

Interim report Q1/2003: Uponor continued to focus on core business

Net sales EUR 232.1m, down 9.6%, due mainly to currencies and divestments. In comparable terms (taking currencies and divestments into account) net sales grew by 2.1%. Operating profit EUR 10.0m (14.2m), profit after financial items EUR 7.7m (9.3m). Demand satisfactory in the U.S. and Europe, exception for Germany, where no upturn yet on the horizon. Year 2003: core business profitability is anticipated to improve from 2002.

Net sales and profit

Uponor's consolidated net sales for January-March 2003 amounted to EUR 232.1 million (Q1/2002: EUR 256.7 million), down 9.6 per cent over the previous year. The fall in net sales was due to the divestment of non-core businesses in Germany and the USA, with a total effect of EUR -14.0 million, and currency fluctuations, with a total effect of EUR -15.7 million during the first quarter. When taking divestments and currency fluctuations into account, consolidated net sales increased by 2.1 per cent in comparable terms. Winter demand was somewhat also eroded by delays in building projects, chiefly in the Nordic countries and Central Europe, due to the long, hard winter.

The Pipe Systems segment posted net sales of EUR 226.4 (250.1) million, down 9.5 per cent. When reckoning with currency fluctuations and divestments, its net sales rose by 2.5 per cent. Within the segment, Housing Solutions North America increased and Housing Solutions Europe slightly improved their year-on-year net sales, whereas Infrastructure and Environment Europe recorded a fall in net sales. Net sales in dollar terms generated by the gas piping systems, which remain with the Municipal Americas division after the divestment of the U.S. municipal sewer pipe systems, stayed almost at the previous year's levels.

The Real Estate segment's net sales declined to EUR 5.5 (6.4) million, due to property divestments carried out in both the previous and current year.

Consolidated operating profit totalled EUR 10.0 (14.2) million, showing a year-on-year decrease of EUR 4.2 million, or 29.0 per cent. The decline in operating profit was due to business and property divestments, as well as the important international trade fair for plumbing and heating technology (ISH Frankfurt 2003) held in March.

Profit after financial items came to EUR 7.7 (9.3) million, accounting for 3.3 (3.6) per cent of net sales. Profit before taxes amounted to EUR 7.7 (9.3) million, while profit for the period totalled EUR 5.1 (6.1) million.

Earnings per share were EUR 0.14 (0.16) and equity per share was EUR 12.97 (13.47).

Investment and financing

The Group's gross investments of EUR 7.4 (8.0) million, mainly allocated to normal business development, were slightly lower than a year ago.

As a result of business and property divestments, net interest-bearing liabilities declined quickly, totalling EUR 199.3 (295.4) million at the period-end. The Group's solvency ratio rose to 53.8 (47.8) per cent despite the exceptionally high dividend of 55.5 (29.9) million, paid out at the end of March.

Net financial expenses fell to EUR 2.3 (4.9) million.

Markets

The overall market situation has largely remained unchanged since the end of 2002. However, the report period was characterised by increasing uncertainty about world economic developments due to the war in Iraq, which further eroded consumers' and investors' confidence in the future. At the same time, the hard winter - the coldest December-February period to hit Germany in 40 years - affected demand for housing construction, retarding the implementation of municipal engineering projects, in particular.

From Uponor's perspective, the German market was the hardest hit, as new housing projects have contracted for the fifth successive year. The German government has launched programmes aimed at supporting new housing and renovation and modernisation projects in order to stabilise the construction market and create jobs in the industry. Uponor has also initiated a restructuring programme, with a view to increasing operational efficiency in Central Europe.

In southern Europe (France included), demand mainly remained at a satisfactory level, Spain even showing an upward trend. The situation in the UK market was satisfactory: the number of residential building projects, both those in progress and completed, increasing to some extent. The substantial subsidies the British government has promised to earmark for residential and other building projects will pave the way for future growth opportunities.

In North America, housing starts that continued at a healthy level until the year-end slipped during January-February, but returned to their 2002 peak levels in March.

Key events

Pipe Systems

Uponor divested two of its non-core businesses during the report period. In February, it withdrew from in-house and house drainage production in Germany and Poland by selling its 51 per cent holding in Uponor Hausabflusstechnik GmbH and its subsidiary, Uponor Magnaplast Sp. z o.o, to Magnaplast Beteiligungs GmbH & Co KG, established by minority shareholders, for EUR 6.5 million. The sale, which included two production plants in Germany and Poland, has been effective retroactively since the beginning of 2003. With a combined staff of around 150, the divested companies generated net sales of approximately EUR 40 million in 2002.

In March, Uponor sold its shareholding in Uponor ETI Company, a U.S. subsidiary specialising in municipal water and sewage systems, to Extrusion Technologies, Inc., a company within the PW Eagle group, for USD 30-34 million, of which USD 22 million was paid cash at closing on 14 March. No gain was recognised from the transaction at this stage. With four production plants in the eastern and central parts of the U.S. and a staff of 300, Uponor ETI posted net sales of around USD 90 million in 2002.

These deals represent a major step forward in Uponor's strategic transformation, releasing capital for the development of the company's core business, housing solutions.

In March, Uponor exhibited at the ISH in Germany, the largest international trade fair for plumbing and heating technology. In line with the new brand strategy, it was the first time that all of the units operating under the Uponor brand were housed on the same stand, displaying new product offerings and providing information on systems to be launched in the near future. During the trade fair, Polytherm GmbH, an Uponor subsidiary, received a German innovation award for its work on the development of low-energy housing solutions.

In North America, demand for Uponor's plastic plumbing systems continued to grow briskly, boosted by successfully completed development projects such as a plastic valved manifold introduced last year, which has quickly won popularity among professional installers.

Uponor continued to make dedicated efforts to upgrade information systems in North America. With the increasing logistics efficiencies achieved, it closed down its Utah-based distribution facilities, re-deploying their operations to the extended distribution centre in Minnesota.

In the UK, the three-year agreement signed in 2000 with Transco on the supply of gas pipe systems was extended by two more years to the end of 2005.

Also in the UK, Uponor's subsidiary Radius Plastics, the provider of telecom installation ducting systems, concluded a three-year contract, valued at around EUR 6 million, with British Telecom for the supply of the so-called microglide products for bringing the broadband into buildings.

In Germany, Uponor delivered the first orders for its new sewer system based on welded pipe joints. This completely leak-proof sewer system is specifically designed for use in groundwater basins and other delicate areas.

The recently launched utilities plumbing system, Puriton™, which is designed for installation in areas with contaminated soil and is completely resistant to foreign smells and tastes, was upgraded with a tapping tee, a feature which will improve the system's market opportunities.

The No-Dig systems for subterranean piping renovation remained successful during the report period. For example, Uponor won a competitive bid for a million-euro piping renovation project in Copenhagen, Denmark.

Real Estate

During the report period, Uponor sold some of its real estate in Finland, such as the Asko store in Kotka and a wood-house property in Tampere, whose listed building was erected in the 19th century. Property sales totalled EUR 3.0 million, bringing in capital gains of EUR 1.6 million.

Other issues

In January, the Swedish Market Court rejected the complaint by Uponor's Swedish subsidiary against the decision taken on 18 December 2001 by the Stockholm Court of First Instance on anti-competitive practices, in violation of the Swedish Competition Law, during 1993-1995. The fines imposed on Uponor totalled around EUR 840,000.

Personnel

In January, Uponor Corporation's President and CEO, Jarmo Rytilahti, announced his retirement in the autumn of 2004, in line with the terms of his Executive Contract. The Board of Directors appointed Jan Lång (46), M.Sc. (Econ.) as the new CEO. He will join the company in early June and take up his duties as CEO on 1 August 2003, when Mr Rytilahti starts as Senior Executive Advisor, reporting to Pekka Paasikivi, Chairman of the Board of Directors.

Mr Rytilahti has been employed by Uponor Corporation for more than 20 years, first as Deputy CEO for eight years and as President and CEO for the past 12 years.

The reported average number of the Group's employees totalled 5,147 (5,428), while the period-end staffing level amounted to 4,940 (5,368), this reduction mainly due to divestments.

Annual General Meeting

Convened in Helsinki on 17 March 2003, the Annual General Meeting (AGM) adopted Uponor Corporation's and the Uponor Group's financial statements for 2003 and discharged the Board members and managing director from liability. It also confirmed a per-share dividend of EUR 1.50, paid on 27 March 2003.

The number of Board members remained at five. The AGM re-elected Matti Niemi, Pekka Paasikivi and Horst Rahn for a term of one year and elected Anne-Christine Silfverstolpe Nordin and Aimo Rajahalme as new members. Pekka Paasikivi will continue as Chairman of the Board of Directors, with Horst Rahn elected as Vice Chairman. Hannu Kokkonen and Niilo Pellonmaa, both long-term Board members, were not available for re-election.

The AGM appointed KPMG Wideri Oy Ab, Authorised Public Accountants, as the company's auditor, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor.

The AGM approved all of the proposals put forward by the Board of Directors. Among other things, the AGM resolved that the parallel name of the company in English is Uponor Corporation and further amended the provisions of the Articles of Association applying to the Board of Directors, rights to sign for the company and the notice of shareholders' meeting. In addition, the object of the company was extended to cover systems solutions for housing, infrastructure and environmental technologies.

Share capital and shares

Uponor Corporation's share capital is EUR 74,834,444. With a total of 37,417,222 shares, each share has a nominal value of EUR 2, entitling its holder to one vote.

The 2003 AGM authorised the Board of Directors to decide, within one year, to buy back and dispose of own shares, as well as to issue one or several convertible bonds, to issue stock options and to increase the share capital through one or several rights issues. In addition, the AGM decided to reduce the company's share capital by EUR 1,000,000 by invalidating 500,000 shares. The reduction of share capital was registered with the Trade Register on 21 March 2003.

Pursuant to the authorisation given by the AGM, the Board of Directors decided on 18 March 2003 to buy back a maximum of 1,400,000 own

shares. The company may use such shares for strengthening its capital structure or financing investments, in consideration of any company acquisitions and other industrial restructuring, or it can dispose of them in some other way or invalidate them. Based on previous authorisations, the company had 911,000 own shares at the beginning of the report period, of which 500,000 were invalidated by the AGM in March.

In March 2003, Uponor bought back a total of 5,000 own shares for EUR 87.499, quoted on the Helsinki Exchanges. At the end of the report period, it held 416,000 own shares, at a total nominal value of EUR 832,000, accounting for 1.1 per cent of the share capital and total votes. The share buyback will have no significant effect on the distribution of shareholdings and votes in the company.

The Board of Directors did not exercise its authorisation to issue shares and dispose of own shares during the report period.

Stock option plan

On the basis of Uponor's present stock option plan, the company has granted 560,000 A and B stock options to 50 key employees, entitling them to subscribe for an equal number of the company's shares, each at a par value of EUR 2. Pursuant to the share subscriptions based on these stock options, the company's share capital may increase by a maximum of EUR 1,120,000 and the number of shares by a maximum of 560,000.

The subscription price for stock option A is determined by the trade-weighted average of a Uponor share quoted on the Helsinki Exchanges in August 1999 and for stock option B the trade-weighted average quoted in August 2000, both added by 15 per cent. Dividends distributed after August 1999/2000 and before the subscription will be deducted from the subscription price. A dividend is deemed distributed on the record date of each dividend distribution.

After the dividend distribution in March 2003, the subscription price for stock option A is EUR 15.46 and for stock option B EUR 19.75. The shares are payable at subscription and they entitle their holders to a dividend for the same accounting period during which they were subscribed for. Any other shareholder entitlements will become effective once the increase of the share capital has been entered in the Trade Register.

No company shares have yet been subscribed for on the basis of the stock options. The share subscription period will expire on 31 August 2004.

Events after the report period

After the end of the report period, Uponor bought back 17,000 own shares for around EUR 0.3 million and now holds a total of 433,000 own shares.

Outlook

Developments in the housing construction industry are largely dependent on economic cycles. In this respect, there are no major signs of a change for the better in the short term.

Demand in the German construction industry is expected to remain low, whereas the construction market in the rest of Europe is likely to remain steady. Housing construction in the USA, which has long remained buoyant, is showing signs of a downward trend, but is likely to remain at a healthy level during 2003.

Due to the vigorous restructuring efforts successfully made within the company in the past few years, the restructuring programme initiated in Central Europe and the divestment of non-core parts, the Group estimates for the year as a whole that its core business will improve its profitability and achieve results which are at least at the same level as those of the previous year, when reckoning without the one-time restructuring costs already announced and assuming there will be no adverse change in the market outlook described above.

Uponor Oyj

Tarmo Anttila
Vice President, Corporate Communications

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Enclosure: Tables

Tables :

Income statement	1-3	1-3	1-12
MEUR	2003	2002	2002
Net sales	232.1	256.7	1,137.2
Other operating income	4.1	4.5	35.7
Operating profit	10.0	14.2	114.2
Financial expenses, net	-2.3	-4.9	-13.5
Profit after financial items	7.7	9.3	100.7
Extraordinary income	0.0	0.0	0.0
Extraordinary costs	0.0	0.0	0.0
Profit before taxes	7.7	9.3	100.7
Profit for the period (1)	5.1	6.1	64.2

Balance sheet	31 Mar	31 Mar	31 Dec
MEUR	2003	2002	2002
Intangible assets	98.3	112.4	102.8
Tangible assets	388.4	467.5	432.6
Securities and long-term investments	11.6	34.6	11.6
Inventories	166.6	183.3	166.5
Cash in hand and at bank	12.2	16.1	6.3
Other current assets	222.1	257.0	207.0
Shareholders' equity	480.3	503.9	540.1
Minority interest	1.1	7.8	5.4
Obligatory provisions	15.4	11.2	11.4
Long-term liabilities	117.2	220.7	142.5
Short-term liabilities	285.2	327.3	227.4
Balance sheet total	899.2	1,070.9	926.8

Cash flow statement	1-3	1-3	1-12
MEUR	2003	2002	2002
Cash flow from operations			
Net profit for the period	5.1	6.1	64.2
Sales gains	-4.1	-4.5	-35.3
Depreciations	16.5	18.8	74.7
Change in net working capital	-42.6	-11.3	14.1
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	-25.1	9.1	117.7
Cash flow from investments			
Gross investments in fixed assets	-7.4	-8.0	-42.4
Acquisition of shares	0.0	0.0	-2.6
Proceeds from sales of shares	26.3	0.0	30.9
Proceeds from sales of fixed assets	9.9	18.6	38.1
	<hr/>	<hr/>	<hr/>
	28.8	10.6	24.0
Cash flow from financing			
Dividends	-55.5	-29.9	-29.9
Net change of loans	57.3	-3.2	-134.8
Others	0.4	-1.6	-1.8
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	2.2	-34.7	-166.5
Change in cash	5.9	-15.0	-24.8
Liquid assets at 1. January	6.3	31.1	31.1
Liquid assets at end of period	<hr/>	<hr/>	<hr/>
	12.2	16.1	6.3

Changes according to balance sheet	5.9	-15.0	-24.8
Investments	1-3	1-3	1-12
MEUR	2003	2002	2002
Gross investments	7.4	8.0	45.0
Depreciation	16.5	18.8	74.7
Disposal of fixed assets	5.7	14.2	25.9
Personnel	1-3	1-3	1-12
	2003	2002	2002
- average number	5,147	5,428	5,393
- at the end of period	4,940	5,368	5,302
Financial indicators	1-3	1-3	1-12
	2003	2002	2002
Earnings per share, EUR	0.14	0.16	1.72
- fully diluted, EUR	0.14	0.16	1.72
Return on equity, %	4.0	4.7	11.8
Return on investment, %	5.9	7.2	14.8
Solvency ratio, %	53.8	47.8	58.9
Gearing, %	41	58	30
Equity per share, EUR	12.98	13.48	14.60
- fully diluted, EUR	12.97	13.47	14.58
Trading price of shares			
- low, EUR	16.85	18.05	16.51
- high, EUR	20.21	22.02	24.85
- average, EUR	18.24	20.10	19.98
Shares traded			
- 1000 pcs	4,678	3,862	13,511
- MEUR	85.3	77.6	270.0
Contingent liabilities	31 Mar	31 Mar	31 Dec
MEUR	2003	2002	2002
Group:			
Pledges			
- on own behalf	0.7	7.9	0.8
Mortgages	14.7	27.0	23.3
Guarantees			
- on behalf of a subsidiary	-	-	-
- on behalf of others	3.8	3.9	3.3
Leasing liabilities	54.6	56.9	53.6
Other contingent liabilities	5.0	-	4.9
Parent company:			
Pension liabilities	-	-	-
Pledges			
- on own behalf	-	-	-
Mortgages	-	-	-
Guarantees			
- on behalf of a subsidiary	57.7	149.0	70.0

Futures contracts	31 Mar	31 Mar	31 Dec
MEUR	2003	2002	2002
Interest derivatives			
- Interest rate options, bought	80.9	138.2	82.7
- Interest rate options, sold	108.4	172.6	111.3
- Interest rate swaps	10.0	10.0	10.0
Foreign currency derivatives			
- Forward agreements	6.9	-	5.0
- Currency options, bought	-	-	-
- Currency options, sold	-	-	-
Currency swaps	19.9	-	17.0
Electricity derivatives	2.0	-	1.1
Own shares	31 Mar	31 Mar	31 Dec
	2003	2002	2002
Own shares held by the company	416,000	540,000	911,000
- combined nominal value, EUR	832,000	1,080,000	1,822,000
- of share capital/voting rights, %	1.1%	1.4%	2.4%
Net sales by segment	1-3	1-3	1-12
MEUR	2003	2002	2002
Pipe Systems	226.4	250.1	1,112.9
Real Estate	5.5	6.4	23.7
Others	0.2	0.2	0.6
Group total	232.1	256.7	1,137.2
Operating profit by segment	1-3	1-3	1-12
MEUR	2003	2002	2002
Pipe Systems	9.1	9.1	83.9
Real Estate	3.3	5.9	30.9
Others	-2.4	-0.8	-0.6
Group total	10.0	14.2	114.2

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

The figures of this interim report have not been audited.