions are technologically advanced, life cycle cost-efficient, environmentally oriented and ethically sound. Uponor thus promotes a sound lifestyle.

### Sustainable, profitable growth to enable continuous development

Continuous development is Uponor's key driver. Innovation and renewal are embedded in our core values. This creates our potential to grow. Uponor is not prepared to grow at any price – our growth must be based on the genuine added value we bring to our customers and the potential to be



rewarded for it. Growth in turn provides us with the resources to further develop the company and thus produce more value and wealth for all of our stakeholders.

Vision



2005

2020

## Core values

The corporation's core values are a set of principles guiding the choices we make in our work.

### Ready to serve

- The success of our external and internal customers is also the key to *our* success.
- We treat all our stakeholders with the same mindset and respect as we treat all our customers.

### Entrepreneurship

- We take the initiative.
- We deliver.
- Success will be rewarded.

### Commitment

- We keep our promises.
- We take our responsibilities seriously.
- We are honest and operate in a spirit of fair play.

### Continuous innovation

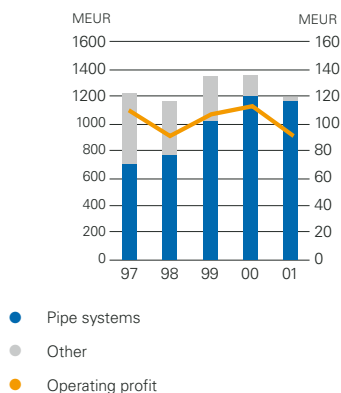
- If there is a better way, we will find it.
- We share what we learn with our colleagues.
- We have the curiosity and the courage to challenge the incumbents and prevailing practices.

### Respect for life

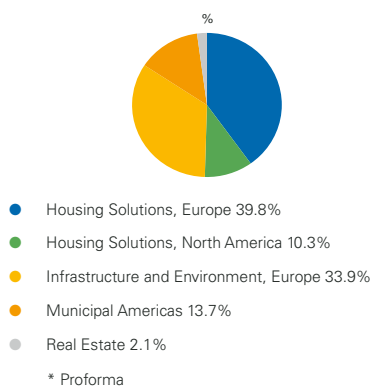
- We aspire to sustainably harmonise the interests of people, the environment, and the economy.
- We communicate openly and respect the opinions of our colleagues and stakeholders.
- We care for each other's welfare and that of future generations.

## The year 2001 in brief

### Net sales and operating profit



### Net sales by division\*



### The new Uponor

The greatest challenge of 2001 was the modernisation of the corporate strategy after the Group completed the process of refocusing itself as a single-sector company in 2000. The corporate mission and values were realigned as part of this strategic reorientation exercise.

The aim of the new strategy is to make Uponor a leading supplier of housing and environmental infrastructure solutions in its main geographical markets.

### One brand, one message

One of the most prominent changes in the new corporate strategy is the modernisation of the Group's brand architecture and its new focus on increasing the visibility and equity of the Uponor brand. The new strategy will reduce the number of brands, achieve operational savings, and provide the company with better resources to develop and market more comprehensive solutions to better serve customer needs.

### Internal efficiency programme

At the beginning of the year, Uponor launched a Group-wide programme to improve internal efficiency. The overall target of the programme for 2002 is to achieve cost savings of approximately EUR 50 million compared with 2000.

As part of the programme, Uponor streamlined its structure and closed down two production plants and several production lines in Europe. Purchasing, product development and logistics were upgraded and restructured in all market areas. As a result of efficiency improvements, the number of employees fell by 413 during the period under review.

### Markets

The year witnessed deterioration in the outlook and level of demand in the European building industry. Housing starts in Germany, for example, were almost a fifth



lower than in 2000. The renovation market remained relatively healthy, and plastic pipe systems continued to gain market share.

North American housing starts remained on a high level despite prevailing economic trends in the region.

### Net sales and result

Uponor's consolidated net sales for 2001 totalled EUR 1,192.4 million. The decrease in the Group's going business net sales was -3.5%. The decline was almost completely due to contraction of the utilities business in the United States.

Group operating profit amounted to EUR 91.2 million, the comparable decrease being -14.0%. The fall in profit resulted from divestments, as well as the unprofitable North American utilities business and European telecommunications business.

### R&D

R&D investment remained at a high level. Restructuring led to more efficient and focused R&D, bringing considerable cost savings through the elimination of overlaps and other streamlining.

### New business

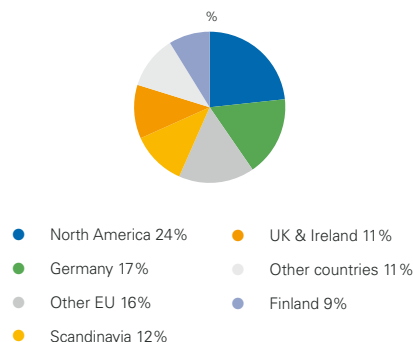
In spring, the company won an international competition held in Sweden for the development of home solar-heat collectors.

In response to rapidly increasing demand, the company expanded in-house production of high-performance plastic fittings for plumbing and heating systems. The Group's European plastic-fitting production and development centre was established in Nastola.

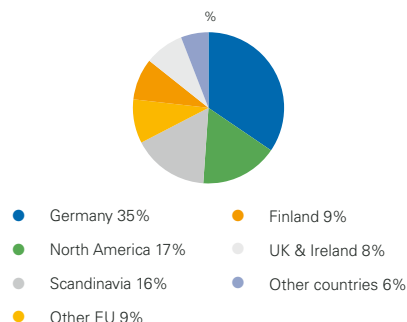
The Group also consolidated its environmental know-how by acquiring the biological small-sewage treatment plant business of a German market leader.

Uponor made its Nordic debut in the ventilation business by introducing a hygienic all-plastic ducting system equipped with sophisticated controls.

Net sales by market area 2001



Personnel by market area 2001



## Review by the CEO

Following many years of sustained growth in the industrialised countries, 2001 saw a clear economic downturn that worsened as the year drew to a close. The sharpest decline in European construction markets occurred in Germany, where 16 per cent fewer construction permits were granted than in 2000. The repercussions of this sharp downturn are likely to be felt throughout Central Europe.

More encouraging news can be reported on the residential construction market in the United States, where brisk activity continued in spite of the year's unforeseen setbacks and events.

Anticipating the general economic slowdown, Uponor launched an extensive internal programme of efficiency improvements back in the early months of last year. This programme covered all of the company's divisions, with steps being taken to eliminate overlaps and restructure the organisation to improve its competitiveness and service capacity. These measures also resulted in an overall staff reduction of more than 400 employees. Internal efficiency will lay the foundations for Uponor's fu-

ture strategy, which is why special attention will also be paid to this issue during 2002.

Profits from last year fell short of those achieved in the previous year, mainly because of disappointing prices in the North American utility markets, a collapse in demand for broadband network installation systems and the slack building market in Central Europe. As an overall appraisal, however, Uponor's healthy cash flow and solvency are among the more encouraging aspects of last year's performance. The Board of Directors has accordingly proposed a dividend payout equal to that of the previous year, EUR 0.80 per share.

One of the most important tasks for Uponor in 2001 was the creation of a new corporate strategy. There have been two earlier equally vital phases of strategic reform in the company's 20-year history. In 1982, Uponor set out to become the leading plastic pipes business in the Nordic countries. This status was achieved in five years, and so in 1986 the company set itself the new goal of becoming a global industry leader by the end of the 1990s. Uponor

also succeeded in this endeavour, and we now rank among the world's leading plastic pipes businesses.

On both occasions Uponor has successfully attained its chosen strategic objectives. Now is a good time to pause and reflect on our corporate history, as I believe that our past achievements will give us the strength and resolve to tackle new, even more ambitious challenges.

The objective of our new strategy is to make Uponor one of the world's leading brands in selected areas of the Housing Solutions business. This is a challenging goal, but in the light of Uponor's impressive track record I believe that it can be achieved. The strategy will make the Uponor name much better known, and our integrated, innovative systems offering will bring even greater added value to the customer.

Uponor is now the Group's only *corporate brand*, and the Uponor name will also appear alongside the *system brands*. The new water drop logo and 'Bringing comfort to life' slogan on the cover of this annual report



are a condensed statement of our new strategy. The idea of comfort has many connotations: it can refer to the ease of doing business with us, to the amenity that our high-standard systems provide for the user, and to a great many other attributes.

One important cornerstone of our new strategy will be growth. Uponor has always been a growth-oriented enterprise, and we are keen for this trend to continue. It takes time to achieve growth, however, and it would be overoptimistic to anticipate any significant developments in the figures for 2002.

Internal implementation of the new strategy is in full swing at Uponor, and the results should gradually become visible in the company's public image as we approach the end of the year. I am confident that the new strategy will make Uponor an even more profitable enterprise.

The economic outlook for 2002 is certainly no more favourable than that of the preceding year, and may well be worse. There are no clear signs of recovery as yet, and even the most optimistic forecasts suggest

that no upturn can be expected before the latter half of the year. Despite the difficult market situation, however, we shall seek to continue improving our profitability on the assumption that there will be no further significant deterioration in the market outlook.

I would like to express my gratitude to all of Uponor's staff for the important work that they have done for the Group over the year. While striving for profitability under deteriorating economic conditions, we have successfully improved our internal efficiency and created a new future for our business.

I would also like to thank our customers and our shareholders for their constructive co-operation and steadfast support of our enterprise. We shall continue to work diligently to generate added value and meet the expectations of all our stakeholders.

**Jarmo Rytilahti**  
President and CEO

## Housing Solutions, Europe

- The year saw a consolidation of the different system brands under the Uponor corporate brand umbrella. The change, spurred by the new Group strategy, is aimed at strengthening Uponor's position on the market and at significantly improving internal efficiencies.
- The new brand strategy and organisation have simplified the division's structure, resulting in a more streamlined operation with more power and resources for R&D and customer service. The division is now operatively divided into geographical territories.

### Main events and developments

Harnessing its expertise in under-floor heating systems, Uponor was the first company in the world to launch a radiant heating and cooling system for multi-storey buildings in the late 90s. Demand for the system has grown rapidly in Germany, and it is believed to have good potential for expansion in the non-residential building segment in Central Europe.

Other strong performers of the year were Uponor's Unipipe multi-layer composite pipe systems, which are marketed both for

plumbing and under-floor heating applications. Rapid growth was recorded especially in south European markets. Marketing of the Unipipe composite pipe system was also initiated in the Nordic countries.

The success of the Unipipe system is attributable to its superior technical properties, its improved and comprehensive fittings programme, and the ease of installation, lowering the threshold of migration from metallic systems to the multi-layer system. Long-lasting and corrosion-free, multi-layer composite pipes are ideal for household water distribution.

Uponor expanded the Unipipe range with a new large-diameter pipe for plumbing and heating of large buildings. The 110-millimetre system had its debut at the world's largest heating and sanitation trade fair, which was held in Germany last spring.

Ecoflex preinsulated pipe systems entered new markets and enjoyed a second year of good growth despite intensifying competition.

In the Nordic countries, the Housing Solutions and Infrastructure and Environment divisions launched an e-business ex-



Velta Contec heating and cooling system was installed in the 'Mercedes World' building in Berlin, Germany.

periment, offering customers a new, web-based service platform. The service was launched in January 2002.

The year also witnessed a major streamlining of the Division organisation as a follow-on of the new Group brand strategy and internal efficiency programme launched at the start of the year. Manufacture and development of high-performance plastic fittings was focused at the Nastola plant in Finland, and capacity was added to meet rising demand. Nordic manufacture of PEX pipes was centralised in Virsbo, Sweden, and production in Finland was terminated. Several manufacturing reorganisation projects were also carried out in Germany.

### Business outlook

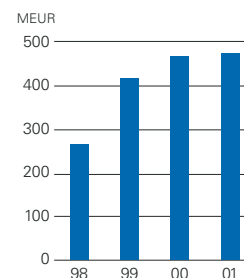
Increased customer awareness of environmental, safety and health issues will be an advantage for Uponor in the future: we offer safe, healthy and sustainable systems made of plastic and composite materials, giving our company a significant competitive edge. Even though metal pipes are still widely used in many housing applications in Europe, statistics continue to show

steady growth for plastic and composite systems and declining sales figures for copper and other metallic systems.

Another key business opportunity is the growing demand for comfort. This trend will offer potential for advanced systems giving consumers the flexibility to control their living and working environment, with an emphasis on quality, cost, safety and environmental issues. Uponor is actively developing its offering to answer these customer needs.

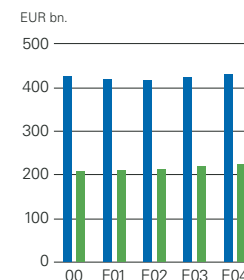
Geographically, the Division will continue to focus on strengthening and developing its core business throughout Europe and in key international markets.

### Net sales\*



\* Proforma

### The building market in Europe



- Building market, total value, billion euros
- Renovation and modernisation, billion euros

Source: Euroconstruct 12/01



## Housing Solutions, North America

- Uponor brands were strengthened through a variety of new marketing initiatives and improved internal brand management.
- Operating efficiencies throughout the Division were enhanced through various streamlining projects.

### Main events and developments

Despite the slumping North American economy, housing starts remained strong through 2001, benefiting Uponor, whose brands are sold largely into residential construction. Wirsbo, Uponor's best-known system brand in North America, enjoyed particularly strong demand. In a survey conducted by *Contractor* magazine, Wirsbo was noted as the most widely recognised and installed brand in the radiant floor heating industry, with nearly three times as many respondents saying they had installed Wirsbo over the previous 12 months as the closest competitor.

Wirsbo expanded its product line in the U.S. while leveraging its strength in the plumbing market through the introduction of the patented Wirsbo AquaSafe system, a combined plumbing–fire sprinkler



system. Sales of the system have so far been modest due to the long selling cycle for this revolutionary innovation, but customer interest suggests a bright future. AquaSafe was also granted a patent by the Canadian Intellectual Property Office late in 2001, and Underwriters Laboratories' Canada certification is expected early in 2002. Uponor Canada will launch the AquaSafe system in 2002.

The first product to come out of Uponor Canada's Systems Integration Center (SIC) R&D initiative was introduced during the year: a higher-performing proprietary room thermostat offering additional comfort to the customer. Sales were strong during the first year in the market. Also, Uponor advanced its leadership in the utilisation of plastic plumbing components in

North America through the introduction of several new plastic fittings for both the Wirsbo and RTI plumbing brands.

A key objective is to leverage the collective strength of all the Division's units. During 2001, Uponor made significant progress in consolidating many activities that were previously managed individually by the different brands, including distribution, information technology, materials management, purchasing, financial planning & consolidation, legal affairs, as well as codes and standards work. This resulted in improved cost structure and more efficient operations. The Division's business was further strengthened through the merger at the end of 2000 of the Wirsbo and Plas-co companies in Canada into Uponor Canada, the elimination of a low-end system

brand in the U.S., the closing of two warehouses, and completed preparations to move into a larger, more efficient warehouse. Uponor is also in the process of establishing an in-house sales network for Ecoflex, which was previously sold through an exclusive representative arrangement.

### Business outlook

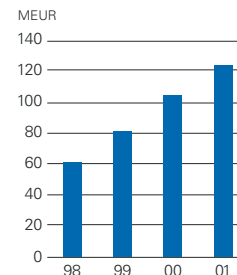
In North America, forced-air heating represents about 90% of all heating systems sold into residential and light commercial applications. Copper plumbing still holds about 75% of plumbing sales in these markets. Uponor systems offer significant advantages over the industry leaders and have, over the past few years, steadily gained market share from forced-air heating and copper plumbing.

Uponor has accomplished this by selling high-quality, comprehensive systems accompanied by an array of value added services in mid and high-end price brand positions. Over the years, Uponor has trained close to 60,000 plumbing and heating professionals and has established the industry's strongest network of wholesalers and

installing contractors. Uponor's brand-marketing initiatives are now increasingly being targeted at builders and consumers.

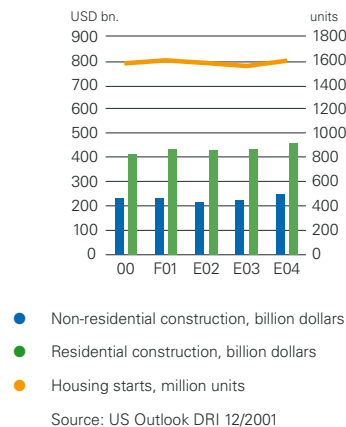
Uponor is expanding investment into process development to maximise manufacturing efficiencies in the face of growing demand and to satisfy emerging new customer preferences. The Systems Integration Center in Canada is on track to achieve its objective of developing higher performing, more cost-effective proprietary controls to strengthen Uponor's radiant floor heating positions in the market. Numerous enhanced processes and new products will be introduced in 2002.

### Net sales\*



\* Proforma

### The building market in the USA



Source: US Outlook DRI 12/2001



## Infrastructure and Environment, Europe

- Increased focus on a pan-Nordic operational model improved logistics and customer service.
- Grouping of the German and Polish businesses into one entity focusing on gravity systems sharpened Uponor's market presence, clarified the marketing strategy, and increased efficiency.
- The new Infrastructure and Environment, Europe Division was created as part of the corporate strategic refocusing exercise.

### Main events and developments

A newly signed gas pipe and fitting contract with Transco brought Uponor 100% of Transco's PE pipe systems business in the UK for the current contract period. The business has grown to planned volumes, although somewhat more slowly than expected due in part to foot & mouth disease, which blocked access to large areas in Britain. Uponor carried out a major capital investment programme in order to meet demand levels, with two additional factories qualified to supply Transco products.

In the Nordic countries Uponor worked actively towards developing operations from a pan-Nordic perspective, improving operational efficiency and giving customers better service and more reliable deliver-

ies. As a part of this effort, Uponor established a Nordic web presence and introduced an e-commerce platform early in 2002. The system serves all Uponor customers in the Nordic region. The e-business platform includes various advanced features, such as technical support, customer service, and planning tools.

In the telecom market, a rapid collapse in the installation of broadband networks led to reduced demand and overcapacity in low-friction duct systems. Market contraction impacted negatively on business results in Germany, France, Sweden and the UK.

Uponor strengthened its environmental expertise through the acquisition of the biological small sewage treatment plant business of Envicon Klärtechnik GmbH & Co. KG, an industry leader in Germany. Envicon enjoys a well-established position as an expert in biological wastewater cleaning and holds several technology patents in the field. Envicon's expertise and business network gives Uponor a platform to further develop its offering and extend the business geographically.

Uponor entered another new market segment with the Finnish launch of a plastic-ducted home ventilation system, offering several advanced features including improved hygiene, moisture measurement



and heat-recovery, as well as easier installation. Customer feedback has been encouraging and plans have been made to introduce the system in other Northern European markets.

In Germany, Uponor merged all its sales activities under one entity, Uponor Abwassertechnik GmbH. The merger improved Uponor's customer service and market position by enabling us to offer a wider range of solutions via a single sales organisation.





The drive to boost internal efficiency reduced the number of production locations both in Germany and in Poland by one.

Uponor introduced a number of new products during 2001. In the spring, the company won an international competition with its new solar heating solution. The winning model was a prototype that is being developed and tested in preparation for market entry in 2002. In the UK, the large-diameter Profuse pipe system, designed for safer fusion, was qualified for use in the gas industry, offering customers clear savings and quality improvements. Profuse was also launched on the Danish market, where it gained immediate popularity. In Germany, Uponor launched a new polypropylene rainwater drainage system, a special design tailored exclusively for the German market. In the telecom market, Uponor introduced new micro-glide systems, which enhance the efficiency of home fibre installations and widen the scope of fibre to the desk in business networks.

### Business outlook

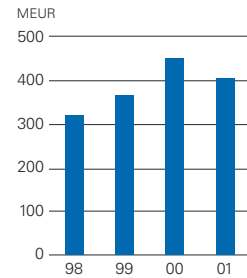
Increased demand for comfort and growing concern over health, safety and the environment are important drivers in Uponor's business. EU directives on drinking water, wastewater, and surface waters are impact-

ing legislation not only in all EU states, but also in many neighbouring countries. In the UK, the Health and Safety Executive has implemented a 30-year accelerated metal gas mains replacement programme to increase the safety of the ageing gas distribution network. In rural areas throughout Europe, a vast number of homes lack proper wastewater treatment – a major problem requiring immediate attention and action.

The nature of the telecom industry is changing, with companies repositioning themselves to connect customers to the main networks instead of providing solutions for backbone data transmission lines.

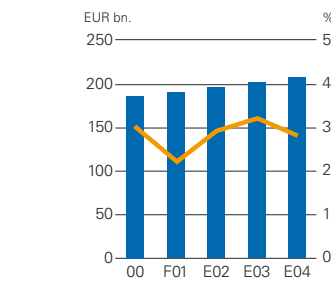
Uponor's offering is tailored to meet these growing needs and improve our market position, which is characterised by stable but low growth in demand in Europe.

### Net sales\*



\* Proforma

### The civil engineering market in Europe



● Market size, billion euros  
 ● Change, %

Source: Euroconstruct 12/01



## Municipal Americas

- Water and sewer market demand eroded by lower construction levels and management of downstream inventories.
- Market contraction and new entrants tightened margins in the gas distribution pipe business.
- High gas pipe export volumes in the first part of the year compensated for stagnating conditions on the Argentine domestic market.

### Water and sewer, USA

Demand in the U.S. municipal market declined with diminishing civil engineering construction levels and management of downstream inventories. Sales volumes as a whole remained at satisfactory levels, but falling sales prices – a result of increased supply by vertically integrated operators – caused an erosion of margins.

Uponor's position was somewhat improved by the product mix, where the share of specialised products has grown in the past few years. In 2001, Uponor was able to increase sales of specialised products, such as the Ultra-Blue and Ultra-Corr systems, which are used in water transportation and sewer systems, respectively. In the more commodity-oriented product groups, production volumes were brought in line with the decline in demand.

Despite intensified inventory management and efforts to reduce capital expenditures, Uponor launched two new products. A 16-inch diameter product was introduced in

the Ultra-Blue pressure pipe range, while in sewer systems, Uponor ETI developed a new Ultra-Corr Slip Liner pipe for the renovation of old sewers. The application was introduced in September and met with an encouraging customer response.

### Gas distribution, USA

The U.S. gas distribution pipe market experienced a comparable contraction to the water sector of the market. The competitive situation was further exacerbated by the fact that several telecom ducting companies turned to the gas market for added sales as the telecom market dried up.

Uponor launched a rationalisation of the complete organisation with the goal of streamlining operations and organisation structure. Savings programmes were implemented in procurement, logistics, and manufacturing.

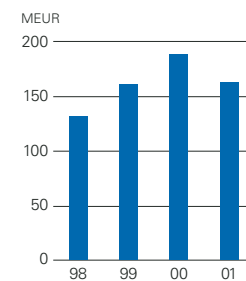
Despite the market situation, Uponor was able to win new customer contracts, supported by the company's comprehensive offering. For instance, the recently introduced MetFit fitting was selected as an approved connection for services at a multi-state utility after competition with other leading companies.

### Gas distribution, South America

Uponor ended the year on a satisfactory note, despite the stagnating Argentine do-

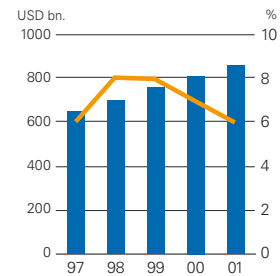
mestic market. High gas pipe export volumes in the first part of the year to other South American countries compensated for some of the drop in domestic sales. Aligning with the general economic trend in the country, also the water pipe market was hurt by low investment by utilities and by private investors, co-ops, and municipalities that were reluctant to invest until the economic climate improves.

Net sales\*



\* Proforma

The civil engineering market in the USA



- Market value, billion dollars
- Change, %

Source: Census Bureau

## Real Estate

- Construction of major technology park launched in summer.
- Demand hums for property to let and for sale.
- Asko Real Estate Ltd. changes its name to Renor Ltd.

Asko Real Estate Ltd, the company responsible for the Group's real estate business in Finland, changed its name to Renor Ltd at the end of 2001 in a bid to sharpen its profile as a real estate developer. The company owns several large industrial sites, which it rezones and develops for new occupants. The gross floor area of Renor real estate holdings available for development was roughly 235,000m<sup>2</sup> at year-end.

### Key development ventures

The Division's most important new property development is the 'Asko area' in Lahti. The principal project is a new technology centre, HTC Lahti. The first property on the site was sold to an investor last spring, and will become the site of a new office building, 'Sonera House'. The gross floor area of the Asko development is 300,000m<sup>2</sup>, with HTC Lahti accounting for about 50,000m<sup>2</sup> of this total.

A modified land-use plan for the Tikkurila Silk Mill in Vantaa is currently under review by the authorities. The site has been rezoned for commercial use, and building rights have been granted for a gross floor area of 20,230m<sup>2</sup>.

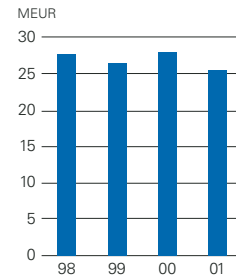
The Pori Cotton Mill complex has been renovated and is currently occupied by universities, government offices and businesses. The town plan has been modernised, with building rights secured for 165,000m<sup>2</sup>, half of which is already occupied. Good progress is also being made in the development of the Forssa Weaving Mill estate, the site of a new Citymarket shopping complex.

After rezoning is finalised, the Division intends to sell all these properties to investors and new occupants.

The total value of the Division's property sales in 2001 was EUR 20.0 million. Investments totalled EUR 4.5 million, most of which was earmarked for property modernisation projects.

The occupancy rate of real estate owned by the Division was 80% at year-end. Most vacant properties are derelict industrial sites awaiting redevelopment.

Net sales



# Development

## Headed for the future

The objective of Uponor's new strategy, which is strongly founded on our core values, is to make Uponor a world-leading brand in solutions for housing and environmental infrastructure.

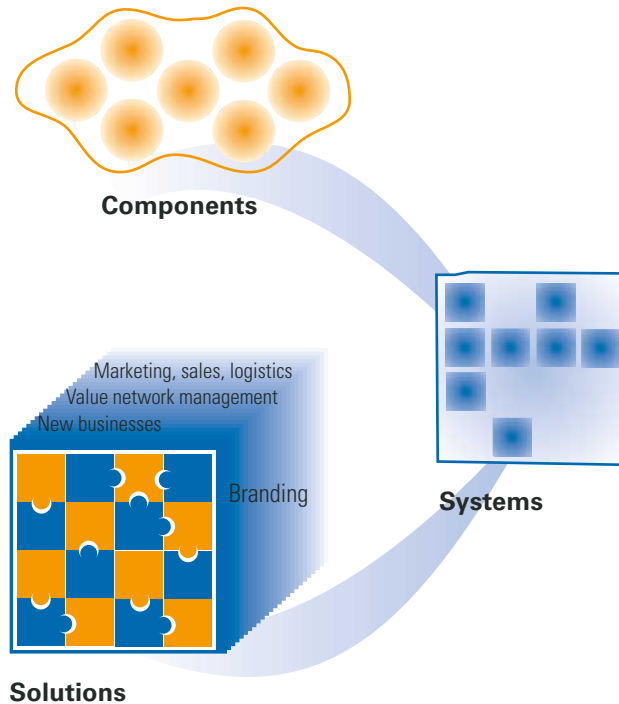
During the past two decades, which saw Uponor become the leading plastic pipe company in the world, R&D was a key success factor that differentiated Uponor from its rivals. As a result of this focus, a wide variety of advanced systems and technologies are already in house. These will be further developed in line with the new brand strategy, focusing on offering solutions for sound living.

Uponor is now mobilised to move along the evolution path illustrated above. Not only is a new corporate structure in place, but the organisation has also gone through a major strategic transformation, and is headed for a new future under the guidance of a considerably younger operative management.

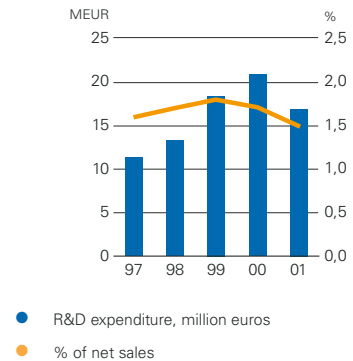
Uponor's operations are now organised in a new way, giving us the ability to respond rapidly to the ever-increasing demands of a dynamic business environment. The new structure will also support the implementation of the new strategy and help take advantage of the substantial potential that still exists for improving efficiency in supply chain management. The process is being speeded up through the utilisation of modern tools, such as the Intranet, which

improves knowledge management, aids the company's collective learning, and makes information easily accessible to our geographically dispersed corporation.

## From systems to solutions



Pipe systems' R&D expenditure



## Building a world-leading corporate brand

The renewal of Uponor's brand architecture in 2001 was part of the company's new strategy to build Uponor into a globally recognised and respected brand in the home, building, and environmental sectors. The key aim of this exercise was to integrate and strengthen Uponor's corporate brand and leading system brands, including Wirsbo®, Unipipe® and Ecoflex®, which already enjoy strong global recognition in their respective segments. From now on, these system brands will appear alongside the corporate brand, supporting the consolidation of the Uponor name and increasing its recognition and brand equity. In line with this new policy, lesser-known product brands have been discontinued.

Throughout the 1990s, Uponor operated as a loose affiliation of several different brands, applying what was called a 'multi-brand' strategy. This approach supported the company's growth, particularly in the heating and plumbing business, a sector in which Uponor established a strong presence in the late 1980s through strategic acquisitions. The multi-brand strategy proved to be a highly successful one: by the end of the decade, the heating and plumbing sector was the Group's largest revenue-generator, and Uponor was the market leader both in Europe and in North America.

## One brand, one message

The new brand strategy is Uponor's response to the challenges of a changing business environment. As part of corporate restructuring, Uponor was chosen as the name of the listed corporation early in 2000. As a result, the Uponor name has witnessed steady growth in recognition, especially among investors. Over the past ten years, the Uponor name has also gained recognition in the heating and plumbing sector, even though the system brands have enjoyed greater visibility in day-to-day business.

The third key motivation for the rebranding exercise was the rapidly changing market. The intensifying pace of globalisation, corporate rollups, and ever-tougher competition are posing new challenges for all companies. Today, corporate and product brands are more influential than ever, both among customers and other target groups: a brand is a holistic statement of the company's values and its promise to its target groups. By focusing on one, strong corporate brand, Uponor will be able to achieve greater cost-efficiency and brand recognition than with the old multi-brand strategy.

## Communicating comfort

The renewal of Uponor's visual identity is a key part of the company's unified brand strategy. To steer this change, during 2001 we redesigned our Corporate Identity

Manual to cover the entire Group, giving detailed instructions not only on the corporate visual identity but also on the use of individual system brands. The new manual has been in use since January 2002.

As part of the renewed corporate identity, we have also adopted a new water droplet logo and slogan: *Bringing comfort to life™*. The new logo and slogan integrate Uponor's companies in a strong united front, condensing the company's mission statement and strategic intent in one sentence and one eye-catching visual emblem.

The slogan, *Bringing comfort to life*, reads in two ways: Uponor brings comfort into people's lives, and Uponor proactively makes comfort come alive.

The first interpretation emphasises Uponor's role as a supplier of products, services, and solutions that enhance everyday comfort. Uponor creates comfort in various ways, for instance by developing state-of-the-art solutions for comfortable living, and also through reliable teamwork with its partners.

The second interpretation emphasises Uponor's proactive approach. We aim to promote the health and well-being of people and the environment by boldly developing comfort-creating, eco-friendly solutions and services, often staying one step ahead of customer expectations.



## Corporate social responsibility

### Solutions for sound living

Uponor's goals with regard to social responsibility are firmly rooted in the company's mission, incorporating values that demand commitment to responsible operating methods and respect for life. The values that were determined in partnership with various personnel groups in 2001 demonstrate the commitment of the company's management and staff to responsible enterprise operations.

In accordance with its values, Uponor will seek to create solutions for sound living in a manner enabling the healthy development of commercial operations. Sustainable harmonisation of economic, human and environmental interests is not merely a necessity, but a motivating force for Uponor's present and future business.

The quest for a sustainable mode of living is a major challenge. This challenge will be manifest in Uponor's operations in the following forms as defined in the company statement of social responsibility:

- stakeholder welfare from financial success;
- environmental protection and sustainable use of natural resources;
- the wellbeing and skills of the personnel;
- operating methods that are effective and responsible with respect to products, consumers, partners and neighbouring organisations and communities.

### Reliable systems

Uponor has a large number of products and solutions that promote a healthy environment and are advantageous from an ecological point of view. Minimising costs over the entire life span of a system is a principal objective of development work, and this aim often leads the development process in an environmentally sound direction.

The advances achieved by Uponor in recent years include new methods of installing and renovating pipe systems without digging trenches. One notable application of this Uponor system occurred in 2001 with the largest single drainage system renovation in Helsinki, involving the repair of 12 kilometres of drains.

In its wastewater treatment business Uponor has provided a range of small mechanical sewage treatment solutions. Operations have now been extended to include biological systems, and development of both approaches is continuing. Last spring an upgraded separator for oil and grease was introduced in Denmark, where it was developed in collaboration with a customer. Sustainable development was also to the fore in a solar collector developed in Sweden, which won an international competition in spring 2001. Uponor already has a comprehensive solution for the use of geothermal energy in domestic heating systems.

### Responsible operations

The direct environmental impacts of the plastics processing industry are minor by comparison with many other industrial sectors. Such manufacturing is free of noxious emissions and has no polluting impact on factory sites. The suppliers of Uponor's principal raw materials also hold third-party certificates for their environmental management systems.

Uponor systematically strives to improve the administration of its environmental affairs. The goal of the company's environmental management system is to secure comprehensive certification of all production units.

Two new operating sites received environmental certificates in 2001. By the end of the year about 40 per cent of production company staff were working on sites with ISO 14001 accreditation. The corresponding proportion in 2000 was about one third.

A water cooling and recycling system was introduced at Uponor's Nastola plant at the beginning of 2001. Cooling water now cycles the production process in a closed system. This solution has reduced water consumption by nearly 80 per cent. Energy consumption has also fallen considerably because the system utilises the cold out-



door air for more than seven months of the year, which greatly reduces dependence on electrically operated cooling equipment. The water that circulates in the closed system is cleaned by an electromagnetic process without the use of harmful chemicals.

The choices made in logistics can also play a significant role in promoting sustainable development. The latest example of this is the introduction of natural gas-powered distribution vehicles in the United Kingdom in spring 2002.

The occupational safety risks of Uponor's operations are similarly minimal. One unfortunate reminder of the importance of health and safety at work was an accidental death within the Group last year due to human error. The first Group units are now extending their quality and environmental systems to cover occupational safety.

Development of information gathering systems for socially responsible management continued during 2001. The aim is to establish a system that can provide reliable information on important environmental and social impacts of the Group's operations to meet the needs of management and corporate communications.

## Personnel

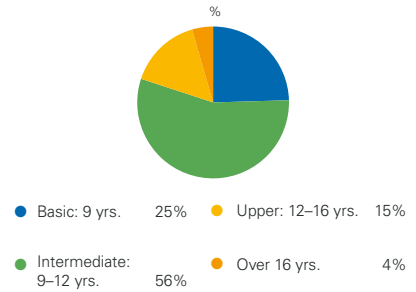
At the end of 2001 the Group had a total staff of 5,486. Twenty-two per cent of the Group's personnel are women and 78 per cent are men.

The number of staff fell by 413 during the year under review. Geographically speaking, the largest personnel reductions took place in the British Isles, other EU countries, and in Finland. These staff cuts were the result of a Group programme to improve efficiency.

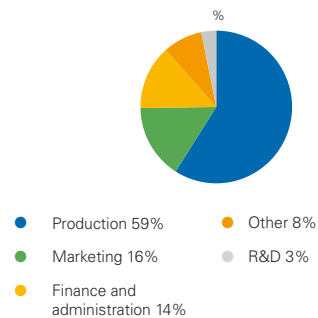
Human resources development is mainly geared to meet the needs of the Group's various divisions. Uponor continued its partnership with the leading management training institution IMD. A total of 25 people from various countries completed the fifth two-year Uponor International Management Programme, which ended in 2001. The programme is now being updated to develop the skills required for the Group's new strategy.

Sales training was arranged in collaboration with customers in the Nordic countries and Poland. A three-part innovation seminar for marketing and R&D managers was also prepared for launch in 2002.

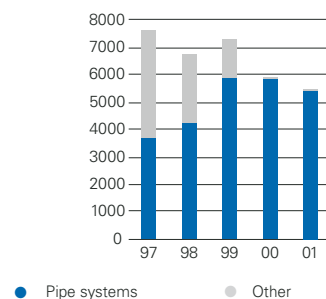
### Personnel education



### Personnel by function



### Personnel at year-end



## Risk management

### Financial risks

The aim of Group financial risk management is to minimise the negative impacts of financial market fluctuations on the company's business operations, and help to ensure that its earnings progress in line with its adopted targets.

Financial risk management is centralised in the Group financing function, the objectives and operating principles of which are defined in the Group financing policy. The financing function serves as the Group's internal bank. It seeks to arrange financing for business operations in a cost-effective manner and to identify, assess and cover the Group's financing risks.

The Group employs financial instruments in financial risk management within the framework of precisely specified limits. The use of financial instruments is restricted solely to those with a market value and risk profile that can be monitored continually and reliably within the Group's risk management system.

The main goal is to maintain a solid financial position under all circumstances, ensuring that the Group enjoys an adequate degree of independence from financing sources and securing the operating conditions required by the Group's business units.

### Currency risks

The decentralised character of the Group's

business operations in several home markets means that it has no significant exchange rate risks. The advent of the European monetary system has led to a substantial reduction in net assets valued in currencies other than the euro, which has caused a corresponding reduction in sensitivity to translation risks arising from exchange differentials. In spite of this, the Group is still exposed to exchange rate risks involved in transactions in all business sectors where deals are made across the boundaries of the euro area.

The Group seeks to manage risks deriving from exchange rate fluctuations so that these do not jeopardise its business earnings or financial solidity. As the Group has production and sales operations in several countries, exchange rate risks are managed in relation to several local currencies. Besides the euro, the main currencies of pricing and invoicing are the US dollar, the pound sterling and the Swedish crown.

Pursuant to Group hedging policy, all substantial open currency positions are hedged. This hedging is largely achieved through currency forward agreements, options or swap agreements. Such currency derivative agreements are generally of less than one year in maturity. Liabilities required in countries outside of the euro area are generally procured in local currencies.

Group subsidiaries are responsible for hedging their own net currency flows internally, working with the Group financial function. The latter is responsible for

hedging the Group's net currency flows in external currency markets.

### Interest rate risks

Pursuant to its financing policy, the Group's objective is to protect its earnings from the negative impact of interest rate fluctuations. The Group financial function is responsible for taking any measures necessary to balance the interest rate position and minimise interest rate risks.

Interest rate risk exposure at Uponor is mainly related to net interest-bearing debts in the balance sheet. On 31 December 2001 these totalled EUR 282.8 million. The Group's principal loan currencies are the euro, USD, GBP and SEK.

To control interest rate risks Group funding is spread across fixed and floating interest rate instruments. The duration of the interest rate position is regulated using interest rate swap agreements, futures and options. The Group's financial function is also responsible for matching external financial items and the life span of balance sheet items that they finance.

### Liquidity risks

The Group's objective is to ensure solvency in all circumstances at a reasonable price while minimising the need for external working capital. Liquidity risks are managed through adequate liquidity reserves





comprising Group cash reserves and any necessary credit lines available.

The financial function is responsible for funding, which is generally done in the name of the parent company. In exceptional cases, usually for practical or legal reasons, local working capital limits may be secured in the name of a subsidiary, in which case the Group co-ordinates them and the parent company guarantees the arrangements.

In countries in which the Group has several business units, company-specific deficit and surplus cash reserves are netted within the Group cash pool co-ordinated by the financial function. Cash reserves are only invested in objects that can be liquidated rapidly and at a clear market price, and which meet the Group's credit risk terms.

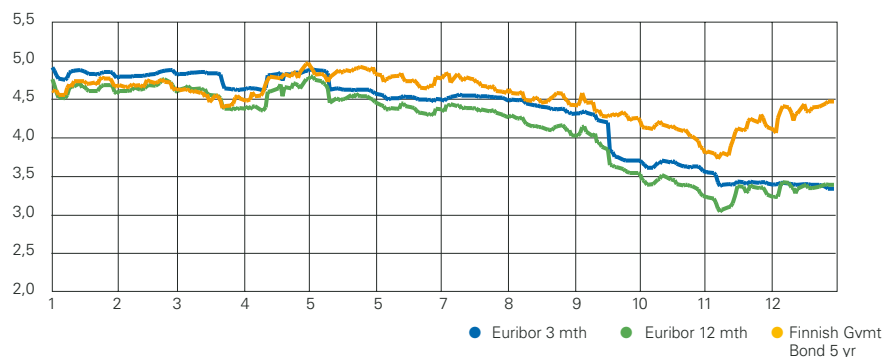
The Group has arranged credit limits that are considered adequate for maintaining flexibility in liquidity.

## Other risk management

### Raw material risks

Raw material purchases at Uponor are centralised. To manage price and availability risks pertaining to raw material purchases Uponor generally concludes annual agreements with its suppliers guaranteeing the availability of raw materials. To reduce the risk of disruptions in production all Group suppliers are required to manufacture the

Interest rate trends in 2001



raw materials used by Uponor in at least two factories, or several suppliers are selected for the raw materials in question.

Uponor seeks to minimise its raw material stocks and consequent price risks, meaning that raw material suppliers are generally responsible for storing raw materials and for ensuring their availability as agreed.

### Risks pertaining to liability, property and business interruptions

The aim of Group damage risk management is to safeguard the Group from insurable damage risks so that it can continue to operate under all circumstances. This operation

is based on risk analyses performed in collaboration with insurance sector experts, in which any non-commercial risk factors that may damage the Group are continually determined, surveyed and managed.

Insurance pertaining to liability, property and business interruptions is co-ordinated through global insurance programmes. The adequacy of insurance coverage is verified annually before the end of the insurance policy period. At the same time the excesses for various types of insurance are decided with a view to optimising the relationship between the insurance premiums payable and Uponor's capacity to bear its own risks.

### Principal Credit Limits of the Uponor Group

Name	Amount	Falling due
Syndicated Revolving Multicurrency Credit Facility	EUR 125 million	2003
Bilateral Revolving Multicurrency Credit Facilities	EUR 100 million	2004
Serial Bond	EUR 100 million	2005
Commercial Paper Programme	EUR 100 million	

## Review by the Board of Directors

### General

Uponor's greatest challenge of the year was the modernisation of the corporate strategy. Uponor now aims to transform itself from a world-class manufacturer of plastic pipe systems into a leading international brand in housing and environmental infrastructure solutions.

One of the most pronounced changes in the new corporate strategy relates to the modernisation of the Group's brand strategy and its focus on increasing the visibility and value of the Uponor brand.

The Group's organisation was reshaped early in 2002 in line with the new strategy.

### Markets

Demand and prospects in the European building industry, especially in housing starts, showed signs of weakening towards the year's end. Housing starts in Germany were almost a fifth lower than in 2000, even though the fall in the number of building permits slowed down towards the end of the year. The continuation of relatively brisk activity in renovation and the increased popularity of plastic pipe systems softened the overall decline of the market. In the rest of Europe, housing starts generally remained at a healthy level.

North American housing starts remained on a high level despite prevailing economic trends in the region.

Demand for utility products in Europe and North America mostly remained at the previous year's level. However, investments in broadband networks in the telecom industry almost came to a standstill and demand for their installation systems plummeted.

### Net sales

Uponor's net sales for 2001 totalled EUR 1,192.4 million (2000: EUR 1,355.6 m), showing a year-on-year decrease of 12.0%, or EUR 163.2 million. Net sales for 2000 included the EUR 116.1 m deriving from divested companies, and, in addition, Uponor further divested a part of its bulk business in the utilities sector in Germany in 2001. The decrease in the Group's going business net sales was -3.5%. The fall was almost completely due to the contraction of the utilities business in the United States.

The largest geographical markets and their share of consolidated net sales were as follows: North America 23.3% (21.9%), Germany 17.1% (18.9%), other EU 16.2% (14.4%), Scandinavia 11.7% (13.6%), UK and Ireland 11.5% (9.1%), other countries 11.4% (10.5%), and Finland 8.8% (11.6%).

### Result

Group operating profit amounted to EUR 91.2 (112.7) million, showing a fall of 19.1% on the previous year. The comparable decrease in operating profit was -14.0%. Profit after financial items decreased by 22.5% to EUR 75.0 (96.8) million. Profit before appropriations and taxes amounted to EUR 65.3 (105.8) million, showing a 38.3% decrease compared with 2000.

The fall in the Group's operating profit resulted mainly from divestments, as well as the North American utilities business and the European telecommunications business, which both became unprofitable.

Group net financial expenses were EUR 16.2 (15.9) million.

The Group's operating profit included extraordinary expenses of EUR 9.7 million, resulting primarily from restructuring related to the internal efficiency improvement programme. Uponor's operating profit for 2000 included extraordinary income of EUR 9.0 million from divestments.

Return on equity was 8.2% (12.8%) and return on investment was 11.3% (13.2%).

Earnings per share were EUR 1.15 (EUR 1.74) and equity per share was EUR 14.06 (EUR 14.03).

EUR 5.3 million in taxes for previous financial periods slightly eroded the consolidated result, return on equity and earnings per share, but the Group nevertheless increased its cash flow from operations to EUR 111.7 (99.2) million.

### Investment and financing

Investments made in 2001 were mainly allocated to improve productivity and replace equipment and machinery. Gross investments of EUR 55.7 (83.6) million were EUR 22.5 million lower than depreciation. Net investments amounted to EUR 34.9 (16.9) million.

The Group's financial position remained strong during 2001. Net interest-bearing liabilities fell from EUR 311.7 million to EUR 282.8 million. The solvency ratio rose to 49.8% (48.3%) and gearing decreased to 53% (57%).

### Research and development

R&D investments remained at a high level. Restructuring led to more efficient and focused R&D, bringing considerable cost savings through the elimination of over-

laps and other streamlining. The Group's R&D expenditure totalled EUR 16.9 (27.7) million, or 1.5% (2.0%) of net sales.

## Key events of 2001

The most important event of 2001 was the modernisation of the corporate strategy. The aim of the new strategy is to make Uponor a leading brand in housing and environmental infrastructure solutions in the Group's core markets. This will be a great and challenging transformation, involving far-reaching changes throughout the organisation.

As part of the new strategy, the Group carried out an extensive restructuring programme to streamline the corporate structure and to develop the organisation as a whole. Simultaneously, the brand strategy was modernised to reduce the number of brands, achieve operational savings, and provide the company with better resources to develop and market more comprehensive solutions to better serve customer needs.

At the beginning of the year, Uponor launched a Group-wide programme to improve internal efficiency. As part of the programme, Uponor closed down two production plants and several production lines in Europe. New operating models and structures were also adopted in purchasing, product development and logistics. The overall target of the programme in 2002 is to achieve annual cost savings of approximately EUR 50 million compared with 2000.

In January 2001, due to a wrong resin delivery, one of Uponor's raw-material suppliers in the U.S. began, at its own expense, a recall of a batch of pipes Uponor

had manufactured and sold to its customers. This incident has not caused and is not expected to have any significant direct financial impact on Uponor.

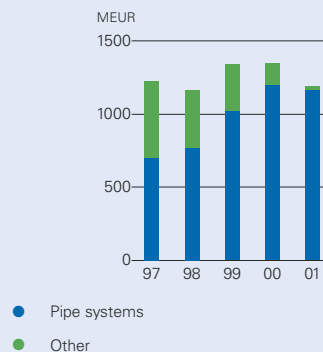
Uponor took great strides in developing new business. In spring, Uponor won an international competition in Sweden for the development of home solar-heat collectors. In September, the company announced its decision to expand in-house production of high-performance plastic fittings for heating systems. The Group's European plastic-fitting production and development centre was established in Nas-tola. In September, Uponor acquired the biological small-sewage treatment plant business of the German company Envicon Klärtechnik GmbH & Co. KG in order to strengthen the Group's know-how in the environmental sector. In the future this sector will play an increasingly prominent role in Uponor's business in Northern and Central Europe.

In December, the Stockholm Court of First Instance gave its ruling on legal proceedings initiated in 1999, in which three Swedish plastic pipe manufacturers were accused of co-operation in violation of the Swedish Competition Law. The Court found Uponor Oyj's subsidiary Uponor AB and two other companies guilty of co-operation restricting competition. The fines imposed on Uponor amounted to SEK 8 million (approximately EUR 840,000).

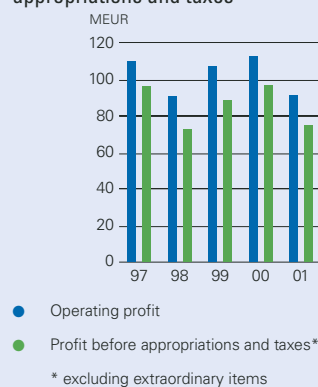
## Personnel

As a result of efficiency improvements, the number of employees fell by 413 during the report period. Group employees numbered 5,486 (5,899) at the end of the year. Of these, 1,890 (34.5%) worked in

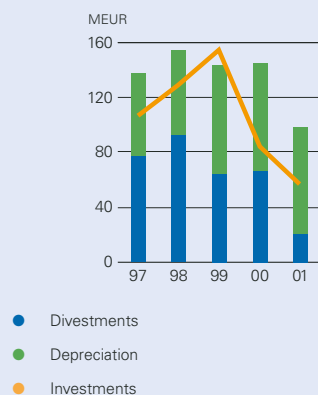
## Net sales



## Operating profit and profit before appropriations and taxes



## Net investment



Germany, 912 (16.6%) in North America, 895 (16.3%) in Scandinavia, 514 (9.4%) in Finland, 489 (8.9%) in other EU, 462 (8.4%) in UK and Ireland, and 324 (5.9%) in other countries.

The number of employees in 2001 averaged 5,723 (6,513).

### **Administration and audit**

At the end of the year, Uponor Oyj's Board of Directors comprised the following members: Pekka Paasikivi (Chair); Hannu Kokkonen (First Deputy Chair); Niilo Pellonmaa (Second Deputy Chair) and Matti Niemi and Horst Rahn as ordinary members.

After many years of service on the Board, Jukka Viinanen resigned from the Board of Directors on 13 March 2001, and a successor was not elected.

The Group's auditors were KPMG Wideri Oy Ab, Authorised Public Accountants, with Authorised Public Accountant Sixten Nyman acting as principal auditor.

### **Share capital and shares**

Uponor Oyj's share capital is EUR 76,434,444.00 and the number of shares is 38,217,222. The nominal value of one share is EUR 2, each entitling the holder to one vote.

The 2001 Annual General Meeting authorised the Board of Directors to decide during the following year on the buyback and transfer of Uponor shares as well as on issuing convertible bonds, granting stock

options and increasing share capital through a rights issue. In addition, the AGM decided to decrease the company's share capital by EUR 1 million by cancelling a total of 500,000 treasury shares.

Pursuant to the buyback authorisation granted by the AGM, the Board of Directors decided on 2 April to buy back a maximum of 1,700,000 Uponor shares to be used as consideration of any company acquisitions and other industrial restructuring, and to develop capital structure, to finance investments, or to be otherwise transferred or cancelled.

At the beginning of the period under review, Uponor held a total of 458,700 treasury shares. During this report period, the company bought, through public trading on the Helsinki Exchanges, a total of 881,300 of its own shares for EUR 15.1 million. Owing to the cancellation of treasury shares, the company held a total of 840,000 treasury shares at the end of the period, with a combined nominal value totalling EUR 1,680,000. Treasury shares account for 2.2% of share capital and the total voting rights conferred by all shares. The share buybacks have no material effect on the division of shareholding and voting rights in the company. Treasury shares have no balance-sheet value in the financial statements.

No authorisations to issue or transfer shares have been exercised during the financial year.

On the grounds of the authorisation given by the AGM, Uponor took measures in

April to sell those shares in the joint book-entry securities account that were not entered in the book-entry securities system. The number of shares in the account totals approximately 10,000, and their sale is authorised to begin in May 2002.

The Extraordinary General Meeting of 3 September 1999 authorised the Board of Directors to issue 800,000 stock options to key Group personnel and a wholly owned subsidiary, entitling them to subscribe for the equivalent number of company shares with a nominal value of EUR 2. The stock options are divided into A and B options, with their respective number totalling 400,000.

As a consequence of the share subscriptions based on the stock option scheme, the company's share capital may increase by a maximum of EUR 1,600,000 and the number of shares by 800,000. Pursuant to the authorisation, a total of 563,500 stock options have so far been issued to 50 persons.

The share subscription period for A options began on 1 September 2000 and for B options on 1 September 2001. The subscription period for both options will end on 31 August 2004. Shares shall be payable at subscription. Shares will entitle the holder to a dividend for the financial year during which the share subscription takes place. Other shareholder rights will commence on the date on which the increase of share capital is entered in the Trade Register.

The share subscription price for option A is determined by the trade volume weighted average share price on the Helsinki Exchanges for August 1999, and for option B by the equivalent price for August 2000, both of which are increased by 15%. The amount of dividend distributed after the share-price determination period and prior to the share subscription will be deducted from the subscription price. Dividend is regarded as having been distributed on the record date of each dividend distribution. At the end of 2001, the subscription price for option A was EUR 17.76 and for option B EUR 22.05.

Uponor share trading volume on the Helsinki Exchanges in 2001 amounted to 10,620,733, or a total of EUR 184.4 million. At the end of the year, the company's share was valued at EUR 18.75 with a market capitalisation of EUR 716.6 million.

At the end of the financial year, 23.5 (21.4) per cent of the company was in foreign ownership.

## Events following the Final Accounts

In January, Uponor Oyj's Swedish subsidiary Uponor AB appealed against the judgement made by the Stockholm Court of First Instance in December 2001, which imposed a fine on the company due to violation of the Swedish Competition Law in Sweden between 1993-1995.

## Outlook

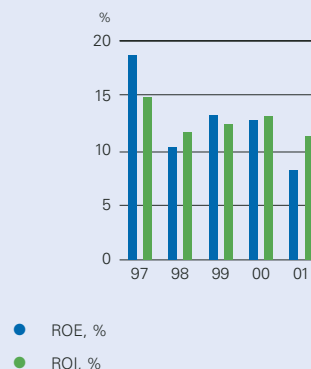
Uncertainty prevails on all markets concerning future trends in the world economy and the construction market, although recent forecasts signal hope of a recovery in the latter half of the year.

In Europe, the German building market in particular witnessed a sharp decline in 2001, and is not expected to pick up during the current year either, even if the economy recovers. Demand is expected to remain sluggish across Central Europe and to slacken also in Southern Europe. In the rest of Europe, demand is likely to remain at the current level or decline slightly.

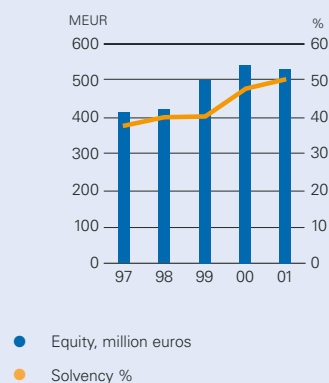
Spurred by low interest rates, demand in the North American building industry is expected to remain at a healthy level.

Uponor has entered the New Year as a reshaped company with a more efficient structure. Unless there is a significant fall-off in present levels of demand, Group profitability is expected to improve from the 2001 level.

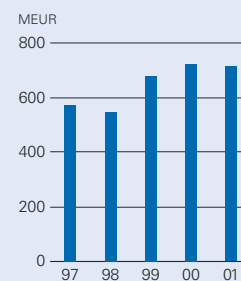
## Return on investment and on equity



## Equity and solvency



## Market capitalisation



## Breakdown by segment

Net sales	2001		2000	
	MEUR	Share, %	MEUR	Change, %
Uponor Plastic Pipe Systems	1,165.7	97.8	1,199.8	-2.8
Asko Appliances	-	-	81.0	-100.0
Upofloor Flooring	-	-	35.1	-100.0
Asko Real Estate	25.6	2.1	28.0	-8.6
Other/internal	1.1	0.1	11.7	-90.6
<b>Uponor Group total</b>	<b>1,192.4</b>	<b>100.0</b>	<b>1,355.6</b>	<b>-12.0</b>

Operating profit	2001		2000	
	MEUR	Share, %	MEUR	Change, MEUR
Uponor Plastic Pipe Systems	76.2	83.6	91.3	-15.1
Asko Appliances	-	-	3.5	-3.5
Upofloor Flooring	-	-	2.5	-2.5
Asko Real Estate	20.3	22.3	15.5	4.8
Other/elimination	-5.3	-5.9	-0.1	-5.2
<b>Uponor Group total</b>	<b>91.2</b>	<b>100.0</b>	<b>112.7</b>	<b>-21.5</b>

Investment	2001		2000	
	MEUR	Share, %	MEUR	Change, MEUR
Uponor Plastic Pipe Systems	50.9	91.4	79.1	-28.2
Asko Appliances	-	-	0.8	-0.8
Upofloor Flooring	-	-	0.3	-0.3
Asko Real Estate	4.5	8.1	2.9	1.6
Other/elimination	0.3	0.5	0.5	-0.2
<b>Uponor Group total</b>	<b>55.7</b>	<b>100.0</b>	<b>83.6</b>	<b>-27.9</b>

Personnel at 31.12.	2001		2000	
	Number	Share, %	Number	Change, %
Uponor Plastic Pipe Systems	5,416	98.7	5,824	-7.0
Asko Real Estate	41	0.8	46	-10.9
Other	29	0.5	29	-
<b>Uponor Group total</b>	<b>5,486</b>	<b>100.0</b>	<b>5,899</b>	<b>-17.9</b>

## Key financial figures

	2001	2000	1999	1998	1997
<b>Consolidated income statement, MEUR</b>					
Net sales	1,192.4	1,355.6	1,346.8	1,165.5	1,230.3
Operating expenses	1,023.0	1,164.5	1,160.0	1,012.0	1,058.9
Depreciation according to plan	78.2	78.4	79.4	62.5	61.0
Operating profit	91.2	112.7	107.4	91.0	110.4
Financial income and expenses	-16.2	-15.9	-18.7	-18.2	-14.6
Profit after financial items	75.0	96.8	88.7	72.8	95.8
Extraordinary items	-9.7	9.0	22.3	28.1	5.2
Profit before appropriations and taxes	65.3	105.8	111.0	100.9	101.0
Book result	36.6	77.4	76.3	68.4	75.7
<b>Consolidated balance sheet, MEUR</b>					
Non-current assets	534.6	556.3	637.1	589.8	630.4
Consolidation goodwill	101.7	111.9	122.3	61.8	50.1
Inventories	173.0	187.6	211.5	194.1	220.6
Cash and deposits	31.1	28.6	57.3	38.1	70.5
Other liquid assets	232.6	246.0	238.7	170.6	172.3
Restricted equity	181.6	181.9	184.5	179.5	192.0
Non-restricted equity	344.0	354.6	310.4	237.0	216.7
Minority interest	8.4	8.0	9.1	5.7	5.6
Obligatory provisions	12.1	14.9	16.8	15.2	14.8
Interest-bearing long-term liabilities	191.7	243.3	365.5	306.9	332.7
Interest-bearing short-term liabilities	122.2	96.0	116.5	88.2	107.3
Non-interest-bearing liabilities	213.0	231.7	264.1	221.9	274.8
Balance sheet total	1,073.0	1,130.4	1,266.9	1,054.4	1,143.9
<b>Other key figures</b>					
Operating profit, %	7.6	8.3	8.0	7.8	9.0
Profit after financial items, %	6.3	7.1	6.6	6.3	7.8
Profit before appropriations and taxes, %	5.5	7.8	8.2	8.7	8.2
Return on Equity (ROE), %	8.2	12.8	13.3	10.3	18.8
Return on Investment (ROI), %	11.3	13.2	12.4	11.7	14.9
Solvency, %	49.8	48.3	39.9	40.1	37.6
Gearing, %	53	57	84	85	89
Net interest-bearing liabilities, MEUR	282.8	310.7	424.7	357.0	369.4
- % of net sales	23.7	22.9	31.5	30.6	30.0
Change in net sales, %	-12.0	0.7	15.6	-5.3	-1.5
Exports from Finland, MEUR	21.0	49.4	103.1	95.4	136.1
Net sales of foreign subsidiaries, MEUR	1,070.5	1,156.8	1,125.4	898.2	838.0
Total net sales of foreign operations, MEUR	1,075.1	1,188.1	1,146.9	909.2	899.6
Share of foreign operations, %	90.2	87.6	85.2	78.0	73.1
Personnel at 31 December	5,486	5,899	7,307	6,756	7,639
Average no. of personnel	5,723	6,513	7,451	6,723	7,814
Investments, MEUR	55.7	83.6	154.3	128.9	106.8
- % of net sales	4.7	6.2	11.5	11.1	8.7

## Information on shares and shareholders

### Shareholders by category on 31 December 2001

Category	No. of shares	% of shares
Private non-financial corporations	10,407,410	27.2
Public non-financial corporations	5,990	0.0
Financial and insurance corporations	8,482,144	22.2
General government	7,163,695	18.7
Non-profit institutions	1,136,422	3.0
Households	2,023,929	5.3
Foreign (including nominee registrations)	8,986,728	23.5
Other (joint account, waiting list)	10,904	0.0
	<b>38,217,222</b>	<b>100.0</b>

### Shareholders by size of holding on 31 December 2001

Shares per shareholder	Total shares	% of share capital	No. of shareholders	% of shareholders
1 – 100	45,540	0.1	706	23.4
101 – 1 000	666,812	1.7	1,579	52.3
1 001 – 10 000	1,759,478	4.6	579	19.2
10 001 –	35,745,392	93.5	155	5.1
	<b>38,217,222</b>	<b>100.0</b>	<b>3,019</b>	<b>100.0</b>

The maximum number of votes which may be cast at the Annual General Meeting is 37,377,222 (status on 31 December 2001.) The number of votes pertaining to the Company's treasury shares on 31 December 2001 was 840,000.

The number of shares which can be subscribed on the basis of convertible bonds and bonds with warrants is zero.

The total shareholding of the members of the Board of Directors and the CEO, together with the shareholdings of corporations known to the company in which they exercise influence is 211,948 shares. In addition, the number of their options amounts to 9.9 per cent of the total number of options issued by Uponor Oyj. These options entitle their holders to subscribe a maximum of 56,000 shares corresponding to 0.15 per cent of the total number of shares and votes on 31 December 2001.



**Major shareholders on 31 January 2002**

<b>Shareholder</b>	<b>Shares</b>	<b>% of shares</b>	<b>% of votes</b>
Sampo Life Insurance Company Ltd	2,804,985	7.3	7.5
Oras Administration Ltd	2,208,764	5.8	5.9
Oras Marketing Ltd	2,208,763	5.8	5.9
Oras Technology Ltd	2,208,763	5.8	5.9
Varma-Sampo Mutual Pension Insurance Company	2,084,052	5.5	5.6
Ilmarinen Mutual Pension Insurance Company	1,588,500	4.2	4.3
Odin Funds			
Odin Norden Investment Fund	924,300	2.4	2.5
Odin Finland Investment Fund	140,700	0.4	0.4
	1,065,000	2.8	2.9
Oras Ltd	1,038,400	2.7	2.8
Municipal Pension Fund	980,350	2.6	2.6
Tapiola Mutual Pension Insurance Company	733,000	1.9	2.0
Others	20,456,645	53.5	54.7
	37,377,222	97.8	100.0
Own shares held by the company	840,000	2.2	-
Total	38,217,222	100.0	100.0

**Nominee-registered shares on 31 January 2002**

Nordea Bank Finland Plc	6,752,775	17.6	18.1
Skandinaviska Enskilda Banken AB (Publ.)	682,241	1.8	1.8
Others	340,203	0.9	0.9
	7,775,219	20.3	20.8

## Share-specific figures

	2001	2000	1999	1998	1997
Share capital, MEUR	76.4	77.4	77.4	65.4	59.3
Number of shares at 31 December, in thousands	38,217	38,717	38,717	37,735	35,285
Number of shares adjusted for share issue, in thousand:					
- at end of year	37,377	38,237	38,532	37,735	38,813
- average	37,829	38,521	38,075	38,655	38,793
Nominal value of shares, EUR	2.00	2.00	2.00	1.68	1.68
Adjusted equity, MEUR	534.0	544.5	504.1	422.2	414.3
Share trading, MEUR	184.4	203.4	363.0	325.8	422.9
Share trading, in thousands	10,621	10,860	22,865	19,558	26,853
- of average number of shares, %	28.1	28.2	60.1	50.6	76.1
Market value of share capital, MEUR	716.6	725.9	681.5	550.2	575.7
Adjusted earnings per share (fully diluted), EUR	1.15	1.74	1.58	1.09	1.82
Equity per share, EUR	14.06	14.03	12.85	10.71	10.53
Dividend, MEUR	*) 29.9	30.6	25.8	22.2	17.8
Dividend per share, EUR	*) 0.80	0.80	0.67	0.59	0.50
Effective share yield, %	4.3	4.3	3.8	4.0	3.1
Dividend per earnings, %	69.6	46.0	42.3	53.8	25.2
P/E ratio	16.3	10.8	11.1	13.3	8.2
Issue-adjusted share prices, EUR					
- highest	19.30	21.00	17.83	20.52	16.96
- lowest	14.30	15.80	12.28	11.27	9.88
- average	17.36	18.73	15.88	16.65	14.30

\* Proposal of the Board of Directors

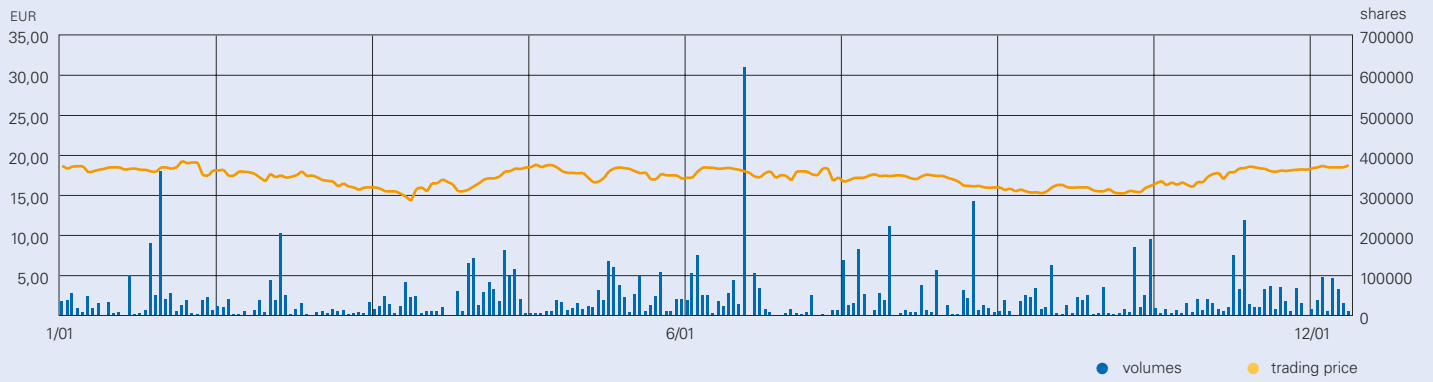
The definitions of key ratios are shown on page 36.

The share-specific figures for 1997 have been corrected on the basis of the 1998 bonus issue. In the bonus issue each shareholder received one new share free of charge for every ten old shares. The average number of shares allows for the effect of treasury shares.

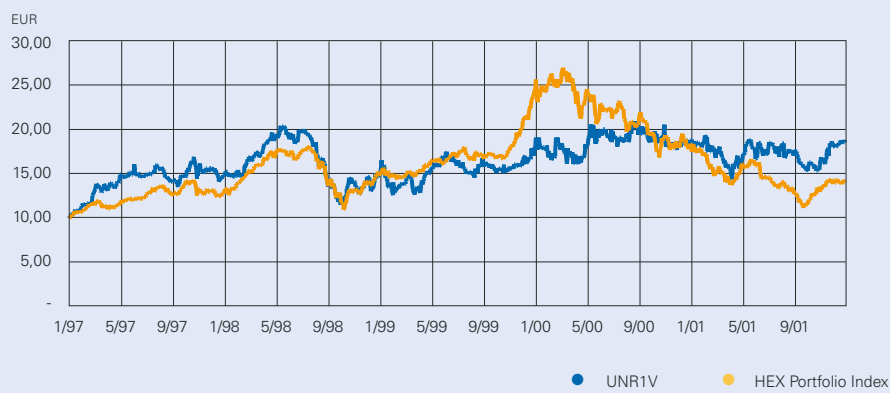
Share issues	2001	2000	1999	1998	1997
Directed issues, MEUR	-	-	0.7	0.1	0.1
- issue premium	-	-	2.5	0.6	0.3
Subscription price, EUR	-	-	8.90	8.90	8.90

# Uponor's share price development and trading

Uponor's share price development and trading on the Helsinki Exchanges in 2001



Share price development in 1997–2001



## Definitions of key ratios

Return on Equity (ROE), %	=	$\frac{\text{Earnings before extraordinary items – tax}}{\text{Shareholders' equity + Average minority interest}}$	x 100
Return on Investment (ROI), %	=	$\frac{\text{Earnings before extraordinary items + interest and other financing costs}}{\text{Balance sheet total – Average non-interest bearing liabilities}}$	x 100
Solvency, %	=	$\frac{\text{Shareholders' equity } \pm \text{ minority interest}}{\text{Balance sheet total – advance payments received}}$	x 100
Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity + minority interest}}$	x 100
Net interest-bearing liabilities	=	Interest-bearing liabilities – cash, bank receivables and financial assets	
Earnings per share (EPS)	=	$\frac{\text{Profit before extraordinary items } \pm \text{ minority interest of profit – tax}}{\text{Number of shares adjusted for share issue in financial period}}$	
Equity per share ratio	=	$\frac{\text{Shareholders' equity}}{\text{Average number of shares adjusted for share issue at end of year}}$	
Dividend per share ratio	=	$\frac{\text{Dividend per share}}{\text{Profit per share}}$	
Effective dividend yield	=	$\frac{\text{Dividend per share} \times 100}{\text{Share price at end of financial period}}$	
Price-Earnings ratio (P/E)	=	$\frac{\text{Share price at end of financial period}}{\text{Earnings per share}}$	
Share trading progress	=	Number of shares traded during the financial year in relation to average value of the said number of shares	
Market value of shares	=	Number of shares at end of financial period x last trading price	
Average share price	=	$\frac{\text{Total value of shares traded (EUR)}}{\text{Total number of shares traded}}$	

## Income statement

	Note	Uponor Group		Uponor Oyj	
		2001	2000	2001	2000
Net turnover		1,192.4	1,355.6	4.2	15.5
Cost of goods sold		869.0	979.7	1.5	6.1
<b>Gross profit</b>		<b>323.4</b>	<b>375.9</b>	<b>2.7</b>	<b>9.4</b>
Marketing costs		160.7	170.7	-	0.4
Administration costs		55.4	63.6	6.1	7.2
Other operating income	1.1.	12.3	10.4	5.1	2.6
Other operating costs		16.9	27.7	-	0.4
Depreciation of group goodwill		11.5	11.6	-	-
<b>Expenses</b>		<b>232.2</b>	<b>263.2</b>	<b>1.0</b>	<b>5.4</b>
<b>Operating profit</b>		<b>91.2</b>	<b>112.7</b>	<b>1.7</b>	<b>4.0</b>
Financial expenses and income	1.5.	-16.2	-15.9	49.7	28.5
<b>Profit before extraordinary items</b>		<b>75.0</b>	<b>96.8</b>	<b>51.4</b>	<b>32.5</b>
Extraordinary items	1.6.	-9.7	9.0	13.7	29.3
<b>Profit before appropriations and taxes</b>		<b>65.3</b>	<b>105.8</b>	<b>65.1</b>	<b>61.8</b>
Appropriations				0.5	-0.2
Income taxes	1.7.	28.1	27.6	9.0	12.0
Minority share		0.6	0.8	-	-
<b>Profit for the period</b>		<b>36.6</b>	<b>77.4</b>	<b>56.6</b>	<b>49.6</b>

## Balance sheet

	Note	Uponor Group		Uponor Oyj	
		31 Dec 2001	31 Dec 2000	31 Dec 2001	31 Dec 2000
<b>Assets</b>					
<b>Fixed assets</b>					
<b>Intangible assets</b>					
Intangible rights		8.2	9.6	-	0.0
Goodwill		4.0	2.5	-	-
Consolidation goodwill		101.7	111.9	-	-
Other capitalised long-term expenditure		0.9	1.1	1.1	1.5
<b>Intangible assets</b>	<b>2.1.</b>	<b>114.8</b>	<b>125.1</b>	<b>1.1</b>	<b>1.5</b>
<b>Tangible assets</b>					
Land and water areas		62.1	62.7	2.7	2.9
Buildings and structures		215.0	218.7	14.6	17.3
Plant and machinery		178.3	191.9	0.8	0.9
Other tangible assets		10.7	11.3	-	0.3
Advance payments and investment in progress		20.5	22.3	-	0.0
<b>Tangible assets</b>	<b>2.1.</b>	<b>486.6</b>	<b>506.9</b>	<b>18.1</b>	<b>21.4</b>
<b>Securities and long-term investments</b>					
Shares in subsidiaries	<b>3.1.</b>	-	-	287.6	284.4
Shares in associated companies	<b>3.2.</b>	23.3	22.8	0.4	-
Other shares and holdings		9.2	10.9	4.3	6.5
Other investments		2.4	2.5	253.9	230.2
<b>Securities and long-term investments</b>	<b>2.1., 2.2.</b>	<b>34.9</b>	<b>36.2</b>	<b>546.2</b>	<b>521.1</b>
<b>Total fixed assets</b>		<b>636.3</b>	<b>668.2</b>	<b>565.4</b>	<b>544.0</b>
<b>Current assets</b>					
<b>Inventories</b>					
Raw materials and consumables		29.8	34.3	-	-
Finished products / goods		141.7	149.9	-	-
Advance payments		1.5	3.4	-	-
<b>Inventories</b>		<b>173.0</b>	<b>187.6</b>	<b>-</b>	<b>-</b>
<b>Accounts receivables</b>					
Trade receivables		152.4	157.1	1.2	2.5
Loan receivables		11.0	13.4	35.9	30.4
Accruals	<b>2.4.</b>	37.4	46.7	1.2	10.2
Deferred tax assets	<b>2.15.</b>	22.7	21.3	0.1	-
Other receivables		9.1	7.5	59.3	45.3
<b>Accounts receivables</b>	<b>2.3.</b>	<b>232.6</b>	<b>246.0</b>	<b>97.7</b>	<b>88.4</b>
<b>Liquid assets</b>					
Cash in hand and at bank		31.1	28.6	13.2	11.6
<b>Liquid assets</b>		<b>31.1</b>	<b>28.6</b>	<b>13.2</b>	<b>11.6</b>
<b>Total current assets</b>		<b>436.7</b>	<b>462.2</b>	<b>110.9</b>	<b>100.0</b>
<b>Total assets</b>		<b>1,073.0</b>	<b>1,130.4</b>	<b>676.3</b>	<b>644.0</b>

	Note	Uponor Group		Uponor Oyj	
		31 Dec 2001	31 Dec 2000	31 Dec 2001	31 Dec 2000
<b>Liabilities and shareholders' equity</b>					
<b>Shareholders' equity</b>					
<b>Restricted equity</b>					
Share capital		76.4	77.4	76.4	77.4
Other restricted equity		105.2	104.5	111.2	110.2
<b>Restricted equity</b>		<b>181.6</b>	<b>181.9</b>	<b>187.6</b>	<b>187.6</b>
<b>Unrestricted equity</b>					
Retained earnings		307.4	277.2	262.5	258.5
Profit for the period		36.6	77.4	56.6	49.6
<b>Unrestricted equity</b>		<b>344.0</b>	<b>354.6</b>	<b>319.1</b>	<b>308.1</b>
<b>Total shareholders' equity</b>	<b>2.5.</b>	<b>525.6</b>	<b>536.5</b>	<b>506.7</b>	<b>495.7</b>
<b>Minority share</b>		<b>8.4</b>	<b>8.0</b>	-	-
<b>Accumulated appropriations</b>	<b>2.6.</b>	-	-	<b>4.0</b>	<b>4.5</b>
<b>Obligatory provisions</b>		<b>12.1</b>	<b>14.9</b>	<b>0.5</b>	<b>0.7</b>
<b>Liabilities</b>					
<b>Long-term liabilities</b>					
Bonds		26.0	26.0	26.0	26.0
Loans from financial institutions		121.1	164.4	45.4	55.1
Loans from pension funds		17.6	25.7	13.1	20.8
Other long-term liabilities		28.0	28.6	-	-
<b>Long-term liabilities</b>	<b>2.7., 2.8.</b>	<b>192.7</b>	<b>244.7</b>	<b>84.5</b>	<b>101.9</b>
<b>Deferred tax liability</b>	<b>2.14.</b>	<b>39.0</b>	<b>36.4</b>	-	-
<b>Short-term liabilities</b>					
Annual loan instalments		28.8	36.8	17.2	15.2
Advances received		0.8	2.6	0.0	0.0
Trade payables		78.0	91.9	0.5	0.5
Accruals	<b>2.10.</b>	88.9	90.5	5.9	4.8
Other short-term liabilities		98.7	68.1	57.0	20.7
<b>Short-term liabilities</b>	<b>2.9.</b>	<b>295.2</b>	<b>289.9</b>	<b>80.6</b>	<b>41.2</b>
<b>Total liabilities</b>		<b>526.9</b>	<b>571.0</b>	<b>165.1</b>	<b>143.1</b>
<b>Total liabilities and shareholders equity</b>		<b>1,073.0</b>	<b>1,130.4</b>	<b>676.3</b>	<b>644.0</b>

## Cash flow statement

	Uponor Group		Uponor Oyj	
	1 Jan - 31 Dec 2001	1 Jan - 31 Dec 2000	1 Jan - 31 Dec 2001	1 Jan - 31 Dec 2000
	MEUR		MEUR	
<b>Cash flow from operations</b>				
<b>Net cash from operations</b>				
Profit for the period	36.6	77.4	56.6	49.6
Depreciation	78.2	78.4	1.4	1.4
Sales gains from the sale of fixed assets	-11.4	-9.8	-5.1	-3.7
Cash flow adjustment items	1.8	-0.2	-0.5	-0.2
Group contributions	-	-	-15.2	-29.2
<b>Net cash from operations</b>	<b>105.2</b>	<b>145.8</b>	<b>37.2</b>	<b>17.9</b>
<b>Change in working capital</b>				
Receivables	13.4	-46.9	-9.3	-31.1
Inventories	14.6	-16.5	-	3.8
Non-interest-bearing liabilities	-21.5	16.8	0.9	-6.5
<b>Change in working capital</b>	<b>6.5</b>	<b>-46.6</b>	<b>-8.4</b>	<b>-33.8</b>
<b>Cash flow from operations</b>	<b>111.7</b>	<b>99.2</b>	<b>28.8</b>	<b>-15.9</b>
<b>Cash flow from investments</b>				
Share acquisitions	-1.6	-0.5	-	-
Share divestments	0.0	22.8	-	-
Investment in fixed assets	-54.1	-83.1	-11.5	-124.5
Income from sales of fixed assets	20.8	43.9	17.5	150.3
<b>Cash flow from investments</b>	<b>-34.9</b>	<b>-16.9</b>	<b>6.0</b>	<b>25.8</b>
<b>Cash flow before financing</b>	<b>76.8</b>	<b>82.3</b>	<b>34.8</b>	<b>9.9</b>
<b>Cash flow from financing</b>				
Change in long-term receivables	0.1	-1.3	-23.7	70.7
Change in long-term liabilities	-54.9	-63.7	-15.4	-95.8
Change in short-term liabilities	24.0	-14.6	36.3	5.9
Share issue	-	-	-	-
Dividend payments	-30.5	-25.8	-30.5	-25.8
Cash flow from treasury shares	-15.1	-5.3	-15.1	-5.3
Group contributions	-	-	15.2	29.2
<b>Cash flow from financing</b>	<b>-76.4</b>	<b>-110.7</b>	<b>-33.2</b>	<b>-21.1</b>
<b>Exchange rate differences for liquid assets</b>	<b>2.1</b>	<b>-0.3</b>	<b>-</b>	<b>-</b>
<b>Change in liquid assets</b>	<b>2.5</b>	<b>-28.7</b>	<b>1.6</b>	<b>-11.2</b>
Liquid assets at 1 January	28.6	57.3	11.6	22.8
Liquid assets at 31 December	31.1	28.6	13.2	11.6
<b>Changes according to balance sheet</b>	<b>2.5</b>	<b>-28.7</b>	<b>1.6</b>	<b>-11.2</b>



## Accounting principles

The financial statements of Uponor Oyj comply with the Finnish Accounting Act from 1997, which is based on the fourth and seventh Directives of the European Community. There have been no changes of substance in accounting conventions from the previous year.

### Method of compiling the consolidated financial statements

The consolidated financial statements include the parent company and all companies in which the parent company holds more than half of the voting rights, either directly or through its subsidiaries. Subsidiaries acquired or established during the year have been included as of the time of acquisition or establishment. Divested companies are included up to the time of divestment.

Transactions between Group companies have been eliminated. Reciprocal shareholdings have been eliminated by the acquisition cost method. The difference between the acquisition price of shares in a subsidiary and the net assets of subsidiaries at the time of acquisition is shown as a difference on consolidation, part of which is allocated to the fixed assets acquired if their current value substantially exceeds their book value, while the remaining, unallocated portion is shown as consolidation goodwill depreciating over an estimated effective period not exceeding 20 years. The share of minority holdings in earnings and shareholders' equity is shown as a separate item.

Associated companies are those in which the Group has a stake of 20–50 per cent and where it exercises influence. These have been included in the consolidated accounts using the capital share method. The share of earnings of associated companies for the accounting period is reckoned according to the stake held by the Group and shown separately in the income statement. Essential differences in accounting conventions between the Uponor Group and the associated companies are eliminated before combination using the capital share method.

### Currency denominated items

Each company converts daily currency denominated transactions in its own accounts using the current exchange rates on the day of the transaction. Currency denominated receivables and liabilities are converted in the financial statements using the current exchange rate at the end of the accounting period. Exchange rate differentials pertaining to normal business are processed as sale and purchase corrections and those pertaining to financing are shown as finance exchange rate differentials.

Receivables and liabilities protected by derivative instruments are shown in the balance sheet at the agreed rate of exchange.

In the consolidated financial statements the income statements of foreign subsidiaries have been converted into euros at the average rate of exchange for the accounting period, while the balance sheet is based on the current exchange rate at the end of the accounting period. Any conversion differentials arising from this, and other conversion differentials due to changes in subsidiary shareholders' equity are shown as an increase or reduction in unrestricted shareholders' equity. In addition to this, exchange rate differentials relating to parent company loans to foreign subsidiaries, which compensate shareholders' equity, have been treated as conversion differentials in the consolidated accounts. Conversion differentials realised in connection with substantial returns of capital are released to income in the exchange rate differentials of the income statement.

### Net sales

Net sales comprise sales of products and services supplied, minus indirect taxes, allowed discounts and exchange rate differentials.

### Extraordinary income and expenses

Extraordinary income and expenses comprise items which are exceptional from the point of view of regular business operations, such as factory closures and non-recurrent expenses arising from reorganising operations, as well as earnings and expenses due to sales of entire business operations. Items derived from changes in accounting conventions are shown as extraordinary income or expenses.

Characteristically recurrent income and expenses pertaining to business operations, e.g. profits and losses incurred on sales of current assets, are included in other income of business operations.

### Tax

The taxes in the consolidated financial statements include direct taxes based on the taxable earnings of each company, reckoned according to local tax regulations, together with the change in deferred tax receivables or liabilities arising from temporary differences. In addition to this, the change in deferred tax receivables or liabilities arising from consolidation elimination is shown in the taxes of the consolidated income statement. The accrued adjustments in the consolidated financial statements are divided between deferred tax liability and shareholders' equity.

### Pension arrangements

All expenses incurred in pension benefits are recorded as expenses in the period during which the corresponding work was performed. The pension arrangements of companies in the Group comply with local regulations and practices in various

countries. The costs of these arrangements are recorded as expenses in the income statement. The sums concerned are based on actuarial valuations or on the direct debits of insurance companies.

### Fixed assets and depreciation

Fixed assets are shown in the balance sheet at residual value according to plan. This residual value is reckoned by deducting cumulative depreciation from the original acquisition cost.

Depreciation of fixed assets according to plan has been calculated on the basis of the acquisition cost and estimated economic life span as follows:

Buildings	25 – 50 years
Machinery and equipment	5 – 20 years
Office and shop furniture and fittings	5 – 10 years
Transport equipment	5 – 7 years
Capitalised expenditure	5 – 10 years
Goodwill	5 – 10 years
Consolidation goodwill	10 – 20 years

### Current assets

Current assets are valued according to the FIFO principle at the deferred acquisition cost or probable sale price, whichever is the lower. The probable sale price of commodity current assets is the price received at the time of sale minus sales expenses. The acquisition cost of finished products and goods in process includes a share of indirect manufacturing costs.

### Cash flow statement

The change in working capital and changes in balance sheet items pertaining to financing activities are reckoned in the Group cash flow statement at annual average exchange rates and include only the companies within the Group at the end of the year.

### Derivative instruments

The companies in the Group employ derivative instruments to reduce interest rate, exchange rate, and raw material price risks. The Group does not speculate in derivative instrument trading. The premiums for options purchased and sold for financing purposes are recorded under the financing expenses category of the income statement during their period of validity.

### Treasury shares

The parent company held some of its own shares during the year under review and the preceding year. These shares have been eliminated from the shareholders' equity of the parent company and of the Group and have no balance sheet value. Treasury shares have been eliminated from the calculation of key figures.

## Notes to the financial statements

1. Notes to the income statement	Uponor Group		Uponor Oyj	
	2001	2000	2001	2000
<b>1.1. Other operating income</b>				
Gains from sales of fixed assets	11.4	9.8	5.1	0.6
Income from services	-	-	-	1.6
Remuneration	-	-	-	0.0
Sale of secondary products	-	-	-	0.0
Royalties	-	0.4	-	0.4
Income from real estate holdings	-	-	-	0.0
Earnings share from associated companies	0.9	0.2	-	-
Other income	-	-	0.0	0.0
	<b>12.3</b>	<b>10.4</b>	<b>5.1</b>	<b>2.6</b>
<b>1.2. Personnel costs</b>				
Salaries and fringe benefits	131.6	153.3	1.8	2.6
Pension expenses	7.2	7.9	0.1	0.0
Other personnel costs	26.1	30.6	0.2	0.2
	<b>164.9</b>	<b>191.8</b>	<b>2.1</b>	<b>2.8</b>
Salaries and emoluments paid to the Managing Directors				
Salaries and emoluments	15.1	13.0	0.4	0.3
Bonus payments	0.8	1.0	0.0	0.1
	<b>15.9</b>	<b>14.0</b>	<b>0.4</b>	<b>0.4</b>
<b>1.3. Depreciation according to plan</b>				
Intangible rights	3.0	2.8	-	-
Goodwill	0.8	1.0	-	-
Consolidation goodwill	11.5	11.6	-	-
Other capitalised long-term expenditure	0.4	0.4	0.5	0.4
Land and water areas	1.5	1.2	-	-
Buildings and structures	10.2	10.2	0.6	0.8
Plant and machinery	46.8	47.9	0.3	0.2
Other tangible assets	4.0	3.3	-	-
	<b>78.2</b>	<b>78.4</b>	<b>1.4</b>	<b>1.4</b>
<b>1.4. Depreciation by operation</b>				
Manufacturing	54.0	53.3	0.7	0.8
Sales and marketing	6.7	6.9	-	-
Administration	4.8	4.7	0.7	0.2
Other	1.2	1.9	-	0.4
Consolidation goodwill	11.5	11.6	-	-
	<b>78.2</b>	<b>78.4</b>	<b>1.4</b>	<b>1.4</b>

	Uponor Group		Uponor Oyj	
	2001	2000	2001	2000
<b>1.5. Financial income and expenses</b>				
Dividend income				
- Subsidiaries	-	-	39.1	16.0
- Others	1.1	0.7	1.1	0.7
Interest and financial income				
- Subsidiaries	-	-	16.5	19.2
- Associated companies	0.5	-	-	-
- Others	3.0	5.9	1.5	1.5
	<b>4.6</b>	<b>6.6</b>	<b>58.2</b>	<b>37.4</b>
Interest and financial costs				
- Subsidiaries	-	-	0.5	0.7
- Others	22.1	26.5	7.9	9.3
Exchange differences				
- Realised	-0.4	-0.2	-1.0	-0.8
- Unrealised	1.7	4.2	0.9	1.9
	<b>20.8</b>	<b>22.5</b>	<b>8.5</b>	<b>8.9</b>
<b>Net financial costs</b>	<b>-16.2</b>	<b>-15.9</b>	<b>49.7</b>	<b>28.5</b>
<b>1.6. Extraordinary income</b>				
Gains from sales of fixed assets	-	6.6	-	3.1
Change in accounting principles	-	0.2	-	-
Group contributions	-	-	15.2	22.0
Other	0.7	9.0	-	7.2
	<b>0.7</b>	<b>15.8</b>	<b>15.2</b>	<b>32.3</b>
Extraordinary expenses				
Write-offs	2.7	-	-	-
Change in accounting principles	-	-	-	0.7
Closing-down expenses	6.8	2.2	-	-
Other	0.9	4.6	1.5	2.3
	<b>10.4</b>	<b>6.8</b>	<b>1.5</b>	<b>3.0</b>
<b>1.7. Taxes</b>				
For the financial period	23.9	30.6	7.5	3.7
For previous financial periods	5.3	0.4	1.6	-0.2
On extraordinary items	-2.8	-1.6	-	8.5
Change in deferred taxation	1.7	-1.8	-0.1	-
	<b>28.1</b>	<b>27.6</b>	<b>9.0</b>	<b>12.0</b>

## Notes to the financial statements (cont'd)

### 2. Notes to the balance sheet

#### 2.1. Fixed assets

	Intangible rights	Other capitalised long-term expenditure	Land and water areas	Buildings and structures	Plant and machinery	Other tangible assets	Advance payments and investment in progress	Securities and long-term investments
<b>Uponor Oyj</b>								
Acquisition costs 1 Jan	0.2	4.0	2.6	32.9	5.7	2.2	-	290.9
Structural changes	-	-	-	0.0	-	-	-	0.4
Increases	0.1	0.1	-	0.0	0.2	-	-	10.9
Decreases	-0.1	-	-0.3	-2.1	-0.1	-0.2	-	-9.9
Acquisition costs 31 Dec	0.2	4.1	2.3	30.8	5.8	2.0	-	292.3
Accrued depreciation and value adjustments	0.2	2.5	-	15.9	4.8	1.9	-	-
Accrued depreciation of decreases and transfers	-	-	-	-	-	-	-	-
Depreciation for the financial period	-	0.5	-	0.6	0.2	0.1	-	-
Accrued depreciation	0.2	3.0	-	16.5	5.0	2.0	-	-
Revaluations	-	-	0.4	0.3	-	-	-	-
<b>Book value</b>	<b>0.0</b>	<b>1.1</b>	<b>2.7</b>	<b>14.6</b>	<b>0.8</b>	<b>0.0</b>	<b>-</b>	<b>292.3</b>

	Intangible rights	Goodwill	Consolidation goodwill	Other capitalised long-term expenditure	Intangible assets	Shares in associated companies	Other shares and holdings
<b>Uponor Group</b>							
Acquisition costs 1 Jan	31.6	26.2	180.7	3.9	242.4	22.8	10.9
Structural changes	-0.1	-0.1	0.0	0.1	-0.1	-	-
Conversion difference	0.0	0.2	-0.7	0.0	-0.5	0.1	-
Increases	1.7	2.4	0.9	0.0	5.0	0.9	0.8
Decreases	-1.6	4.9	35.6	1.3	40.2	0.5	2.5
Acquisition costs 31 Dec	34.8	23.8	145.3	2.7	206.6	23.3	9.2
Accrued depreciation and value adjustments	22.0	23.7	68.8	2.8	117.3	-	-
Structural changes	0.0	0.0	0.0	-0.1	-0.1	-	-
Conversion difference	0.0	0.2	-0.9	-0.1	-0.8	-	-
Accrued depreciation of decreases and transfers	1.6	-4.9	-35.8	-1.2	-40.3	-	-
Depreciation for the financial period	3.0	0.8	11.5	0.4	15.7	-	-
Accrued depreciation	26.6	19.8	43.6	1.8	91.8	0.0	0.0
<b>Book value</b>	<b>8.2</b>	<b>4.0</b>	<b>101.7</b>	<b>0.9</b>	<b>114.8</b>	<b>23.3</b>	<b>9.2</b>

	Land and water areas	Buildings and structures	Plant and machinery	Other tangible assets	Advance payments and investment in progress	Tangible assets
Acquisition costs 1 Jan	53.9	303.7	507.4	30.5	22.2	<b>917.7</b>
Structural changes	4.4	-18.5	3.5	-0.2	-2.6	<b>-13.4</b>
Conversion difference	1.4	-0.1	7.3	0.4	-1.6	<b>7.4</b>
Increases	0.8	12.8	30.2	4.0	2.7	<b>50.5</b>
Decreases	3.3	10.9	5.4	1.5	0.2	<b>21.3</b>
Acquisition costs 31 Dec	57.2	287.0	543.0	33.2	20.5	<b>940.9</b>
Accrued depreciation and value adjustments	3.5	92.9	316.4	19.2	-0.1	<b>431.9</b>
Structural changes	1.2	-16.9	2.4	-0.1	-	<b>-13.4</b>
Conversion difference	0.2	-0.3	2.2	0.6	-	<b>2.7</b>
Accrued depreciation of decreases and transfers	0.3	-6.0	-4.4	-1.2	0.1	<b>-11.2</b>
Depreciation for the financial period	1.5	10.2	46.8	4.0	-	<b>62.5</b>
Value adjustments	-	-	2.7	-	-	<b>2.7</b>
Accrued depreciation	6.7	79.9	366.1	22.5	0.0	<b>475.2</b>
Revaluations	11.6	7.9	1.4	-	-	<b>20.9</b>
<b>Book value</b>	<b>62.1</b>	<b>215.0</b>	<b>178.3</b>	<b>10.7</b>	<b>20.5</b>	<b>486.6</b>

Balance sheet value of production plant and machinery

160.5

Uponor Group		Uponor Oyj	
2001	2000	2001	2000

## 2.2. Long-term investments

Loans receivables				
- Subsidiaries	-	-	252.8	229.0
- Associated companies	9.7	11.7	-	-
- Others	1.3	1.2	1.1	1.2
	<b>11.0</b>	<b>12.9</b>	<b>253.9</b>	<b>230.2</b>

Subsidiaries		Associated companies	
2001	2000	2001	2000

## 2.3. Receivables from subsidiaries and associated companies

<b>Uponor Oyj</b>				
Loan receivables	288.7	259.5	-	-
Trade receivables	1.2	1.9	-	-
Accruals	0.0	9.3	-	-
Other receivables	59.2	45.2	-	-
	<b>349.1</b>	<b>315.9</b>	-	-

No loans have been issued to management or shareholders, nor have guarantees been issued or securities lodged on their behalf.

## Notes to the financial statements (cont'd)

	Uponor Group		Uponor Oyj	
	2001	2000	2001	2000
<b>2.4. Accrued income</b>				
Taxes	22.9	31.0	1.0	0.5
Discounts received	5.3	3.4	-	-
Interest	0.2	1.1	0.2	1.1
Other	9.0	11.2	0.0	8.6
	<b>37.4</b>	<b>46.7</b>	<b>1.2</b>	<b>10.2</b>
<b>2.5. Changes in shareholders' equity</b>				
<b>Restricted shareholders' equity</b>				
Share capital on 1 January	77.4	77.4	77.4	77.4
Cancelling of shares	-1.0	-	-1.0	-
<b>Share capital on 31 December</b>	<b>76.4</b>	<b>77.4</b>	<b>76.4</b>	<b>77.4</b>
Capital reserve on 1 January			110.0	110.0
Cancelling of shares			1.0	-
<b>Premium on shares issued, 31 December</b>			<b>111.0</b>	<b>110.0</b>
Revaluation reserve on 1 January			0.2	7.5
Decrease			-	-7.3
<b>Revaluation reserve on 31 December</b>			<b>0.2</b>	<b>0.2</b>
Non-restricted shareholders' equity on 1 January			308.1	289.6
Dividend payments			-30.5	-25.8
Treasury shares			-15.1	-5.3
Profit for financial period			56.6	49.6
<b>Non-restricted shareholders' equity on 31 December</b>			<b>319.1</b>	<b>308.1</b>
Other restricted shareholders' equity on 1 January	104.5	107.1		
Changes in revaluation reserve	-0.5	-3.3		
Transfer from non-restricted shareholders' equity	0.2	0.7		
Transfer from share capital	1.0	-		
<b>Other restricted shareholders' equity on 31 December</b>	<b>105.2</b>	<b>104.5</b>		
Non-restricted shareholders' equity on 1 January	354.6	310.4		
Dividend payments	-30.5	-25.8		
Conversion differences	-1.5	-1.4		
Transfer to restricted shareholders' equity	-0.2	-0.7		
Treasury shares	-15.1	-5.3		
Profit for financial period	36.7	77.4		
<b>Non-restricted shareholders' equity on 31 December</b>	<b>344.0</b>	<b>354.6</b>		
<b>Of which not distributable in dividends</b>	<b>40.0</b>	<b>36.6</b>		
<b>2.6. Accumulated appropriations</b>				
- Intangible assets			0.2	0.0
- Buildings and structures			3.5	3.9
- Plant and machinery			0.3	0.4
- Other tangible assets			0.0	0.2
			<b>4.0</b>	<b>4.5</b>

## 2.7. Loans

Falling due in following financial period				
- Loans from financial institutions	20.6	28.5	9.5	7.5
- Pension loans	7.7	7.8	7.7	7.7
- Other loans	0.5	0.5	-	-
	<b>28.8</b>	<b>36.8</b>	<b>17.2</b>	<b>15.2</b>

## 2.8. Long-term loans

Due after five years				
- Loans from financial institutions	6.7	42.5	-	1.6
- Pension loans	10.5	15.2	6.9	6.9
- Other loans	0.3	26.4	-	-
	<b>17.5</b>	<b>84.1</b>	<b>6.9</b>	<b>8.5</b>

### 1996 bond issues

Loan amount: FIM 150 million

Nominal annual interest 5.50 %

Term: 18 November 1996 to 18 November 2000

The loan is unsecured.

Redemption in full on 18 November 2000

### Serial bond I/2000

First tranche

Serial bond not exceeding EUR 100 million Loan amount: EUR 26 million

Nominal annual interest 6.25 % Issue price 99.937

Term: 20 November 2000 to 20 November 2005

The loan is unsecured.

Redemption in full on 20 November 2005

	Subsidiaries		Associated companies	
	2001	2000	2001	2000

## 2.9. Liabilities to subsidiaries and associated companies

### Uponor Oyj

Trade payables	0.3	0.3	-	-
Other short-term liabilities	53.8	20.5	-	-
	<b>54.1</b>	<b>20.8</b>		

	Uponor Group		Uponor Oyj	
	2001	2000	2001	2000

## 2.10. Accrued liabilities

Staff costs	18.2	18.3	0.3	0.5
Interest	1.0	1.7	0.6	1.1
Taxes	23.9	26.0	5.0	2.6
Discounts	6.1	7.9	-	-
Others	39.7	36.6	-	0.1
	<b>88.9</b>	<b>90.5</b>	<b>5.9</b>	<b>4.3</b>

## Notes to the financial statements (cont'd)

### 2.11. Secured loans

Pledged assets	7.9	7.1		
Mortgages	28.0	34.8		
	<b>35.9</b>	<b>41.9</b>		

### 2.12. Exchange and interest rate risk management

#### Derivatives contracts

Interest derivatives				
Interest rate options, bought	94.7	50.2	94.7	50.2
Interest rate options, sold	128.8	39.5	128.8	39.5
Interest rate swaps	10.0	-	10.0	-
Foreign currency derivatives				
Forward agreements	10.0	11.5	9.3	9.6
Currency swaps	5.0	-	5.0	-

### 2.13. Contingent liabilities

Pledges at book value				
- on own behalf	7.9	7.1	-	-
Mortgages issued				
- on own behalf	28.0	34.7	-	-
Guarantees issued				
- on behalf of a subsidiary	-	-	162.9	153.4
- on behalf of others	4.1	3.0	-	-
Other contingent liabilities	0.0	0.3	-	-

Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.

#### Leasing and renting liabilities

Maturing in the following year	2.2	2.5	0.3	-
Maturing later	56.2	55.9	1.8	-
	<b>58.4</b>	<b>58.4</b>	<b>2.1</b>	<b>-</b>

### 2.14. Deferred tax liabilities and assets

Deferred tax assets				
- Consolidation procedures	14.4	14.3		
- Consolidated companies	8.3	7.0		
	<b>22.7</b>	<b>21.3</b>		
Deferred tax liabilities				
- Appropriations	17.6	17.0		
- Consolidation procedures	2.9	1.2		
- Consolidated companies	18.5	18.2		
	<b>39.0</b>	<b>36.4</b>		
	<b>16.3</b>	<b>15.1</b>		



### 3. Shares and holdings

#### 3.1. Subsidiaries

Name	Domicile		Parent com- pany stake	Group stake
Uponor Aldyl S.A.	Buenos Aires	AR	100.0	100.0
Uponor Beteiligungs GmbH	Marl	DE	100.0	100.0
Uponor Müanyag Csörendszer Kft.	Budapest	HU		100.0
Uponor Polska Sp. z o.o.	Sochaczew	PL		100.0
Uponor Bor Sp. z o.o.	Sochaczew	PL		100.0
Uponor Resiplast, S.A.	Barcelona	ES		100.0
Uponor Hispania, S.A.U.	Móstoles	ES		100.0
Unicor Española de Multicapas, S.L.	Fuenlabrada	ES		100.0
Uponor Czech s.r.o.	Prague	CZ		100.0
Uponor (Deutschland) GmbH	Marl	DE		100.0
Uponor Anger GmbH	Marl	DE		100.0
Uponor Hausabflußtechnik GmbH	Emstek	DE		51.0
Uponor Magnaplast Sp. z o.o.	Sieniawa Zarska	PL		100.0
Uponor Abwassertechnik GmbH	Emstek	DE		75.5
Uponor Klärtechnik GmbH	Marl	DE		100.0
Hewing GmbH	Ochtrup	DE		100.0
SST-Rolltec Verwaltungs GmbH	Emsdetten	DE		100.0
SST-Rolltec GmbH & Co. KG	Emsdetten	DE		100.0
Cronatherm Verwaltungs GmbH	Buchholz-Mendt	DE		100.0
Cronatherm GmbH & Co. KG	Buchholz-Mendt	DE		100.0
Wirsbo Pex GmbH	Heusenstamm	DE		100.0
Wirsbo Verwaltungs GmbH	Norderstedt	DE		100.0
Wirsbo-VELTA GmbH & Co. KG	Norderstedt	DE		100.0
Polytherm Vertriebs GmbH	Ochtrup	DE		100.0
Uponor S.A.R.L.	Saran	FR		100.0
Uponor Rohrsysteme GmbH	Hassfurt	DE		100.0
PR Consulting & Marketing GmbH	Hassfurt	DE		100.0
Unicor GmbH Rahn Plastmaschinen	Hassfurt	DE		100.0
Unicor Extrusionstechnik GmbH	Zella-Mehlis	DE		100.0
Unicor Plastic Machinery, Inc.	Missisauga	CA		100.0
Sörberg GmbH & Co. KG	Hassfurt	DE		100.0
M. Block GmbH	Schweinfurt	DE		100.0
Uponor A/S	Hadsund	DK	100.0	100.0
Vogue A/S	Silkeborg	DK	100.0	100.0
Uponor Eesti AS	Tallinn	EE	100.0	100.0
Finla Kehräämö Oy	Tampere	FI	100.0	100.0
Jita Oy	Virrat	FI	100.0	100.0
Karjaan Trikootehdas Oy	Karjaa	FI	100.0	100.0
Kiinteistö Oy Martinsillantie 2 a	Espoo	FI	80.0	80.0
Kiinteistö Oy Porin Askotalot	Pori	FI	79.1	79.1
Renor Oy	Lahti	FI	100.0	100.0
Oy Finla Ab	Tampere	FI		100.0
Varastotalo Oy	Tampere	FI		100.0
Kiinteistö Oy Trikootalot	Tampere	FI		100.0
Kiinteistö Oy Keskuskatu 20	Heinola	FI		100.0
Asunto Oy Forssan Kuhalankatu 2	Forssa	FI		100.0
Asunto Oy Porin Purjesato	Pori	FI		52.6
Asko Norge AS	Oslo	NO		100.0
Asko i Fristad AB	Borås	SE		100.0
KB Sekanten	Borås	SE		100.0
Suomen Muovitehdas Oy	Nastola	FI	100.0	100.0
Uponor Pexep Oy	Nastola	FI	100.0	100.0

Name	Domicile		Parent company stake	Group stake
Uponor Suomi Oy	Nastola	FI	100.0	100.0
Uponor Holding S.A.	Lyon	FR	100.0	100.0
Uponor France S.A.	St. Etienne de St. Geoirs	FR		100.0
Uponor Limited (*)	Bishopstown	IE	100.0	100.0
Uponor (Cork) Limited (*)	Bishopstown	IE		100.0
Uponor Exports Limited	Dublin	IE		100.0
Uponor S.r.l.	Badia Polesine	IT	100.0	100.0
Uponor Latvia SIA	Riga	LV	100.0	100.0
Uponor Lithuania UAB	Vilnius	LT	100.0	100.0
Uponor B.V.	Amsterdam	NL	100.0	100.0
Uponor AS	Furufalten	NO	100.0	100.0
Uponor Portugal - Sistemas para Fluidos, Lda.	Vila Nova de Gaia	PT	100.0	100.0
Uponor (Portugal) S.G.P.S., S.A.	Vila Nova de Gaia	PT		100.0
Termoplás, S.A.	Vila do Conde	PT		100.0
Ecoplás, S.A.	Vila Nova de Gaia	PT		100.0
ZAO Uponor Rus	St. Petersburg	RU	100.0	100.0
Sörberg Produktion AB	Kungsör	SE	100.0	100.0
Uponor AB	Borås	SE	100.0	100.0
Vårgårda Plast AB	Vårgårda	SE		100.0
Uponor Innovation AB	Borås	SE	100.0	100.0
Uponor Wirsbo AB	Surahammar	SE	100.0	100.0
Uponor Wirsbo A/S	Glostrup	DK		100.0
Uponor Wirsbo AS	Vestby	NO		100.0
Uponor Magyarország Kft.	Budapest	HU		100.0
WA Vertriebs GmbH	Guntramsdorf	AT		100.0
Uponor Limited	England	UK	100.0	100.0
Wirsbo UK Limited	England	UK		100.0
Uponor UK Export Limited	England	UK		100.0
Uponor Aldyl Limited	England	UK		100.0
Radius Plastics Limited	Northern Ireland	UK		100.0
Uponor North America, Inc.	Delaware	US	100.0	100.0
Hot Water Systems North America, Inc.	Delaware	US		100.0
Wirsbo Company	Illinois	US		100.0
Uponor Canada Inc.	Regina	CA		100.0
RadiantTechnologies, Inc.	New York	US		100.0
Stadler Corp.	Massachusetts	US		100.0
Thermal Ease Hydronic Systems, Inc.	Washington	US		100.0
Unicor Pipe Systems Inc.	Toronto	CA		100.0
Unicor Pipe Systems, Inc.	Minnesota	US		100.0
Uponor ETI Company	Colorado	US		100.0
Mid-States Plastics, Inc.	Kentucky	US		100.0
Uponor Aldyl Company, Inc.	Delaware	US		100.0

### 3.2 Associated companies

Name	Domicile		Parent company stake	Group stake
Kotimaiset Kotitalouskoneet Oy	Helsinki	FI	50.0	50.0
Stadler-Viega LLC	Massachusetts	US		50.0
Tampereen Kiinteistö Invest Oy	Tampere	FI		49.9
Punitec GmbH & Co. KG	Gochsheim	DE		45.0
Punitec Verwaltungs GmbH	Gochsheim	DE		45.0
Kiinteistö Oy Lahden Teollisuuskeskus	Lahti	FI		37.4

\*) In accordance with the provisions of Section 17 of the Republic of Ireland Companies (Amendment) Act 1986, Uponor Oyj has given irrevocable guarantees in respect of the financial year from 1 January 2001 to 31 December 2001 in respect of the liabilities, as are referred to in Section 5 (c) of that Act, for the specified subsidiary companies.

## Proposal by the Board of Directors

According to the balance sheet as of 31 December 2001, Group profits amount to EUR 343,975,000, of which EUR 303,937,000 may be distributed. The distributable profit of Uponor Oyj is EUR 319,147,253.32.

The Board of Directors proposes that a dividend of EUR 0.80 per share be paid on the 2001 accounting period.

Espoo, 5 February 2002

Pekka Paasikivi  
Chairman

Hannu Kokkonen

Matti Niemi

Niilo Pellonmaa

Horst Rahn

Jarmo Ryttilahti  
Managing director

## Auditors' report

To the shareholders of Uponor Oyj

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Uponor Oyj for the year ended 31 December 2001. The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the parent company's administration.

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

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations for the year, as well as of the financial position at the year-end. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited. The proposal made by the Board of Directors on how to deal with the distributable funds is in compliance with the Companies Act.

Esbo, 5 February 2002

KPMG WIDERI OY AB

Sixten Nyman

Authorized Public Accountant

## Corporate Governance

Uponor's corporate governance formulates guidelines for Group operations at Group, Division and Legal Unit level. The company is governed according to the Finnish Companies Act, other relevant legislation, rules and regulations and its Articles of Association. Corporate governance is further based on recommendations issued by the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers concerning governance of publicly listed companies.

### Group Board of Directors

The Board of Directors of the parent company comprises 5–7 members elected at the Annual General Meeting for a term of one year. The 2001 AGM elected five Board members instead of the previous six. The Board members are non-Executive Directors. The Board elects one of its members to serve as Chairman.

The Board of Directors convenes at least six times per year. In 2001 the Board held 13 meetings, one of which was a telephone conference.

In accordance with a decision made by the 2001 AGM, the monthly emoluments paid to Board members are as follows: Chairman of the Board: FIM 13,000 (EUR 2,186.44), Vice-Chairman of the Board: FIM 9,000 (EUR 1,513.69), and other members of the Board: FIM 8,000 (EUR 1,345.50). Each member is further entitled to remuneration of FIM 1,000 (EUR 168.19) for each meeting.

The basic duties of the Board of Directors are defined by law. Besides attending to these statutory duties, the Board of Directors approves important corporate matters such as the Group's strategic plan, budget, acquisitions, divestments, external financing arrangements and significant investment projects.

### Division Boards

The Division Boards consist of 5–6 members, mainly representing the Group management and other Divisions. The Division Boards are chaired by the CEO of the parent company. In 2001 each Division Board held 7 meetings. The main function of a Division Board is to assist in formulating the Division strategy, to supervise its implementation and to assume responsibility for Division management resources. Important division level matters such as the strategic plan, budget and significant projects are subject to the approval of the Division Board.

### Legal Unit Boards

The Boards of the Legal Units focus on the statutory obligations imposed by local legislation. The operational and strategic tasks of the Units are managed, as the case may be, either by the Division Board in question or by Division management in co-operation with Unit management.

### Financial Administration and Auditing

The financial control and auditing of the Group comprises three functions: financial control by the Group financial administration, independent internal auditing and external auditing.

### Group financial administration

The Group Board of Directors approves the Group financial administration policies, including financing, risk management and accounting policies, as well as reporting guidelines.

The monthly reports submitted to the Board of Directors include key financial figures and cash flow analysis by Division. The Board of Directors approves the annual accounts and interim reports.

### Internal auditing

The Group has an independent Internal Audit function, which reports directly to the CEO of the parent company. Pursuant to its auditing plan, the Internal Audit function reviews the Group's Divisions and Units to assess their compliance with Group financial and operational policies. The Internal Audit function reports to the Division Board in question and to the Group management. There is an audit log covering the Group's Divisions and Units.

### External auditing

The AGM of the parent company elects the external auditor. Together with the auditor, the Group management arranges auditing of Group Legal Units according to local legislation. The auditors report directly to the Legal Units that they have been auditing and submit a copy of each report to the Group Financial Administration. These reports are included in the audit log.

The 2001 AGM appointed the authorised public accounting firm KPMG Wideri Oy Ab to serve as auditor of the company for the year 2001. Principal responsibility for the company's audit is vested in Mr. Sixten Nyman, Authorised Public Accountant.

### Insider Regulations

Uponor Oyj's insider regulations comply with the insider regulation guidelines issued jointly by the Helsinki Exchanges, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. The extended register of permanent insiders at Uponor Oyj comprises not only the statutory insiders, i.e. members of the Board of Directors, the CEO and the auditor, but also the Executive Vice President, Corporate Development, the Chief Financial Officer, and the Secretary to the Board of Directors. The company's insider register is kept in the SIRE system provided by the Finnish Central Securities Depository Ltd.

## Uponor Oyj Board of Directors at 1 February 2002



Front row, left to right: Pekka Paasikivi, Chairman, and Hannu Kokkonen, 1st Deputy Chair. Back row, left to right: Horst Rahn, Niilo Pellonmaa, 2nd Deputy Chair, and Matti Niemi

## Management at 1 February 2002

### Jarmo Ryttilähti

b. 1944, B.Sc. (Econ.)  
President and CEO.  
Uponor shares: 968, indirectly  
71,500.  
Option rights: A 28,000 and B  
28,000.

### Kari Norbäck

b. 1944, M.Sc. (Eng.)  
Executive Vice President,  
Corporate Development.  
Uponor shares: none.  
Option rights: A 14,000 and B  
14,000.

### Jyri Luomakoski

b. 1967, MBA  
Executive Vice President and  
CFO, Chairman, Municipal  
Americas Division  
Uponor shares: 600. Option  
rights: A 14,000 and B 14,000.

### Marja Hanski

b. 1954, LL.M., B.Sc. (Econ.)  
Executive Vice President, Legal  
Affairs, Secretary to the Board of  
Directors.  
Uponor shares: none. Option  
rights: A 3,500 and B 3,500.



The personal shareholding and that of companies in which they hold a controlling interest is indicated for insiders at Uponor Oyj at 31 December 2001,

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**Pekka Paasikivi**

b. 1944, Engineer, Chairman, Oras Oy. Chair of the Board, Uponor Oyj from 30 September 1999. Member of the Board from 23 September, 1999. Uponor shares: 38,480.

Member of the Supervisory Board, Finpro Oy. Member of the Board, Federation of Finnish Metal, Engineering and Electro-technical Industries (MET). Member of the Board, Confederation of Finnish Industry and Employers. Member of the Board, Hollming Oy. Member of the Board, Okmetic Oyj. Member of the Supervisory Board, Varma-Sampo Insurance Company.

**Hannu Kokkonen**

b. 1947, M. Sc. (Pol.Sci.), Managing Director, If P&C Insurance Company Ltd. and If Industrial Insurance Ltd. 1st Deputy Chair of the Board, Uponor Oyj from 7 April, 1995. Uponor shares: none.

Member of the Board, Employers' Confederation of Service Industries ECSI. Member of the Board, Federation of Finnish Insurance Companies. Member of the Board, Turku Chamber of Commerce. Member of the Board, Turku University Foundation.

**Matti Niemi**

b. 1947, B.Sc. (Econ.), Deputy CEO, Varma-Sampo Mutual Pension Insurance Company. Member of the Board, Uponor Oyj from 21 April, 1994. Uponor shares: none.

Member of the Board, ICL Invia Oyj. Member of the Board, M-real Corporation. Member of the Board, Sampo Life Insurance Company Limited

**Niilo Pellonmaa**

b. 1941, M.Sc. (Econ.) 2nd Deputy Chair of the Board, Uponor Oyj from 27 April, 2000. Member of the Board, Uponor Oyj from 1 February 1983. Uponor shares: None, indirectly 1,000 shares.

Member of the Board, Jaakko Pöyry Group Oyj. Member of the Board, Kemira Oyj. Member of the Board, Menire Oyj. Chair of the Board, PMJ Automec Oyj. Chair of the Board, Rocla Oyj.

**Horst Rahn**

b. 1939, M.Sc. (Eng.) Member of the Board, Uponor Oyj from 21 March 2000. Uponor shares: 100,000.

The members of the Board are elected for a term of one year, and they are not included in the Uponor share option programme.

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**Dieter Pfister**

b. 1961, Contoller (RKW) President, Housing Solutions, Europe Division.

**Jim Bjork**

b. 1959, B.A., MBA President, Housing Solutions, North America Division.

**Jukka Kallioinen**

b. 1958, M.Sc. (Eng.), eMBA President, Infrastructure and Environment, Europe Division.

**Petri Olkinuora**

b. 1957, M.Sc. (Eng.), MBA President, Real Estate Division.



together with their personal option rights and most important posts held in other organisations.

# Offices

## Uponor Corporate Head Office

### Uponor Oyj

Head Office  
Kimmeltie 3, FIN-02110 Espoo, Finland  
(From 3 June 2002:  
Robert Huberin tie 3 B, FIN-01510 Vantaa)  
Tel. +358 9 478 962  
Fax +358 9 478 96400  
(phone and fax numbers remain unchanged)  
www.uponor.com  
firstname.lastname@uponor.com

## Division Head Offices

### Housing Solutions, Europe

Uponor Housing Solutions, Europe  
Industriestrasse 56  
PO Box 1641  
D-97433 Hassfurt  
Tel. +49 9521 6900  
Fax +49 9521 690 150

### Housing Solutions, North America

Uponor Housing Solutions, North America  
14985 Glazier Ave., Suite 303  
Apple Valley, Minnesota 55124, USA  
Tel. +1 992 997 7900  
Fax +1 952 997 8999

### Infrastructure and Environment, Europe

Uponor Infrastructure and Environment,  
Europe  
Kouvolaantie 365  
PO Box 21  
FIN-15561 Nastola  
Tel. +358 3 885 01  
Fax +358 3 885 0210

### Municipal Americas

Uponor Oyj  
Head Office  
Kimmeltie 3, FIN-02110 Espoo, Finland  
(From 3 June 2002:  
Robert Huberin tie 3 B, FIN-01510 Vantaa)  
Tel. +358 9 478 962  
Fax +358 9 478 96400

### Real Estate

Renor Oy  
Finlaysoninkatu 4 C  
PO Box 216  
FIN-33101 Tampere  
Tel. +358 3 249 4600  
Fax +358 3 223 9639

## Other offices

### Argentina

Uponor Aldyl S.A.  
Avenida Mitre 5595  
Ezpeleta—B1882ABC  
Quilmes—Provincia de Buenos Aires  
Tel. +54 11 4256 1005  
Fax +54 11 4256 5880  
www.uponoraldyl.com.ar

Wirsho Latin America  
Primera Junta 1015  
B1642 DZG  
San Isidro—Buenos Aires  
Tel./Fax +54 11 4732 1209

### Austria

Wirsho-Velta WA Vertriebs GmbH  
Tour u. Andersson Strasse 2  
A-2353 Guntramsdorf  
Tel. +43 2236 230 030  
Fax +43 2236 256 37

## Belgium

Wirsho Benelux  
Sterrebeekstraat 178 D  
B-1930 Zaventem  
Tel. +32 2 720 2743  
Fax +32 2 725 1744  
www.wirsho.be

## Canada

Uponor Canada, Inc.  
27450 - 55th Avenue  
Langley  
British Columbia V4W 3Y1  
Tel. +1 604 607 7777  
Fax +1 604 607 7778

## Unicor Plastic Machinery Inc.

7330 Pacific Circle  
Mississauga, Ontario L5T 1V1  
Tel. +1 905 670 4300  
Fax +1 905 670 4320

## Uponor Canada, Inc.

655 Park Street  
Regina, Saskatchewan S4N 5N1  
Tel. +1 306 721 2449  
Fax +1 306 721 3088

## Czech Republic

Uponor Czech spol. s.r.o.  
Bezová 1  
147 00 Praha 4  
Tel. +420 2 4446 0668  
Fax +420 2 4446 2171  
www.uponor.cz

## Denmark

Uponor A/S  
Fabriksvej 6  
PO Box 29  
DK-9560 Hadsund  
Tel. +45 98 571 122  
Fax +45 98 572 538  
www.uponor.dk

## Uponor Infrastructure and Environment, Europe

Fabriksvej 6  
PO Box 130  
DK-9560 Hadsund  
Tel. +45 98 574 477  
Fax +45 98 573 711

## Uponor Wirsho A/S

Banemarksvej 2  
DK-2600 Glostrup  
Tel. +45 43 453 797  
Fax +45 43 431 011  
www.wirsho.dk

## Estonia

Uponor Eesti AS  
Majaka põik 15  
EE-11414 Tallinn  
Tel. +372 638 0868  
Fax +372 638 0867

## Finland

Uponor Suomi Oy Ecoflex  
Kouvolaantie 365  
PO Box 21  
FIN-15561 Nastola  
Tel. +358 3 885 01  
Fax +358 3 885 0340

## Jita Oy

Lakarintie 10  
PO Box 47  
FIN-34801 Verrat  
Tel. +358 3 475 6100  
Fax +358 3 475 4040

## Uponor Suomi Oy Proplast

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PO Box 21  
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Tel. +358 3 885 01  
Fax +358 3 885 0401

## Uponor Suomi Oy

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Fax +358 3 587 0555

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## Uponor Suomi Oy

Renovation  
Yhtiönkatu  
FIN-30100 Forssa  
Tel. +358 3 435 9930  
Fax +358 3 4359 9933

## Uponor Wirsho

Tillitie 1  
FIN-15560 Nastola  
Tel. +358 3 873 220  
Fax +358 3 873 2211

## Uponor Wirsho

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PO Box 145  
FIN-01721 Vantaa  
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Fax +358 9 2766 5050  
www.wirsho.fi

## France

Uponor Sarl  
Centre Routier  
Rue des Châtaigniers  
F-45770 Saran  
Tel. +33 2 3874 9966  
Fax +33 2 3874 7972  
www.polytherm.fr

## Uponor France S.A.

PO Box 29  
Les Apprêts  
F-38590 St. Etienne de St. Geoirs  
Tel. +33 4 7693 4343  
Fax +33 4 7693 5301

## Germany

Cronatherm GmbH & Co. KG  
Industriepark Nord  
D-53567 Buchholz/Mendt  
Tel. +49 2683 9789 0  
Fax +49 2683 9789 29  
www.cronatherm.de

## Hewing GmbH

Waldstrasse 3  
PO Box 1142  
D-48600 Ochtrup  
Tel. +49 2553 7001  
Fax +49 2553 7017  
www.hewing.de

## M. Block GmbH

Silbersteinstrasse 14  
D-97424 Schweinfurt  
Tel. +49 9721 659 770  
Fax +49 9721 659 7770

## Polytherm GmbH

Prof.-Katerkamp-Strasse 5  
PO Box 1265  
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Tel. +49 2553 7250  
Fax +49 2553 725 44  
www.polytherm.de

## SST-Rolltec Heizsysteme GmbH & Co. KG

Sinniger Strasse 48  
D-48282 Emsdetten  
Tel. +49 2572 936 70  
Fax +49 2572 936 799  
www.sst-rolltec.de

## Sörberg GmbH & Co. KG

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PO Box 1565  
D-97432 Hassfurt  
Tel. +49 9521 6900  
Fax +49 9521 690 470

## Sörberg GmbH & Co. KG

Production of machine parts  
Silbersteinstrasse 14  
PO Box 1508  
D-97405 Schweinfurt  
Tel. +49 9521 659 7710

## Unicor Extrusionstechnik GmbH

Industriestrasse 18  
PO Box 160  
D-98537 Zella-Mehlis  
Tel. +49 3682 456 00  
Fax +49 3682 456 013

## Unicor GmbH Rahn Plastmaschinen

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Fax +49 9521 690 195

## Uponor Abwassertechnik GmbH

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Fax +49 4473 949 090

## Uponor Anger GmbH

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PO Box 2208  
D-45752 Marl  
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Fax +49 2365 696 102

## Uponor Ecoflex

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## Uponor Hausabflusstechnik GmbH

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## Uponor Klärtechnik GmbH

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Fax +49 2365 69 6539  
www.3kplus.de



Uponor Rohrsysteme GmbH  
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Fax +49 2382 984 188

Uponor Rohrsysteme GmbH  
Industriestrasse 56  
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Fax +49 9521 690 150  
www.unipipe.de

Uponor Rohrsysteme GmbH  
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Tel. +49 3682 897 50  
Fax +49 3682 897 510

Uponor Wirsbo Pex GmbH  
Gutenbergstrasse 13  
D-63477 Maintal  
Tel. +49 6109 601 90  
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Wirsbo-Velta GmbH & Co KG  
Hans-Böckler-Ring 41  
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D-22822 Norderstedt  
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Uponor S.r.l. Unicolor S.r.l.  
Via Leonardo da Vinci, 418  
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Fax +39 0425 596 899

Uponor S.r.l.  
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Fax +39 039 627 4221

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Uponor Latvia SIA  
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Fax +371 782 1322

**Lithuania**  
Uponor UAB  
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