Uponor Corporation   Stock exchange release 27 April 2005 11:00

Q1 2005:
Uponor makes steady progress in spite of fall in net sales and results

- Net sales and results decreased as expected, as a result of restructuring
- Net sales from continuing operations came to EUR 222.2m (234.7m), a like-for-like change of 0.0%
- Operating profit EUR 13.7m (15.8m), down 13.3%, a like-for-like change of –16.5%
- Cash flow from business operations declined to EUR –9.0, (–6.2m)
- Earnings per share almost the same, EUR 0.13 (0.15)
- Return on investment at 13.3% (13.1%), solvency ratio at 52.7% (44.8%)

Comparable figures have been adjusted for divestments, restructuring expenses and exchange rate fluctuations. The figures in brackets are IFRS-compatible figures for Q1/2004.

CEO Jan Lång comments on the financial performance for the period:

- On the whole, we reported net sales and results as planned, although they remained lower than in the strong first quarter a year ago. As a result of restructuring, we have divested or discontinued several businesses and provided a solid basis for developing our business further.

- Group restructuring has brought us real efficiency gains, and a fall in our operating costs has mostly covered the strong growth in resin prices that began in mid-2004.

- Our market prospects and profit guidance remain unchanged although, for example, the German construction market's prospects look more uncertain.

Presentation material and teleconference:

Following the release of this report, the presentation material for the interim report will be available at
http://www.uponor.com/investors , under IR material.

Uponor will hold a teleconference in English for analysts today, at 5:00 p.m. Finnish time (London 3:00 p.m. and New York 10:00 a.m.) and those willing to join it should call (using a DTMF telephone) on +358 9 8248 4029, pin code 2119. We kindly request all callers to introduce themselves before asking questions.

Interim report for January–March 2005:

Summary

With no unexpected changes taking place in the housing and infrastructure technology market since the end of 2004, demand has remained largely at the same level since late last year. Year on year, demand in Germany was weaker during the first quarter of 2005, whereas residential construction in North America largely remained very buoyant. On the whole, consolidated net sales developed as planned.

Uponor completed its restructuring programme announced in December 2003, and the company's near-term business development is focused on building a single, unified Uponor. Aimed at harmonising processes, upgrading enterprise resource planning and developing the Uponor brand, the Group-wide projects underway are making good progress, supporting the company's efforts to increase efficiency and provide solid foundations for profitable growth.

Uponor continues to take determined steps to implement its core strategy. Its short-term goals include focusing on the development of core application offerings, and the full exploitation of the opportunities they provide by, for instance, developing a versatile range of services and products for professional installers, engineers and wholesalers.

IFRS-compliant financial statements

Beginning with this interim report, Uponor Group will prepare its financial statements in compliance with IFRS. During its transition to IFRS, Uponor applied the First-Time Adoption of IFRS, permitting certain exceptions and exemptions to be applied retrospectively to individual standards during the transition period. Its previous financial statements were based on the Finnish Accounting Standards (FAS).

At the end of March, Uponor released a report on the most significant effects of IFRS adoption on the consolidated financial statements, including the IFRS opening balance sheet 2004, comparative data for 2004 by quarter and IFRS accounting principles. That report can be found on the company's website at www.uponor.com.

Net sales

Uponor's consolidated net sales from continuing operations for the first quarter came to EUR 222.2 (234.7) million, down 5.3 per cent year on year, due mainly to divestments and closures related to restructuring measures. The impact of foreign exchange fluctuations totalled EUR –1.1 million.

Net sales by segment (January–March):

MEUR	1-3 2005	1-3 2004	Reported change	Comparable change
Central Europe	78.3	86.0	-9.0 %	-4.0 %
Nordic	61.2	56.5	8.3 %	7.2 %
Europe - West, East, South	70.8	77.6	-8.8 %	0.0 %
North America	33.0	33.9	-2.7 %	2.9 %
North America (USD)	43.1	41.9	2.9 %	2.9 %
Others	4.0	15.2		
Eliminations	-25.1	-22.5		
Total	222.2	246.7	-9.9 %	0.0 %
Continuing operations	222.2	234.7	-5.3 %	0.0 %
Discontinued operations		12.0		

Although net sales from continuing operations developed as planned, they did not improve from the strong first quarter of 2004 on a like-for-like basis. Comparability is further hindered by tax incentives in Germany, related to new housing and renovation and modernisation projects, which stimulated demand last year, as well as sales backlogs in the USA during Q1 2004 due to heavy demand. During the current year, weather conditions affected construction in some parts of Central Europe and North America, resulting in postponed construction projects. In addition, Easter arriving in March this year reduced the number of actual working days.

In the Nordic countries and North America, business showed favourable developments, whereas Central European sales declined. Uponor's sales in Europe – West, East, South were close to the previous year's level.

In the Nordic countries, especially plumbing system sales improved, thanks to the successful marketing of leak-proof installation methods and systems. Similarly, municipal infrastructure solutions reported growth in sales.

In North America, sales of the company's main brand, Uponor Wirsbo, continued its vigorous growth compared with a year ago. However, the Region's growth slowed down markedly over the previous year's figure, first-quarter 2004 sales including around EUR 5 million in postponed deliveries for late 2003. In addition, discontinuing the sales of two brands towards the end of 2004 affected the slow-down in sales.

In Central Europe, first-quarter demand in Germany was quieter than a year ago, resulting in lower sales, but sales growth in Germany's neighbours exceeded expectations.

Results and profitability

Continuing operations generated an operating profit of EUR 13.7 (15.8) million, down 13.3 per cent on the previous year.

Due to strong growth in resin prices in the second half of 2004, Uponor increased prices in different market areas, mainly during the first quarter of 2005, enabling the company to compensate for most of the resulting higher costs during 2005.

The restructuring programme, mainly focusing on Europe, resulted in improved cost efficiency during the second half of 2004, and this favourable trend has continued during the current year. The performance in North America was burdened by investments in production capacity as well as in strengthening the organisation to support growth, which did not yet bring returns.

Operating profit by segment (January–March):

MEUR	1-3 2005	1-3 2004	Reported change	Comparable change
Central Europe	8.3	9.4	-11.7 %	-15.3 %
Nordic	2.9	2.1	38.1 %	31.8 %
Europe - West, East, South	2.4	3.4	-29.4 %	-40.0 %
North America	2.4	3.9	-38.5 %	-35.4 %
North America (USD)	3.1	4.8	-35.4 %	-35.4 %
Others (incl. RE)	-0.6	-0.1		
Eliminations	-1.7	-1.1		
Total	13.7	17.6	-22.2 %	-16.5 %
Continuing operations	13.7	15.8	-13.3 %	-16.5 %
Discontinued operations		1.8		

Profit before taxes, EUR 13.5 (13.9) million, remained almost at the previous year's level. At a tax rate of 31 per cent (28 per cent), income tax charges totalled EUR 4.2 (3.8) million.

Net profit for the period was EUR 9.3. (11.3) million, of which continuing operations accounted for EUR 9.3 (10.1) million.

Earnings per share (diluted and undiluted) were EUR 0.13 (0.15). Equity per share, close to the previous year's level, was EUR 4.82 (4.85) and, diluted, EUR 4.82 (4.84).

Investment and financing

Group investment remained stable and at a relatively low level, with gross investment totalling EUR 7.9 (8.1) million, or 3.6 (3.3) per cent of net sales.

Solvency ratio rose markedly during the period, to 52.7 (44.8) per cent, while gearing improved to 24.1 (51.2). This major improvement in gearing is due to lower dividend payouts than the year before and an increase in shareholders' equity resulting from the divestment of the real estate business last November. Due to dividend payments, net interest-bearing liabilities, EUR 86.2 million, are temporarily higher than on the balance sheet date in 2004 (31 Dec. 2004: 33.6), but clearly lower than at the end of March a year ago (184.5).

Return on investment (ROI) showed a slight improvement to 13.3 (13.1) per cent, whereas return on equity (ROE) decreased to 9.9 (11.6) per cent.

In late February, Uponor Corporation concluded a syndicated credit agreement with seven international financial institutions. The five-year loan amounts to EUR 120 million, replacing the 2002 credit agreement valued at EUR 130 million. Due to favourable financial market conditions, Uponor decided to renew the agreement two years before the expiry of the previous one.

Key events

Central Europe
Uponor displayed a wide range of its solution offerings at the major international fair within the sanitation and heating industry, ISH, held in Frankfurt between 15 and 19 March. The company increased marketing efforts for its housing solution products, especially in the Czech Republic.

Nordic
In Sweden, Uponor continued to promote sales of leak-proof plumbing installations with the aim of increasing authorities' and insurance companies' knowledge of the role of these installation methods and systems in preventing moisture damage. Uponor provided professional installers with new training courses, giving participants the opportunity to earn a certification in water safe plumbing installations.

Initiated last year in order to improve customer services and cost efficiency, the integration of Uponor's two municipal infrastructure production units in Sweden was completed during the period under review.

Europe – West, East, South
In the U.K., Uponor was the first company to launch a new plastic sewer pipe competing effectively against conventional pipe materials. This new pipe withstands a pressure load of 4,000 psi (around 275 bar) during water jet cleaning, markedly exceeding the limit set by the official code of practice.

North America
The Uponor Wirsbo brand got a good press through recognition awards presented by two leading trade journals. During the report period, Uponor also made good progress in applying its system offerings to manufactured housing production.

In line with expectations, the state of Massachusetts announced the inclusion of PEX plumbing in its state residential plumbing code. Full state approval of PEX plumbing continues to be elusive in the state of California, where, however, many local jurisdictions allow its use.

Other events
In France, Uponor completed the divestment of Uponor Holding SA, engaged in the municipal infrastructure business, on 31 March 2005, in accordance with a letter of intent announced on 1 February 2005. Taking effect retrospectively as of the beginning of 2005, the deal had no impact on Uponor's financial results.

Similarly, the process of closing municipal infrastructure production and sales in Spain and Portugal is near completion.

On 14 March, Uponor sold the share capital of Asko Norge AS, a property company, to Skeidar Eijendom AS based in Norway. The transaction, at a debt-free value of approximately EUR 16.5 million, took effect retrospectively as of the beginning of 2005. The divestment formed part of Uponor's programme aimed at exiting non-core businesses. Late last year, Uponor had already disposed of all of its non-core property holdings in Finland, only one business property in Stockholm remaining unsold.

The end of March saw Uponor's withdrawal from the gas pipe business in South America, when the company shut down Uponor Aldyl SA's plant with a staff of around 40, close to Buenos Aires. This Argentine plant was the last unit in operation within the former Municipal Americas division, a non-core business.

Personnel and organisation

The reported number of Group employees averaged 4,320 (4,731), down by 411, while the period-end payroll consisted of 4,304 (4,745) employees, down by 441. The number of employees fell by 171 from the end of 2004. Personnel reductions were mainly due to the divestment of the municipal infrastructure business in France (90 employees) and other final measures related to the restructuring programme.

Central Europe and Europe – West, East, South showed the most vigorous fall in staffing levels, whereas the payroll grew in North America.

In February, the Group launched an updated training programme for its middle management, aimed at supporting Group strategy implementation by developing employee competencies and reinforcing international management resources within the Group. Uponor's goal for 2005–06 is for 100 middle managers to complete this programme.

Annual General Meeting

Held in Helsinki on 15 March 2005, Uponor Corporation's Annual General Meeting (AGM) adopted the parent company and consolidated financial statements for 2004 and discharged Board members and the Managing Director from liability. It also confirmed a dividend of EUR 0.70 per share, paid out on 30 March 2005.

The AGM re-elected Pekka Paasikivi (Chairman), Aimo Rajahalme (Vice Chairman), Anne-Christine Silfverstolpe Nordin and Rainer S. Simon and elected Metso Corporation's President and CEO Jorma Eloranta to the Board of Directors for a one-year term. Matti Niemi, long-serving Board member was not available for re-election. The number of Board members remained at five.

The AGM re-elected KPMG Oy Ab, Authorised Public Accountants, as the auditor.

The AGM decided to move the company's domicile from Lahti to Helsinki. As a result, it also confirmed amendments to the distribution of the notice of shareholders' meeting and the meeting venue.

The AGM also approved the Board's proposal to reduce share capital by cancelling own shares, and authorised the Board to decide to buy back own shares.

Share capital and shares

The trading volume of Uponor shares on the Helsinki Stock Exchange decreased to 9.3 (16.6) million while share turnover declined to EUR 143.2 (230.5) million. The market capitalisation totalled EUR 1.2 (0.9) billion at the end of the period. The number of shareholders was 6,003 (4,399).

At the end of March, Uponor Corporation's share capital amounted to EUR 149,640,888 and the number of shares totalled 74,820,444, each share having a nominal value of two euros. The AGM in March decided to reduce share capital by EUR 874,000 by cancelling 437,000 treasury shares. As a result of this cancellation, on 23 March the company's share capital totalled EUR 148,766,888 and the number of shares was 74,383,444.

The AGM authorised the Board to decide, by 15 March 2006, on the buyback of the company's own shares using distributable earnings from unrestricted equity. The combined par value of the shares to be bought back, together with the par value of own shares already held by the corporation, may not exceed the maximum lawful amount, 10 per cent, of the corporation's share capital and voting rights. The Board of Directors has no other authorisations.

Own shares
At the beginning of 2005, Uponor Corporation held 525,000 treasury shares. As a result of the cancellation of treasury shares, their number decreased to 88,000, their combined value totalling EUR 176,000.

On 15 March 2005, Uponor Corporation's Board of Directors decided to buy back its own shares for a maximum of EUR 1.5 million, based on the AGM's authorisation. While disclosing the annual accounts on 2 February 2005, the Board announced its plan to return EUR 20 million to shareholders during 2005 through the buyback programme.

Following the share buyback transactions initiated on 29 March 2005, the company held 97,200 treasury shares on 31 March 2005, 88,000 of which were entered in the book entry securities account. They accounted for 0.1 per cent of share capital and total votes entitled by all shares at the end of the period.

Events after the report period

Uponor continued to buy back its own shares during 1–5 April 2005, with the result that the company holds a total of 106,200 treasury shares.

Near-term outlook

By and large, near-term prospects look stable, although there are some uncertainties, especially in Germany where the favourable mood reported last year has dissipated and the construction market activity level is not expected to improve.

While Nordic demand is expected to continue its upward trend, demand in Europe – West, East, South is expected to remain at its current level. In North America, the first quarter of the year has continued buoyant in terms of residential construction indicators, but demand is expected to slacken from this exceptionally high level during the current year.

Uponor's corporate structure is stronger, and the restructuring programme announced in 2003 involving all geographic regions is now completed. As a result, cost efficiency has improved and the company has recorded financial results as planned.

Business for 2005 as a whole is expected to develop according to guidance previously provided. Organic growth in continuing operations is expected to be in line with long-term targets, and operating profit and margin to improve from 2004 levels. Similarly, full year cash flow from business operations is expected to remain strong.

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Appendix: Tables

CONSOLIDATED INCOME STATEMENT

MEUR	1-3/ 2005	1-3/ 2004	1-12/ 2004
Net sales	222.2	234.7	1,026.9
Cost of goods sold	149.5	157.6	686.8
Gross profit	72.7	77.1	340.1
Other operating income	-0.4	-0.3	-1.7
Expenses	59.4	61.6	246.6
Operating profit	13.7	15.8	95.2
Financial expenses, net	0.2	1.9	5.9
Profit before taxes	13.5	13.9	89.3
Income taxes (1)	4.2	3.8	25.5
Profit for the period from continuing operations	9.3	10.1	63.8
Profit for the period from discontinued operations	0.0	1.2	24.6
Profit for the period	9.3	11.3	88.4
Earnings per share, EUR			
Continuing operations	0.13	0.14	0.86
Discontinued operations	-	0.01	0.33
Total	0.13	0.15	1.19
Fully diluted earnings per share, EUR			
Continuing operations	0.13	0.14	0.86
Discontinued operations	-	0.01	0.33
Total	0.13	0.15	1.19

CONSOLIDATED BALANCE SHEET

MEUR	31.3. 2005	31.3. 2004	31.12. 2004
Fixed assets			
Intangible assets	75.3	74.7	74.9
Tangible assets	211.0	212.1	208.0
Investment property	10.8	102.6	26.7
Securities and long-term investments	23.5	14.8	21.0
Deferred tax assets	22.0	29.4	22.5
Total	342.6	433.6	353.1
Current assets			
Inventories	146.5	146.9	136.5
Trade and other receivables	178.3	214.6	170.7
Cash and cash equivalents	14.4	13.1	29.5
Total	339.2	374.6	336.7
Total assets	681.8	808.2	689.8

Shareholders' equity	357.9	359.5	397.0
Minority interest	0.0	0.9	0.0
Long-term liabilities			
Loans	6.5	16.4	6.6
Deferred tax liability	24.7	31.8	24.9
Employee benefits and other liabilities	44.7	81.5	45.4
Total	75.9	129.7	76.9
Obligatory provisions	19.7	18.6	20.4
Short-term liabilities			
Interest-bearing liabilities	76.5	126.0	40.7
Accounts payables and other short-term liabilities	151.8	173.5	154.8
Total	228.3	299.5	195.5
Total equity and liabilities	681.8	808.2	689.8

CONSOLIDATED CASH FLOW

MEUR	1-3/ 2005	1-3/ 2004	1-12/ 2004
Cash flow from operations			
Net profit for the period	9.3	11.3	88.4
Sales gains	-0.4	-0.6	-31.2
Depreciation	8.6	11.0	45.0
Change in net working capital	-26.5	-27.9	7.8
Cash flow adjustment items	0.0	0.0	4.1
	-9.0	-6.2	114.1
Cash flow from investments			
Share acquisitions	0.0	0.0	0.0
Share divestments	12.1	0.0	86.3
Investment in fixed assets	-7.9	-8.1	-37.8
Income from sales of fixed assets	1.1	5.3	27.9
	5.3	-2.8	76.4
Cash flow from financing			
Dividends	-52.0	-74.1	-106.9
Net change of loans	40.9	79.6	-69.5
Subscription of shares	0.0	0.0	4.6
Purchase of own shares	0.0	0.0	-4.9
Payment of finance lease liabilities	-0.5	-0.5	-1.3
Other financial items	0.2	0.2	0.1
	-11.4	5.2	-177.9
Change in cash	-15.1	-3.8	12.6
Cash and cash equivalents at 1 January	29.5	16.9	16.9
Cash and cash equivalents at end of period	14.4	13.1	29.5
Changes according to balance sheet	-15.1	-3.8	12.6

FINANCIAL INDICATORS

	1-3/ 2005	1-3/ 2004	1-12/ 2004
Earnings per share, EUR	0.13	0.15	1.19
- fully diluted	0.13	0.15	1.19
Return on equity, %, cumulative	9.9	11.6	21.7
Return on investment, %, cumulative	13.3	13.1	27.0
Solvency ratio, %	52.7	44.8	57.7
Gearing, %	24.1	51.2	8.5
Equity per share, EUR	4.82	4.85	5.34
- fully diluted	4.82	4.84	5.34
Trading price of shares			
- low, EUR	13.72	12.10	12.10
- high, EUR	16.95	13.78	15.00
- average, EUR	15.43	12.93	13.61
Shares traded			
- 1000 pcs	9,281	16,591	49,724
- MEUR	143	231	677

Comparable figures reported have been converted based on the bonus issue 2004.

INVESTMENTS

MEUR	1-3/ 2005	1-3/ 2004	1-12/ 2004
Gross investment	7.9	8.1	37.8
- % of net sales	3.6	3.3	3.5
Depreciation	8.6	11.0	45.0
Disposal of fixed assets	0.7	4.7	27.0

PERSONNEL

	1-3/ 2005	1-3/ 2004	1-12/ 2004
Average number	4,320	4,731	4,684
At the end of the period	4,304	4,745	4,475

OWN SHARES

	31.3. 2005	31.3. 2004	31.12. 2004
Own shares held by the company	88,000	85,000	525,000
- combined nominal value, EUR	176,000	170,000	1,050,000
- of share capital, %	0.1 %	1.1 %	0.7 %

SEGMENT INFORMATION

MEUR	1-3/ 2005	1-3/ 2004	1-12/ 2004
Net sales			
Central Europe	78.3	86.0	334.0
Nordic	61.2	56.5	290.6
Europe - West, East, South	70.8	77.6	330.0
North America	33.0	33.9	155.1
Others	4.0	15.2	60.2
Eliminations	-25.1	-22.5	-97.5
Total	222.2	246.7	1,072.4
Continuing operations	222.2	234.7	1,026.9
Discontinued operations	0.0	12.0	45.5
Operating profit			
Central Europe	8.3	9.4	39.6
Nordic	2.9	2.1	32.0
Europe - West, East, South	2.4	3.4	16.4
North America	2.4	3.9	22.2
Others	-0.6	-0.1	28.5
Eliminations	-1.7	-1.1	-8.1
Total	13.7	17.6	130.6
Continuing operations	13.7	15.8	95.2
Discontinued operations	0.0	1.8	35.4

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR	Share capital	Share premium	Fair value and other reserves	Retained earnings	Total
Balance at 1 January 2004	74.8	103.2	7.0	232.7	417.7
Cancelling of shares	-1.1	1.1			0.0
Dividend paid (EUR 2.00 per share)				-74.1	-74.1
Translation adjustments and other items				4.6	4.6
Net profit for the period				11.3	11.3
Balance at 31 March 2004	73.7	104.3	7.0	174.5	359.5
Balance at 1 January 2005 (*	149.6	33.0	7.7	206.7	397.0
Cancelling of shares	-0.9	0.9			0.0
Dividend paid (EUR 0.70 per share)				-52.0	-52.0
Translation adjustments and other items				3.6	3.6
Net profit for the period				9.3	9.3
Balance at 31 March 2005	148.7	33.9	7.7	167.6	357.9

*) Standards IAS 32 and 39 concerning financial instruments have been applied from 1 January 2005 (IFRS 1 exemption). Effect from the adoption of these standards was insignificant.

CONTINGENT LIABILITIES

MEUR	31.3. 2005	31.3. 2004	31.12. 2004
Group:			
Pledges			
- on own behalf	0.6	0.7	0.6
Mortgages			
- on own behalf	3.1	5.3	3.4
Guarantees			
- on behalf of associated companies	-	9.1	-
- on behalf of others	2.4	3.3	13.1
Leasing liabilities	22.5	24.7	22.6
Parent company:			
Guarantees			
- on behalf of a subsidiary	16.3	35.1	23.9
- on behalf of others	10.5	-	10.6

FUTURES CONTRACTS

MEUR	Nominal value 31.3. 2005	Fair value 31.03. 2005	Nominal value 31.03. 2004	Nominal value 31.12. 2004	Fair value 31.12. 2004
Interest derivatives					
- Interest rate options, bought	30.0	-	89.5	45.0	-
- Interest rate options, sold	30.0	-	114.1	45.0	-
- Interest rate swaps	-	-	10.0	-	-
Foreign currency derivatives					
- Forward agreements	22.6	-0.2	23.3	7.7	0.1
Commodity derivatives					
Forward agreements	1.3	0.1	1.6	2.1	-0.1
Currency swaps	1.5	-	2.3	-	-

Standards IAS 32 and 39 concerning financial instruments have been applied from 1 January 2005 (IFRS 1 exemption).

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

The figures in this interim report have not been audited.