Interim report
1 Jan.–30 June 2000

uponor

Uponor continues strong in profitability and growth

The Group's industrial transformation was completed

- Demand continued to be brisk in all business areas
- Net sales of EUR 730.6 million, an increase of 14%
- Comparable increase of net sales 24.3%
- Operating profit of EUR 57.8 million, an increase of 41%
- Result after financial items EUR 46.1 million, an increase of 56%
- The sale of the Asko Appliances and Upofloor Flooring Divisions concluded the long string of non-core industrial divestments

Net sales and result

The Uponor Group's net sales during the first half of the year 2000 amounted to EUR 730.6 (1–6/1999: 638.6) million, which is 14% higher than the previous year. Considering the divestments carried out during this period, the comparable increase of net sales was 24.3%. Sales increased in all business areas. In the core business area, Uponor Plastic Pipe Systems, the strongest sales growth was recorded in the Utilities Division.

The consolidated figures include the divested Asko Appliances Division until the end of May and the Upofloor Flooring Division until the end of June. The 1999 figures comprised Asko Furniture until 31 March.

The good sales activity during the first half of the year was a result of the keen demand in the construction industry in all main markets, increased customer interest in new product systems as well as higher product prices due to increased plastic resin prices.

The Group's operating profit was EUR 57.8 (40.9) million. It grew by 41% from the equivalent period in the previous year. The growth was strongest in the Uponor Plastic Pipe Systems Division, whose operating profit rose by EUR 18.5 million, or 67 per cent.

The Group's net interest-bearing liabilities amounted to EUR 406 (460) million. Solvency ratio was 41.3% (37.0%). Net financial expenses amounted to EUR 11.7 (11.3) million. The Group's result after financial items was EUR 46.1 (29.6) million, which was 6.3 % of net sales (4.6%).

The Uponor Group's result before taxes amounted to EUR 56.2 (53.6) million. The figures include an extraordinary net income of EUR 10.1 million from the sale of the Asko Appliances and Upofloor Flooring Divisions. The numbers for 1999 included an extra-ordinary income of EUR 25.2 million from the sale of the furniture division.

The profit for the period was EUR 37.6 million (36.3).

Earnings per share came to EUR 0.74 (0.50) and shareholders' equity per share was EUR 13.17 (11.70).

Investments and financing

The Uponor Group's gross investments totalled EUR 46.8 (93.0) million, the main part of which, 86%, was directed towards the core business area. Due to the divestments, the Group's balance sheet grew stronger and its financial position improved. The Group's gearing declined below 80%. Higher price levels of plastic resins leading to higher product prices increased the net working capital of the core business.
Due to a general increase in interest rate levels, net financial expenses were, despite the stronger balance sheet, slightly higher than in the corresponding period of the previous year.

Markets

The demand in central and northern Europe has remained keen during the period at hand. The stimulation of the German market, which started in the beginning of the winter, has continued. The North American building market remained brisk despite increased uncertainty concerning the development of the U.S. economy.

The demand for *plumbing and heating systems* continued strong both in Europe and in North America. Demand grew stronger in the Nordic countries and also the development of the important German market was favourable. The higher fuel prices reduced the demand of the new motor home and recreational vehicle industry market area in the United States.

The strongest growth was recorded in plumbing systems. Both multilayer and PE-X pipes won market shares from competitive products. Sales of under-floor heating systems also grew in Germany, France and Italy.

Competition on the markets will intensify as new entrepreneurs and new products are entering the market.

Building and environment technology product sales continued brisk in the Nordic countries and sales were stimulated in Germany. The demand increased also in the Baltic countries and Russia. Consolidation of the building-related wholesale and retail trade continued in northern Europe.

Utilities sales were on a high level in the United States but demand was satisfactory also in Great Britain and on continental Europe. The growth is, among other things, due to the good market situation in the countries, where the division is operating, as well as the data communication network investments that continued strong in most market areas. The increase of sales of the new high value-added systems has clearly grown from the previous year.

The currency based increase of the sales has been influenced by both the risen raw material prices and thus through a higher price level of the final products, in addition to the strengthening of the currencies in the main market areas of the United States and Great Britain.

The utilities market is going through a structural change both at a regional and international level. Services are being privatised, they merge and become big international companies, some of which will specialise, while others extend their operations horizontally. In the short term this development changes traditional market patterns but in the longer term it provides an opportunity to launch new services for the new needs of the markets.

During the early part of the year the prices of plastic raw materials rose to a record level due to high prices for oil and petrochemical products. The prices have stayed high through the second quarter of the year, after which they are likely to start a slightly declining turn towards the end of the year.

Income statement MEUR

Income statement MEUR	1–6/2000	1–6/1999	1–12/1999
Net sales	730.6	638.6	1 346.8
Expenses	672.8	597.7	1 239.4
Operating profit	57.8	40.9	107.4
Financial expenses. net	11.7	11.3	18.7
Profit after financial items	46.1	29.6	88.7
Extraordinary income	10.1	24.0	27.6
Extraordinary costs	0.0	0.0	5.3
Profit before taxes	56.2	53.6	111.0
Profit for the period	37.6	36.3	76.3

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

Balance sheet MEUR

Balance sheet MEUR	6/2000	6/1999	12/1999
Intangible assets	138.5	137.1	139.1
Tangible assets	537.5	553.0	587.3
Securities and long-term investments	28.3	40.0	33.0
Stocks	206.5	213.6	211.5
Cash in hand and banks	55.9	41.0	57.3
Other liquid assets	286.7	270.0	238.7
Shareholders´ equity	507.6	452.4	495.0
Minority interest	8.1	11.8	9.1
Obligatory provisions	8.9	16.3	16.8
Long-term liabilities	413.7	418.5	404.7
Short-term liabilities	315.1	355.7	341.3
Balance Sheet total	1.253.4	1.254.7	1 266.9

Financial indicators

Financial indicators	1–6/2000	1–6/1999	1–12/1999
Earnings per share. EUR	0.74	0.50	1.58
Return on equity. %	11.5	8.4	13.3
Return on investment. %	12.2	9.1	12.4
Solvency ratio. %	41.30	37.00	39.90
Gearing	78.70	99.00	84.00
Equity per share. EUR	13.17	11.70	12.78
Trading price of shares			
- low. EUR	15.80	12.20	12.28
- high. EUR	21.00	17.50	17.83
- average. EUR	18.68	15.10	15.88
Shares traded			
- 1000 pcs	6 387	9 740	22 865
- MEUR	119.3	147.3	363.0

Contingent liabilities MEUR

Contingent liabilities MEUR	6/2000	6/1999	12/1999
Pledges			
- on own behalf	11.2	27.4	8.1
Mortgages	39.7	195.6	91.2
Guarantees			
- on own behalf	0.9	0.0	0.3
- on behalf of others	9.7	1.0	1.1
Leasing liabilities	44.8	29.8	55.4
Other contingent liabilities	0.0	5.7	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	53.3	0.0
Guarantees			
- on behalf of Group companies	168.8	61.7	194.1

Derivatives MEUR

	6/2000	6/1999	12/1999
1. Interest derivatives			
Interest rate options. bought	49.6	67.1	54.0
Interest rate options. sold	39.0	45.2	38.0
2. Foreign currency derivatives			
Currency forwards	24.8	54.3	33.0
Currency options. bought	0.0	6.2	2.0
Currency options. sold	0.0	11.4	0.0
3. Currency swap	0.0	7.2	7.0

Gross investment MEUR

	1 - 6/2000	1 – 6/1999	1-12/1999
	46.8	93.0	154.3

Personnel

	1–6/2000	1–6/1999	1–12/1999
- average	7,028	7,269	7,451

Treasury shares

	6/2000	6/1999	12/1999
Treasury shares	185,000	0	185,000
- nominal value of which, EUR	370,000	0	370,000
- % of share capital/voting power	0.47	0	0.47

Net sales by division MEUR

	1–6/2000	1–6/1999	1–12/1999
Uponor Plastic Pipe Systems	593.1	466.6	1 020.9
Asko Appliances*	81.0	92.3	198.8
Upofloor Flooring	35.1	30.4	62.2
Asko Real Estate	13.8	13.3	26.5
Others	7.6	36.0	38.4
Uponor Group	730.6	638.6	1 346.8

Operating profit by division MEUR

	1–6/2000	1–6/1999	1–12/1999
Uponor Plastic Pipe Systems	46.2	27.7	79.0
Asko Appliances*	3.8	2.7	9.4
Upofloor Flooring	2.5	0.7	3.5
Asko Real Estate	7.1	5.4	10.5
Others	-1.8	4.4	4.9
Uponor Group	57.8	40.9	107.4

*included only for the period January—May in the year 2000.

The figures of this interim report have not been audited.

Events

Uponor Oyj and the Antonio Merloni Group signed an agreement on the sale of Uponor's Asko Appliances Division's business and assets to the Italian group in April. The deal, worth ca. EUR 75 million, was concluded on 31 May 2000. In 1999 Asko Appliances' net sales rose to approximately EUR 200 million and it employed a staff of 1,100 people.

In May Uponor published the agreement on the sale of the share capital of Upofloor Oy to a Finnish company. The deal was concluded on 30 June 2000. The buyer is a new company whose main owners are funds managed by SFK Finance Ltd. and Capman Capital Management Ltd, the flooring company Oy Karelia Parketti Ltd. owned by Heikki Väänänen and his family, and the management of Upofloor Oy. The shares were sold for approx. EUR 12.6 million, and the total value of the deal, including net interest-bearing liabilities, is EUR 38.3 million. Upofloor's net sales in 1999 amounted to EUR 62 million (about FIM 370 million) and the number of employees was close to 460.

These divestments put an end to the long string of industrial divestments of non-core businesses that began in the mid 1990's. In line with the strategy, the formerly diversified company has become a single-industry company and a world-market leader in its core business, focusing on advanced plastic pipe systems.

In June, Wirsbo Company, the U.S. subsidiary, got a certification for its new sprinkler system designed for fire protection in homes. The system is patented in the U.S. and international patents are pending. The new system, which is combined with the building's plumbing system, is the first of its kind in the market, and market introduction in North America will take place during the latter part of the year.

The Ecoflex unit of Uponor made a significant contract in June by concluding an agreement worth of EUR 3.4 million to supply a water pipe network in Bucharest, the capital of Romania. The system consisting of pre-insulated Ecoflex pipe and polyethylene water pipe will be used for the renovation of 120 km of an old water pipe network.

In North America, the plans for the extension of the new plant in St. John, Canada, were started in order to meet the increasing demand.

A significant contract for the supply of telecom ducting systems to Tele Danmark was made in Denmark. Tele Danmark is the biggest supplier of telecommunication services in Denmark. The deal is a framework agreement for over 3 years and worth EUR 1.3–2 million per year. Deliveries to all Tele Danmark's domestic projects started 1 July 2000.

Another important break-through was made on the Danish municipal market, as Uponor A/S won a large contract, worth of about EUR 0.8 million, for the supply of sewer systems in Odense. The award was especially remarkable therefore that the customer value in plastic pipe systems outwon the cheaper price of the rivalling concrete products.

In Spain Uponor concluded a groundbreaking long-term agreement on the supply of 20,000 plastic chambers to the Sevilla area.

A new generation drainage and sewerage products representing a new design were introduced into the Finnish market. Demand for these products has exceeded expectations. In the beginning of the summer Uponor initiated a ventilation co-operation with Vallox Oy in Finland. Uponor will supply Vallox with plastic indoor ventilation channel pipes and related fittings.

Personnel and group structure

The Group's average number of personnel during the period was 7,028 (7,269) persons. In the end of June, after the company divestments, the number of personnel was 6.009 persons.

The following appointments in the Divisions management have come into effect during the period: Keith Lyons (UK) was appointed President of Plumbing and Heating Systems division starting 1 April 2000. Keith Lyons was the former President of the Utilities division. Frank Bailor (U.S.), Director of North American Hot Water Systems business, was appointed President of the Utilities Division effective 1 June.

The decentralisation of the Technology division's activities into the business divisions was concluded and the Technology division was closed as of 1 June. The aim is to further intensify customer orientation in the Group's development work.

Share capital and shares

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

The total amount of treasury shares, 185,000, remained unchanged during the period, the nominal value of which is calculated in its entirety 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 share options to the Group's key personnel as part of an incentive programme. Of these options, 588,000 units have been issued and 212,000 units are yet to be issued as of the end of the period under review.

The Annual General Meeting on 21 March, 2000 authorised the company's Board of Directors to make decision regarding the acquisition and transfer of the Company's own shares, issues of convertible bonds and options, and an increase in the share capital during the next year. The board has not used the authorities given to it during the period under review.

According to the announcement that Uponor Oyj received in June, a group comprising Insurance Company Sampo Oyj and Leonia Oyj, has exceeded 10 per cent of the shares and votes of Uponor Oyj as a consequence of a transaction made on 6 June, 2000. The new group is controlled by the parent company Insurance Company Sampo Oyj. According to the announcement that Uponor Oyj received in July, the above-mentioned group's share and vote ownership of Uponor Oyj declined below 10 per cent following changes in the articles of association of Leonia Fund Management Company Ltd and Leonia MM Fund Management Company Ltd, which are part of Sampo Oyj.

Outlook

The Group's outlook for the second half of the year is favourable. Demand should continue to be brisk in most market areas. Rising interest rates, however, can in the longer term slow down the general economic development.

The growth of the Group's businesses is expected to continue to be strong. The Group's result after financial items is estimated to remain on the same level as the previous year despite the divestments made, due to the fact that the profit of the core business, Plastic Pipe Systems, is expected to be better than last year.

Espoo, 1 August 2000

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