Interim report
1 Jan.–31 March 2000

uponor

Uponor starts strong into the new millennium

- **Demand continued brisk**
- **Net sales EUR 347.4m, an increase of 21%**
- **Operating profit EUR 18.7 million, an increase of nearly 160%**
- **Result after financial items EUR 13.4 million, an increase of EUR 12.7 m**
- **Agreement on the sale of Asko Appliances**

Net sales and result

The Uponor Group's net sales during the first quarter of the year 2000 amounted to EUR 347.4 million (1-3/1999: 287.3), which is 21% higher than the previous year. The growth of net sales was strongest in the Group's core business area, Uponor Plastic Pipe Systems Division, the net sales of which increased by 35% to EUR 273.4 million (202.3). The growth in net sales was apparent in both Asko Appliances and Upofloor Flooring.

The Group's operating profit was EUR 18.7 million (7.2). It grew by almost 160% from the previous year. The operating profit grew stronger in all divisions. The operating profit for Uponor Plastic Pipe Systems rose to EUR 14.6 million, up EUR 11.1 million from the previous year.

In addition to that caused by heavy demand, the growth in net sales was also boosted by higher product prices due to price fluctuation in plastic raw materials.

The Group's net interest-bearing liabilities amounted to EUR 437 million (31 Dec. 1999: 425). Its solvency ratio was 36.9% (36.6%). Net financial expenses amounted to EUR 5.3 (6.5) million. The Group's result after financial items was EUR 13.4 million (0.7), which was 3.9 % of net sales (0.2%).

The Uponor Group's result before taxes amounted to EUR 13.4 million (25.9). The numbers for the first three months of the year 1999 included extraordinary profits of EUR 25.2 million from the sale of the furniture division. The profit for the period was EUR 8.4 million (17.7).

Earnings per share came to 0.22 Euros (0.02) and shareholders' equity per share was 12.47 Euros (10.80).

Investments and financing

The Uponor Group's investments totalled EUR 25.1 million (30.0), the main portion of which, 86%, was directed toward developing the core business area, Uponor Plastic Pipe Systems.

The Group's financial position remained strong. Due to normal seasonal fluctuations in the business the Group's balance sheet showed a slight increase during the first part of the year and the amount of loans, among other things, increased slightly.

Share capital and shares

At the end of the review period the company's share capital was EUR 77,434,444.00 and the number of outstanding shares was 38,717,222. Each share is entitled to one vote.

The total amount of treasury shares was 185,000 at the end of the review period, the nominal value of which is calculated in whole as EUR 370,000. The treasury shares' relative portion of share capital and of the total votes for all shares totalled 0.47%.

An Extraordinary General Meeting of 3 September 1999 authorised the Board of Directors to concede 800,000 stock options to the Group's key personnel as part of an incentive programme. Of these options, 177,000 units had not been issued at the end of the period under review.

Markets

The mild weather of the first months of winter kept the construction activity of central and northern Europe lively, especially when compared with the previous year's cold first winter months. The demand for core business products and services was therefore quite strong. The German building market showed signs of stimulation. The Iberian peninsula's demand was also at a healthy level. The North American building market remained good.

Sales of plumbing and heating systems grew strongly in comparison to the corresponding period for the previous year. Particularly development in sales of PE-X and composite pipe systems was good. In North America pipe systems deliveries for the growing market area of the motor home and recreational vehicle industry grew rapidly.

Sales of building and environment technology products grew in all market areas. In the Nordic countries the sales of in-house drainage systems and environmental products grew most strongly. In many parts of Europe there was strong growth in the sales of installation pipe systems for telecom networks.

Competition in the market-place has not changed materially from the end of last year. In Europe changes in the distribution chain are continuing. During the year's first quarter the prices of plastic raw materials have risen to a record level due to high prices for oil and petrochemicals products. The demand is also brisk and it should accelerate with the summer season close at hand. For these reasons raw material prices are expected to remain at a high level.

Events

During the early part of the year new marketing ventures have been initiated and numerous new products have been introduced into the market. One of these is the new Ecoflex SmartHeat coupling, the first PE-X pipe coupling system in the world which utilises electrofusion techniques. Another Ecoflex product, the Bar Pipe won a medal as one of the new products honoured at the Interclima trade fair in Paris.

Velta, Uponor's leading underfloor-heating system company, and which previously operated mainly in the German-language market area in Europe, began exports to England and brought a new ceiling-cooling system into the German market.

Export to Spain of the Eureo tap water pipe system was begun from the factory in Poland.

In the Nordic countries strong emphasis was placed on the marketing of environmental products and new waste water infiltration systems and collector tanks were brought into the market. The special feature of these products is a new type of industrial design, due to which their usage and installation characteristics have improved.

Due to rapid growth in the construction of information networks the supply capacity of Uponor's Radius system has been improved through the expansion of production at factories in the UK, France, Germany and Sweden. Plans for production start in Hungary are also ready.

In Poland's Sochaczew a new factory for plumbing and heating systems was brought on-line in February.

A significant business opportunity was opened up when the German subsidiary Hewing GmbH got a type approval for the use of MultiTech composite pipe in the installation of gas pipe in buildings in Germany and Holland.

During the first part of the year a new integrated enterprise system was brought on-line in the Nordic countries. The system is aimed at enabling more efficient internal and external information and goods flows, as well as improving customer service.

Personnel and group structure

The Group's average number of personnel during the period was 7,240 (7,340) persons.

The streamlining of the Group structure continued during the period under review. On 1 February Uponor Oyj transferred its real estate business to a separate subsidiary company, Asko Real Estate Ltd., which was founded for this purpose. The incorporation of the division is a part of Uponor's strategy for rationalising Group structure and is aimed at directing resources for the development of the Group's core business. The real estate business' assets, liabilities, and reserves were transferred to the subsidiary as well as the division's staff, 50 persons. The balance sheet value of the transferring business is FIM 968.2 million, i.e. EUR 163 million, the floor area of premises is approximately 587,000 square meters, and the area of territory is approximately 5,565,000 square meters.

Annual General Meeting

The Annual General Meeting of shareholders on 21 March, 2000 confirmed the financial statements from the year 1999 and allowed freedom from liability for the company's board and managing director. The general meeting approved the board's dividend motion of EUR 0.67 (0.59) per share.

The Annual General Meeting reduced the board's number of members by one, to six members. Re-elected for next year's term were Hannu Kokkonen, Matti Niemi, Pekka Paasikivi, Niilo Pellonmaa, and Jukka Viinanen. German Dipl. Eng. Horst Rahn (61) was chosen as a new member of the board. He is a founder of the Unicor Group, which Uponor earlier acquired. Rahn owns 292,500 Uponor shares.

The Annual General Meeting chose Authorised Public Accountants KPMG Wideri Oy Ab as the company's main auditor.

The Annual General Meeting authorised the company's Board of Directors to decide about the acquisition of the Company's own shares, against payment, during one year from 21 March 2000. The maximum amount of shares whose total par value, added to the par value of the treasury shares already in the Company's possession, will not exceed 5 per

Financial indicators	1–3 2000	1–3 1999	1–12 1999
Earnings per share, EUR	0.22	0.02	1.58
Return on equity, %	6.79	0.83	13.30
Return on investment, %	7.82	3.25	12.40
Solvency ratio, %	36.94	36.60	39.90
Gearing	88.93	103.00	84.00
Equity per share, EUR	12.47	10.80	12.78
Trading price of shares			
– low, EUR	16.0	12.2	17.83
– high, EUR	19.4	16.8	12.28
– average, EUR	17.7	13.6	15.88
Shares traded			
– 1000 pcs	2 758	3 113	22 865
– MEUR	48.8	42.2	363.0

Income statement MEUR	1–3 2000	1–3 1999	1–12 1999
Net sales	347.4	287.3	1 346.8
Expenses	328.7	280.1	1 239.4
Operating profit	18.7	7.2	107.4
Financial expenses, net	5.3	6.5	–18.7
Profit after financial items	13.4	0.7	88.7
Extraordinary income	0.0	25.2	27.6
Extraordinary costs	0.0	0.0	5.3
Profit before taxes	13.4	25.9	111.0
Profit for the period	8.4	17.7	76.3

The taxes have been calculated to correspond the result for the period.

Balance sheet MEUR	31 March 2000	31 March 1999	31 Dec. 1999
Intangible assets	137.3	115.0	139.1
Tangible assets	605.3	562.1	587.3
Securities and long-term investments	31.6	44.1	33.0
Stocks	236.1	230.7	211.5
Cash in hand and banks	40.7	34.8	57.3
Other liquid assets	282.7	229.4	238.7
Shareholders´ equity	480.5	414.6	495.0
Minority interest	10.4	30.6	9.1
Obligatory provisions	15.6	14.7	16.8
Long-term liabilities	454.1	400.8	404.7
Short-term liabilities	378.6	355.4	341.3
Balance sheet total	1 333.7	1 216.1	1 266.9

Contingent liabilities MEUR	31 March 2000	31 March 1999	31 Dec. 1999
Pledges			
– on own behalf	15.3	26.9	8.1
Mortgages	69.9	201.2	91.2
Guarantees			
– on own behalf	0.9	0.0	0.3
– on behalf of others	8.4	1.0	1.1
Leasing liabilities	46.7	29.9	55.4
Other contingent liabilities	0.0	5.9	4.5
Parent company			
Pension liabilities	0.0	0.7	0.7
Pledges			
– on own behalf	0.0	13.3	0.0
Mortgages	0.0	56.7	0.0
Guarantees			
– on behalf of Group companies	50.1	63.6	50.1

Futures contracts MEUR	31 March 2000	31 March 1999	31 Dec. 1999
1. Interest derivatives			
Interest rate options, bought	47.0	67.1	54.0
Interest rate options, sold	26.2	45.2	38.0
2. Foreign currency derivatives			
Forward agreements, sold	62.0	41.9	33.0
Currency options, bought	0.6	19.0	2.0
Currency options, sold	0.0	48.9	0.0
3. Currency swap	7.0	7.2	7.0

cent of the Company's share capital and the total voting rights of the shares at the time of acquisition. The Annual General Meeting also authorised the Board of Directors to decide about the transfer, during one year from 21 March 2000, of a maximum of 1,900,000 treasury shares, which are in the Company's possession.

The Annual General Meeting authorised the Board of Directors to decide, during one year from 21 March 2000, about one or several issues of convertible bonds and/or options and/or an increase in the share capital, in one or several instalments, to raise the Company's share capital by a maximum of EUR 10,000,000 through a subscription for the Company's shares, or against convertible bonds.

The board has not used the authorities given to it during the period under review.

Events after the period under review

At the beginning of April Uponor ETI Company, the U.S. company in the Utilities division, sold its pipe factory located in Phoenix, Arizona to Eagle Pacific Industry Inc. Uponor ETI's centre of operation is the market east of the Rocky Mountains, a market which can be effectively served from the company's other factories. Major investments have been made at these factories in connection with a stronger shift of activities towards special products.

Together with the growth and extension of the Group's activities, product and system development work has been actively decentralised to different market regions during recent years. Divisions have established dedicated skill centres, which have helped speed up development work and accelerate joint projects taken on with clients. Due to this tendency the role of the Group's central development company Uponor Innovation AB, located in Sweden, has diminished. In April a decision was made to close the

Net sales by division MEUR	1–3 2000	1–3 1999	1.1.–31.12. 1999
Uponor Plastic Pipe Systems	273.4	202.3	1 020.9
Asko Appliances	49.4	44.2	198.8
Upofloor Flooring	17.5	15.1	62.2
Asko Real Estate	5.2	6.7	26.5
Others	1.9	19.0	38.4
Uponor Group	347.4	287.3	1 346.8

Operating profit by division MEUR	1–3 2000	1–3 1999	1.1.–31.12. 1999
Uponor Plastic Pipe Systems	14.6	3.5	79.0
Asko Appliances	2.1	0.4	9.4
Upofloor Flooring	1.2	0.1	3.5
Asko Real Estate	3.1	2.8	10.5
Others	–2.3	0.4	4.9
Uponor Group	18.7	7.2	107.4

The figures of this interim report have not been audited.

company and to reorganise operations.

On 12 April an agreement was made with the Italian Antonio Merloni Group concerning the sale of Asko Appliance Division's business activities. The sales price is approximately EUR 75 million and the deal is expected to be concluded by the summer. The sale of the Asko Appliances Division is a result of Uponor's strategy of concentrating on its core business, the Plastic Pipe Systems Division.

Other divisions

Asko Appliances' net sales were EUR 49.4 million; the corresponding number for last year was EUR 44.2 million. The operating profit of EUR 2.1 million is EUR 1.7 million more than in the comparison period. The growth of sales has been the strongest in the United States and Australia, but sales have also developed well in Finland and Sweden. It is believed that market development will continue positive during the coming months.

Upofloor Flooring's net sales were EUR 17.5 (15.1) million, which was 16% more than in the comparison period. The operating profit was EUR 1.2 (0.1) million. Along with the growth of sales in domestic markets the growth has been strongest in Russia, the United States, and Australia. Together with the growth of sales an extensive investment programme brought in last year has created improved results. It is believed that demand will continue well in domestic markets as well as in export markets.

The net sales for Asko Real Estate were EUR 5.2 million (6.7), which is 22% less than in the corresponding period for the previous year. The operating profit grew 11% and was EUR 3.1 million (2.8). Due to Finland's good economic development demand for business premises increased and usage levels improved. Asko Real Estate continued the sale of premises according to set goals. During the period under review the amount of real estate deals was EUR 1.1 million; there are preliminary contracts altogether valued at EUR 9.3 million. Asko Real Estate's net sales and operating profit diminish gradually alongside real estate sales but the profitability of the business division improves with the further rise of both rents and the usage level of real estate.

Outlook

The Group's outlook for the rest of the year is quite bright. Demand should continue to be brisk. Although the price development of plastic raw materials creates some uncertainty, the result after financial items is expected to be better than the previous year.

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