

Interim report
1 Jan.—30 June 2001



 **Uponor**

Uponor maintained its position in the weakened market

Summary

- ◆ Net sales EUR 596.4 million (730.6), comparably at the level of the previous year
- ◆ Operating profit EUR 39.8 million (57.8), comparable change EUR -11.4 million
- ◆ Profit after financial items EUR 31.6 million (46.1)
- ◆ Profit for the entire year satisfactory although lower than in the previous year

Net sales and profit

Net sales of the Uponor Group for the first half of the year 2001 amounted to EUR 596.4 million (EUR 730.6 million in January-June 2000), which is EUR 134.2 million less than in the previous year. The decline in the net sales is a result of the divestments in conjunction with the structural change carried out in the previous year. The comparable net sales remained at the level of the previous year.

The most important business division, Plumbing and Heating, increased its net sales by 7.7% from the previous year. The comparable net sales of the Building and Environment division decreased by EUR 11 million (8.5%) as a result of the weakened demand, in particular in the German market, and the shutdown of bulk production according to the selected strategy. The net sales of the Utilities division was 7.4% lower than in the year before owing to weakened demand and lower market prices.

The net sales of Asko Real Estate remained at the level of the previous year.

The Group's operating profit totalled EUR 39.8 million (57.8), which is EUR 11.4 million less than the comparable operating profit for the corresponding period of 2000. In addition to sales of business operations, the reduction in the operating profit was mainly caused by the heavily weakened profitabil-

ity of the utilities business in North America.

The Group's profit after financial items amounted to EUR 31.6 million (46.1), equalling 5.3% of the net sales (6.3%). Profit before taxes totalled EUR 28.9 million (56.2). Profit for the period was EUR 19.6 million (37.6).

Earnings per share amounted to EUR 0.56 (0.74) and shareholders' equity per share was EUR 13.71 (13.17).

Investments and financing

As a consequence of the major investment programme of the past four years, the Group's investment needs have been less significant and focused on the enhancement of productivity. Gross investments in January-June amounted to EUR 26.2 million (46.8).

The Group's net interest-bearing liabilities at the end of the period totalled EUR 373.6 million (on 30 June 2000 EUR 406 million).

Solvency was 45.1% (41.3%). Net financial expenses totalled EUR 8.2 million (11.7).

Market

The insecurity about the future development of world economy, strengthened by the economic slow down in the United States, had an impact on the construction market during the first half of the year, and the demand for products related to the construction sector continued to weaken in most market areas. The net sales of the Group's largest division, Plumbing and Heating, developed in a satisfactory way in all main markets, excluding Germany. The most positive development took place in North America. In Germany, the heavily reduced construction market caused a decline in Uponor's net sales, although Uponor, as the technology

leader of the sector, managed to strengthen its market position in the tightening competitive situation.

The demand in the Building and Environment sector continued satisfactory in Northern Europe. In Spain and Portugal, the demand picked up clearly as the weather conditions normalised after the exceptional first part of the year.

Sales of the products in the Utilities sector declined, particularly in the United States. In Europe, the demand has weakened mostly in telecommunication systems, where operators focus on utilising the existing networks instead of constructing new ones.

Changes in the prices of raw materials for plastic have levelled out during the period. At the end of the period under review, the prices had settled at the level of the turn of the year.

Events

Plumbing and Heating

The U.S. sales of the AquaSafe sprinkler system, introduced last autumn, have started as anticipated. In Canada, AquaSafe was included in a Government-funded test burn comprising several buildings. The product's test results were good, and it received a great deal of attention among the officials.

The structural reform of the division progressed both in Europe and in North America. The objective of the reform is a more streamlined structure and enhanced utilisation of synergy benefits.

Building and Environment

New product systems, in particular, progressed positively. The sales of the UponorVent ventilation system, introduced into the Finnish market last year, have developed according to targets and the feedback from the market has been good. Also, the sales of biological water treatment

units in Germany grew as anticipated.

Utilities

Owing to the weakened demand for products of the utilities sector, Uponor has made adjustments in its production in the United States, France, Great Britain, and Germany.

In June, Uponor sold to the South-African DPI Plastics Ltd a license to use Uponor's MOPVC technology, based on a continuous process, on the African continent.

Asko Real Estate

The sales of the company's real estate property was continued according to the strategy during the period under review. The total value of sales during the first half of the year was approximately EUR 17 million, which produced a sales gain of EUR 6.6 million.

Other

In May, Uponor Oyj sold its 25% holding in Conenor Oy to Conenor. In conjunction with this operation, Uponor signed a license agreement on the exclusive right to use the Conex multilayer production technology in pipe applications worldwide.

Personnel

Measures aimed at enhancing the Group's operational efficiency have been continued during the period under review. As a consequence, the Group's number of personnel will be reduced by approximately 300, mainly in North America, Great Britain, Germany, and the Nordic countries.

The number of the Group's personnel during the period under review was on average 5,824 (7,028), and at the end of the period it was 5,827.

Share capital and shares

Uponor Oyj's share capital is EUR 76,434,444.00. The number of shares with a par value of EUR 2 is 38,217,222, each of which entitles the shareholder to one vote.

In January-June, Uponor Oyj repurchased 378,800 of its own

shares from the market. In compliance with the decision made by the Annual General Meeting on 13 March, 2001, 500,000 shares of the 620,000 shares in the possession of the company at the date of the decision were cancelled. During April-June, the company repurchased a total of 239,000 of its own shares. At the end of the period under review, the number of own shares held by the company was 359,000, with an aggregate par value of EUR 718,000. The company's own shares represented 0.94% of the share capital and the total number of voting rights.

In April, on the basis of the authorisation issued by the AGM, the company took measures to sell the shares on the book-entry account that had not been transferred into the book-entry system. The number of shares on the account was 9,965 on 3 August 2001.

The Extraordinary Annual Meeting of 3 September, 1999, authorised the Board of Directors to issue 800,000 options to key Group staff as a part of the management's incentive system. At the end of the period under review, 236,500 of these options had not yet been issued.

Events after the period under review

After the period under review, Uponor has continued to repurchase its own shares and acquired 91,000 of the company's own shares. At the date when this report is issued, the company holds 450,000 own shares.

Outlook

General economic prospects have weakened during the course of this year, both in North America and in Europe.

Net sales by division MEUR	1-6 2001	1-6 2000	1-12 2000
Uponor Plastic Pipe Systems	582.8	593.1	1 199.8
Asko Appliances	0.0	81.0	81.0
Upofloor	0.0	35.1	35.1
Asko Real Estate	13.1	13.8	28.0
Others	0.5	7.6	11.7
Uponor Group	596.4	730.6	1 355.6
Operating profit by division MEUR	1-6 2001	1-6 2000	1-12 2000
Uponor Plastic Pipe Systems	30.6	46.2	91.3
Asko Appliances	0.0	3.8	3.5
Upofloor	0.0	2.5	2.5
Asko Real Estate	12.8	7.1	15.5
Others	-3.6	-1.8	-0.1
Uponor Group	39.8	57.8	112.7
Financial indicators MEUR	1-6 2001	1-6 2000	1-12 2000
Earnings per share, EUR	0.56	0.74	1.74
Return on equity, %	8.3	11.5	12.8
Return on investment, %	9.5	12.2	13.2
Solvency ratio, %	45.1	41.3	48.3
Gearing	66.9	78.7	57.0
Equity per share, EUR	13.71	13.17	14.03
Exchange price of shares			
- low, EUR	14.30	15.80	15.80
- high, EUR	19.30	21.00	21.00
- average, EUR	17.52	18.68	18.73
Shares traded			
- 1000 pcs	4 876	6 387	10 860
- MEUR	85.4	119.3	203.4

Income statement	1-6	1-6	1-12
MEUR	2001	2000	2000
Net Sales	596.4	730.6	1 355.6
Expenses	556.6	672.8	1 242.9
Operating profit	39.8	57.8	112.7
Financial expenses, net	8.2	11.7	-15.9
Profit after financial items	31.6	46.1	96.8
Extraordinary income	0.2	10.1	9.0
Extraordinary costs	2.9	0.0	0.0
Profit before taxes	28.9	56.2	105.8
Profit for the period	19.6	37.6	77.4
<i>The taxes have been calculated to correspond the result for the period.</i>			
Balance sheet	30 June	30 June	31 Dec.
MEUR	2001	2000	2000
Intangible assets	120.2	138.5	125.1
Tangible assets	500.3	537.5	506.9
Securities and long-term investments	31.3	28.3	36.2
Stocks	197.4	206.5	187.6
Cash in hand and banks	18.5	55.9	28.6
Other current assets	307.9	286.7	246.0
Shareholders' equity	522.6	507.6	536.5
Minority interest	8.0	8.1	8.0
Obligatory provisions	14.5	8.9	14.9
Long-term liabilities	250.1	413.7	281.1
Short-term liabilities	380.4	315.1	289.9
Balance sheet total	1 175.6	1 253.4	1 130.4
Contingent liabilities	30 June	30 June	31 Dec.
MEUR	2001	2000	2000
Pledges			
- on own behalf	13.1	11.2	7.1
Mortgages	30.6	39.7	34.7
Guarantees			
- on own behalf	0.0	0.9	-
- on behalf of others	2.7	9.7	3.0
Leasing liabilities	58.3	44.8	58.4
Other contingent liabilities	1.3	-	0.3
Parent company			
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	181.2	168.8	153.4
Futures contracts	30.6.	30.6.	31.12.
MEUR	2001	2000	2000
1. Interest derivatives			
Interest rate options, bought	41.6	49.6	50.2
Interest rate options, sold	41.6	39.0	39.5
2. Foreign currency derivatives			
Forward agreements	11.7	24.8	11.5
Currency options, bought	0.0	0.0	-
Currency options, sold	0.0	0.0	-
3. Currency swap	0.0	0.0	-

The figures of the interim report have not been audited.

As regards Uponor's business divisions, the demand is expected to continue at a satisfactory level in Plumbing and Heating and in Building and Environment. The development of Utilities may be slow owing to the exceptional market conditions in North America, and the postponing of broadband investments in Europe.

During the early months of the year, the Group started a programme aimed at the enhancement of internal efficiency in the entire Group. The results of this programme will become tangible during the latter part of the year, and will be realised in full in the following year.

Uponor's profit after financial items is expected to remain at a satisfactory level, but remain below the level of the previous year as a result of the weakened market prospects.

Espoo, 7 August 2001

Uponor Oyj
Board of Directors