

**Interim report**  
1 Jan.—31 March 2001



**Uponor**

# Uponor increases operational efficiency

- ◆ **Net sales of Plastic Pipe Systems remained at the previous year's level**
- ◆ **Consolidated net sales totalled MEUR 279.7, down MEUR 67.7 due to divestments**
- ◆ **Operating profit at MEUR 10.1 (MEUR 18.7), comparable change MEUR -5.3**
- ◆ **Profit after financial items at MEUR 5.9 (MEUR 13.4)**

## Net sales and profit

The first-quarter consolidated net sales reached MEUR 279.7 (Q1/2000: MEUR 347.4), showing a year-on-year decrease of MEUR 67.7. The decrease in net sales was mainly due to last year's divestments related to company restructuring.

Net sales of Plumbing and Heating Systems, Uponor's core business area, developed in line with the targets both in Europe and North America, showing a year-on-year growth of 19 per cent. The Building and Environment division's net sales developed as planned, but were 17 per cent lower than in the previous year. This was due to the divestment of Schlemmer-Unicor in Germany in the autumn of 2000 and the discontinuance of certain bulk products. The Utilities division's net sales fell by 10 per cent on the previous year. This was due to the less favourable economic outlook in North America, which reduced the demand for Utilities systems while prices fell to an exceptionally low level even in historic terms.

Consolidated operating profit amounted to MEUR 10.1 (MEUR 18.7; MEUR 15.4 in comparable terms). In addition to divestments, the fall in operating profit was caused by the weaker profitability of the North American utilities business. As a consequence of seasonal fluctuations in the building industry, the first quarter of the year is usually the quietest time for Uponor, measured by volumes, and the most volatile. The greatest part of the full-year operating profit is generated during the second and third quarters.

Profit after financial items totalled MEUR 5.9 (MEUR 13.4), accounting for 2.1 per cent (3.9 per cent) of net

sales. Profit before appropriations and taxes reached MEUR 4.8 (MEUR 13.4). Net profit for the period totalled MEUR 3.3 (MEUR 8.4).

Earnings per share were EUR 0.11 (EUR 0.22) and equity per share amounted to EUR 13.31 (EUR 12.47).

## Investments and financing

Investments amounted to MEUR 12.4 (MEUR 25.1). After a four-year exceptionally large-scale investment programme, the Group's investments for the current financial year, company acquisitions excluded, will be lower than planned depreciation.

The Group's financial position remained at a healthy level. The Group's net interest-bearing liabilities were MEUR 339 (31 Dec. 2000: MEUR 311).

Solvency ratio was 44.8 per cent (36.9 per cent). Net financial expenses amounted to MEUR 4.2 (MEUR 5.3). With the seasonal fluctuation typical for the industry, the Group's balance sheet grew slightly and the number of loans somewhat increased during the first quarter.

## Markets

Uncertainties about the global economic development arising from the economic slowdown in the U.S. also left its mark on the construction market during the first quarter, leading to weakening demand for construction-industry products in several market areas.

Sales of Plumbing and Heating systems, the Group's largest business area, remained at a good level in all key markets. Demand for Utilities systems fell in the U.S. The telecommunications industry's prospects have also become much more pessimistic compared to those prevailing a year ago. Companies in the industry have put off network investments due to their weaker financing opportunities. Demand for Building and Environment systems remained brisk in the Nordic countries and increased considerably in the Baltic and Russian markets. The Spanish and Portuguese construction markets were hit by exceptional weather conditions.

Structural change in the industry and in the distribution chain continued.

No major changes took place in the resin market and the resin prices have remained high. Increasing demand in then spring is expected to fuel additional price rises.

## Events

### *Plumbing and Heating*

The largest trade fair for the sector, the ISH (International Trade Fair for Sanitation and Heating), was held in Frankfurt, Germany, in late March. Uponor displayed a host of new products such as a large-diameter (110 mm) multi-layer pipe. This new product makes it possible to use plastic pipe systems as the sole plumbing and heating solution in large buildings. Another novelty on display was a floor-heating/roof-cooling system.

### *Utilities*

The UK business based on the new Transco contract started at the beginning of the year, though somewhat more slowly than expected, mainly due to transition arrangements. At the beginning of the year, one of Uponor's resin suppliers in the U.S. recalled a batch of Uponor pipes at its own expense due to defective raw materials it delivered.

### *Building and Environment*

In March, Uponor won an international competition, arranged by the International Energy Agency (IEA), for the development of water-heating systems based on solar energy for use in private homes. The purpose of the competition was to encourage the development of cost-efficient heating systems using renewable energy sources in private homes. The award-winning system developed by Uponor AB represents a new way of thinking in the solar energy market. Uponor will launch the Uposun system onto the Swedish market next summer.

In Finland, a new ventilation system designed for private homes, Uponor Vent, was launched. Uponor extended its renovation business product range into the pressure pipe market by obtaining a licence for a new type of installation method.

### *Asko Real Estate*

In line with corporate strategy, Uponor was active in selling the Group's real estates and continued to develop the value of existing real estate during the report period. In

February, Uponor sold its 35.8 per cent shareholding in Kaiharin Kulma Kiinteistösaakeyhtiö (a real estate company), which entitled to the ownership of the Asko House in the city of Tampere, Finland. The sale price of the shares totalled MEUR 4.6. In addition, outlet estates in Salo and Varkaus as well as the Onkiniemi site in downtown Tampere were sold. The total value of property sold in the first quarter amounted to MEUR 7.1.

### Increasing operational efficiency

Uponor completed its corporate restructuring programme last autumn, with the result that it now focuses solely on the plastic pipe systems business. At the same time a decision was made to abandon all non-operational real estate.

With a view to sharpening the Group's business activities, Plastic Pipe Systems has been divided into three divisions: Plumbing and Heating, Utilities, and Building and Environment. The new structure and the new organisation enable the Group to make the best use of resources and synergies. This major change will considerably improve cost-efficiency.

Uponor aims to achieve productivity gains of MEUR 50 compared to the 2000 cost level. The results will be manifested in full in 2002. In 2001, productivity-improving measures will incur extraordinary expenses of approximately MEUR 15. At the same time, the number of employees will decrease by 300.

The modernisation of the Group's brand strategy is an integral part of the structural change in progress. In line with strategy, Uponor will be the only corporate brand supplemented by the Group's renowned system brands. This change will considerably enhance Uponor's visibility, reduce overlaps and further improve cost-efficiency. The Group's long-term goal is to make Uponor a leading brand in the industry.

The reported number of Group employees averaged 5,844 (7,240).

### Share capital and shares

In January–March, Uponor bought back a total of 139,800 of its outstanding shares, resulting in a total of 620,000 treasury shares. In accordance with the decision by the Annual General Meeting of 13 March 2001, the Group's share capital was decreased by EUR 1,000,000 by invalidating a total of 500,000 treasury

shares. This decrease of share capital was entered in the Trade Register on 15 March 2001.

At the end of the report period, share capital totalled EUR 76,434,444.00, and the number of shares totalled 38,217,222. Each share entitles to one vote.

The period-end number of treasury shares totalled 120,000, with a combined nominal value of EUR 240,000. The proportion of treasury shares to share capital and the total number of voting rights was 0.31 per cent.

The Extraordinary General Meeting of 3 September 1999 authorised the Board of Directors to grant the management a total of 800,000 stock options as part of the management incentive scheme. Of these stock options, a total of 233,000 are still subject to granting.

### Annual General Meeting

The Annual General Meeting held on 13 March 2001 adopted the Financial Statements for 2000 and discharged

the Board of Directors and the CEO from liability. The AGM approved the Board's proposal for distributing a dividend of EUR 0.80 (EUR 0.67). The AGM also confirmed the Board's proposal for amending the Articles of Association.

The number of Board members was confirmed as five instead of the previous six. Mr Jukka Viinanen, a long-standing Board member, announced that he would not be available for re-election. Mr Hannu Kokkonen, Mr Matti Niemi, Mr Pekka Paasikivi, Mr Niilo Pellonmaa and Mr Horst Rahn were re-elected as Board members for one-year terms.

The authorised public accounting firm KPMG Wideri Oy Ab was appointed company auditor.

The AGM cancelled the authorisation given to the Board of Directors on 21 March 2000 to issue, buy back and transfer shares, and re-granted the corresponding authorisation to the Board for one year onwards.

The AGM also decided to sell all Uponor shares held in the joint book-

<b>Net sales by division</b> MEUR	1-3 2001	1-3 2000	1-12 2000
Uponor Plastic Pipe Systems	273.0	273.4	1,199.8
Asko Appliances	0.0	49.4	81.0
Upofloor	0.0	17.5	35.1
Asko Real Estate	6.7	5.2	28.0
Others	0.0	1.9	11.7
<b>Uponor Group</b>	<b>279.7</b>	<b>347.4</b>	<b>1,355.6</b>
<b>Operating profit by division</b> MEUR	1-3 2001	1-3 2000	1-12 2000
Uponor Plastic Pipe Systems	6.6	14.6	91.3
Asko Appliances	0.0	2.1	3.5
Upofloor	0.0	1.2	2.5
Asko Real Estate	5.7	3.1	15.5
Others	-2.3	-2.3	-0.1
<b>Uponor Group</b>	<b>10.1</b>	<b>18.7</b>	<b>112.7</b>
<b>Financial indicators</b> MEUR	1-3 2001	1-3 2000	1-12 2000
Earnings per share, EUR	0.11	0.22	1.74
Return on equity, %	3.05	6.79	12.80
Return on investment, %	4.40	7.82	13.20
Solvency ratio, %	44.80	36.94	48.30
Gearing	65.70	88.93	57.00
Equity per share, EUR	13.31	12.47	14.03
Exchange price of shares			
- low, EUR	15.30	16.00	15.80
- high, EUR	19.30	19.40	21.00
- average, EUR	17.30	17.70	18.73
Shares traded			
- 1000 pcs	2,126	2,758	10,860
- MEUR	37.8	48.8	203.4

<b>Income statement</b>	1-3	1-3	1-12
MEUR	2001	2000	2000
Net sales	279.7	347.4	1,355.6
Expenses	269.6	328.7	1,242.9
Operating profit	10.1	18.7	112.7
Financial expenses, net	-4.2	-5.3	-15.9
Profit after financial items	5.9	13.4	96.8
Extraordinary income	0.0	0.0	9.0
Extraordinary costs	1.1	0.0	0.0
Profit before taxes	4.8	13.4	105.8
Profit for the period	3.3	8.4	77.4
<i>The taxes have been calculated to correspond the result for the period.</i>			
<b>Balance sheet</b>	31 March	31 March	31 Dec.
MEUR	2001	2000	2000
Intangible assets	121.3	137.3	125.1
Tangible assets	499.9	605.3	506.9
Securities and long-term investments	30.4	31.6	36.2
Stocks	196.2	236.1	187.6
Cash in hand and banks	32.6	40.7	28.6
Other current assets	271.3	282.7	246.0
Shareholders' equity	507.1	480.5	536.5
Minority interest	8.4	10.4	8.0
Obligatory provisions	14.7	15.6	14.9
Long-term liabilities	286.1	454.1	281.1
Short-term liabilities	335.4	373.1	289.9
Balance sheet total	1,151.6	1,333.7	1,130.4
<b>Contingent liabilities</b>	31 March	31 March	31 Dec.
MEUR	2001	2000	2000
Pledges			
- on own behalf	14.5	15.3	7.1
Mortgages	31.5	69.9	34.7
Guarantees			
- on own behalf	0.0	0.9	-
- on behalf of others	2.7	8.4	3.0
Leasing liabilities	59.6	46.7	58.4
Other contingent liabilities	1.2	-	0.3
<i>Parent company</i>			
Pension liabilities	0.0	0.0	-
Pledges			
- on own behalf	0.0	0.0	0.0
Mortgages	0.0	0.0	0.0
Guarantees			
- on behalf of Group companies	172.3	50.1	153.4
<b>Futures contracts</b>	31 March	31 March	31 Dec.
MEUR	2001	2000	2000
1. Interest derivatives			
Interest rate options, bought	51.4	47.0	50.2
Interest rate options, sold	40.6	26.2	39.5
2. Foreign currency derivatives			
Forward agreements	10.1	62.0	11.5
Currency options, bought	0.0	0.6	-
Currency options, sold	0.0	0.0	-
3. Currency swap	0.0	7.0	-

*The figures of the interim report have not been audited.*

entry account in accordance with Chapter 3a, Article 3a of the Finnish Companies Act and approved the mergers, whereby Uponor Oyj's wholly-owned subsidiaries, i.e. Asko Kalusteet Oy, Askoneet Oy, Asko Development Oy and Kiinteistö Oy Männynvainio, will be absorbed by their parent company Uponor Oyj.

#### Events after the report period

On the grounds of the authorisation given by the AGM on 13 March 2001, the Board of Directors decided on 2 April 2001 to buy back a maximum of 1,700,000 of its shares through public trading on the Helsinki Exchanges. No share buybacks based on this decision have yet been carried out.

In Sweden, Uponor concluded a major agreement on the supply of optical fibre installation systems for the broadband network to be built between Stockholm and Malmö. The total value of the deal is estimated at MEUR 8.5–9.7 with the total volume of the order amounting to approximately 10,000 kilometres. The products will be manufactured by Uponor's Swedish plants in Fristad and Vårgårda and delivered by the end of the year.

#### Outlook

Overall economic prospects both in Europe and North America have become less optimistic during the beginning of the year. The latest forecasts suggest a decline in the building industry in almost all markets compared to last year. When it comes to Uponor's business areas, demand for Plumbing and Heating systems as well as for Building and Environment is expected to remain satisfactory. Demand for Utilities may turn out to be more modest due to the subdued demand in North America and the postponement of broadband network investments in Europe.

Uponor's profit after financial items is expected to reach the previous year's level, provided that business conditions do not considerably deteriorate from the prevailing prospects.

Espoo 24 April 2001

Uponor Oyj  
Board of Directors