

Interim report
1 Jan.–30 Sept. 2000



 **Uponor**

Uponor continues to grow

Summary

- ◆ Demand continued brisk in all business areas, a slight decrease in Germany and the USA
- ◆ Net sales of EUR 1,060.6 million, up 6.5%; comparable increase of 20.8%
- ◆ Operating profit of EUR 97.1 million, up 14.2%; comparable increase of 20.2%
- ◆ Profit after financial items EUR 80.0 million, up 17.6%

Net sales and profit

The Uponor Group's net sales for January–September totalled EUR 1,060.6 million (1–9/1999: 996.0m), which is 6.5% higher than the previous year's figure. Considering the corporate restructuring carried out during the current and previous year, the comparable increase in net sales was 20.8%. Uponor Plastic Pipe Systems' net sales grew by 22.1% to reach EUR 914.4 million (749.0m).

The Group's operating profit was EUR 97.1 million (85.0m), representing an increase of 14.2% versus last year. Operating profit for Uponor Plastic Pipe Systems was EUR 77.4 million (63.8m), up 21.3% versus 1999.

The Group's net interest-bearing liabilities totalled EUR 346 million (428m). Solvency ratio improved to 45.0% (37.5%). Net financial expenses amounted to EUR 17.1 million (17.0m). Profit after financial items totalled EUR 80.0 million (68.0m), accounting for 7.4% (6.8%) of net sales.

Profit before taxes was EUR 92.8 million (94.0m), including an extraordinary net income of EUR 12.8 million due to the sale of the appliances and flooring divisions and a refund from the Swedish SPP pension company. The 1999 figures included an extraordinary income of EUR 25.2 million from the sale of the furniture division.

Net profit for the period totalled EUR 62.3 million (62.0m).

Earnings per share totalled 1.32 euros (0.92) and equity per share 13.89 euros (12.30).

Investments and financing

Gross investment at EUR 62.3 million (114.0m) was in line with depreciation according to plan, which amounted to EUR 62.1 million (45.7m). Net investment totalled EUR –2.3 million (92.7m). The divestments carried out have resulted in a stronger consolidated balance sheet and have improved the Group's financial position. Gearing ratio declined to 64%.

Higher plastic resin prices and higher product prices increased the net working capital of the core business, Uponor Plastic Pipe Systems. Due to the increase in interest rates, net financial expenses were higher than a year earlier despite the stronger balance sheet.

In August Uponor signed a programme concerning domestic commercial papers, worth EUR 100 million, for the Group's short-term financing requirements.

Markets

Demand in the building industry remained relatively strong in key markets during the third quarter. The German building industry, however, started a slight decline towards the summer, after the strong demand during the first half of the year. Demand in the U.S. building market also fell slightly but remained on a healthy level. Nordic demand remained strong.

Plumbing systems and optical fibre installation systems for telecommunications networks experienced the strongest growth of all the Group's businesses.

Competition has intensified considerably during the report period. This is mainly caused by structural changes in the industry and in the distribution chain.

The long-lasting upward trend in resin prices came to a halt in the summer. In the autumn the prices started another moderate rise, reflecting the continued increase in the raw material prices for polyethylene and PVC.

Events

In July, Uponor's U.S. subsidiary Wirsbo Company introduced a new sprinkler system designed for fire protection in homes. The system incorporated into the indoor plumbing system has been issued a patent in the U.S., and patents are pending in the international markets. During the autumn, marketing efforts for the system will be launched in North America.

Unicor GmbH Rahn Plastmaschinen, Uponor's German subsidiary, struck a EUR 50 million deal on supplying a Chinese company, Shenyang Ginde, with the manufacturing technology of composite pipes. The technology deal, unusually sizable in nature, includes the total supply of 50 pipe production lines. The deal strengthens Unicor's position as the leading provider of composite pipe technology in the world. It will also make the company number one in China, where the plumbing and heating systems markets are burgeoning. The contract will open up new possibilities for Uponor to export other system components to China.

Two European manufacturing plants increased capacity to meet the growing demand for composite pipes. Great strides were also made in the U.S. when, after years of work, multi-layer composite pipe was approved for use in a key U.S. plumbing code.

In Brazil, Uponor concluded a two-year agreement worth 1.7 MEUR on the supply of gas pipe fittings to ComGas.

The first sewer renovation projects were implemented in Sweden and Denmark by using Uponor's Omega-Liner renovation system. In autumn, a licence to manufacture Omega-Liner in Japan was sold to Sekisui, Japan's biggest plastic pipe systems supplier.

In Finland, Uponor is involved in a significant information network project linking university cities. Uponor will supply more than 3.500 kilometres of optical fibre installation systems for the project. Five of Uponor's European factories will co-operate to manufacture the products for the project. The deliveries are worth EUR 3.4 million.

In August, Uponor sold its 50% stake in Schlemmer Unicor Rohrproductions GmbH to the co-owner of the company. The value

Income statement MEUR	1-9/2000	1-9/1999	1-12/1999
Net sales	1 060.6	996.0	1 346.8
Operating profit	97.1	85.0	107.4
Financial expenses, net	17.1	17.0	18.7
Profit after financial items	80.0	68.0	88.7
Extraordinary income	17.4	27.0	27.6
Extraordinary expenses	4.6	1.0	5.3
Pre-tax profit	92.8	94.0	111.0
Net profit for the period	62.3	62.0	76.3

Taxes have been calculated to correspond to the profit for the period.

Balance sheet MEUR	9/2000	9/1999	12/1999
Intangible assets	132.1	137.0	139.1
Tangible assets	517.5	567.0	587.3
Securities and long-term investments	33.1	37.0	33.0
Stocks	202.2	204.0	211.5
Cash in hand and banks	33.4	56.0	57.3
Other liquid assets	282.8	286.0	238.7
Shareholders' equity	535.4	472.0	495.0
Minority interest	5.3	9.0	9.1
Obligatory provisions	13.2	15.0	16.8
Long-term liabilities	294.8	427.0	404.7
Short-term liabilities	352.4	364.0	341.3
Balance sheet total	1 201.1	1 287.0	1 266.9

Financial indicators	1-9/2000	1-9/1999	1-12/1999
Earnings per share, EUR (fully diluted)	1.32	0.92	1.58
Return on equity, %	13.20	10.50	13.30
Return on investment, %	14.10	12.80	12.40
Solvency ratio, %	45.00	37.50	39.90
Gearing, %	64.00	88.90	84.00
Equity per share, EUR	13.89	12.30	12.80
Trading price of shares			
- low, EUR	15.80	12.20	12.20
- high, EUR	21.00	17.50	17.58
- average, EUR	18.78	15.88	15.88
Shares traded			
- 1 000 pcs	7 984	20 745	22 865
- MEUR	150	329.4	363.0

Contingent liabilities MEUR	9/2000	9/1999	12/1999
Pledges			
- on own behalf	13.9	26.9	8.1
Mortgages	36.9	194.3	91.2
Guarantees			
- on own behalf	0.0	0.0	0.3
- on behalf of others	10.9	1.0	1.1
Leasing liabilities	43.1	29.8	55.4
Other contingent liabilities	0.0	5.0	4.5
<i>Parent company</i>			
Pension liabilities	0.0	0.7	0.6
Pledges			
- on own behalf	0.0	13.3	0.0
Mortgages	0.0	51.8	0.0
Guarantees			
- on behalf of Group companies	162.9	95.7	194.3

Futures contracts	MEUR	9/2000	9/1999	12/1999
1. Interest derivatives				
Interest rate options, bought		51.6	54.0	54.0
Interest rate options, sold		40.9	38.0	38.0
2. Foreign currency derivatives				
Forward agreements, sold		14.0	33.0	33.0
Currency options, bought		0.0	16.0	2.0
Currency options, sold		0.0	27.0	0.0
3. Currency swap				
		0.0	7.0	7.0

Gross investment	MEUR	1–9/2000	1–9/1999	1–12/1999
		62.3	114.0	154.3

Personnel		1–9/2000	1–9/1999	1–12/1999
- on average		6,715	7,303	7,451

Treasury shares		9/2000	9/1999	12/1999
Number of 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	1–9/2000	1–9/1999	1–12/1999
Uponor Plastic Pipe Systems		914.4	749.0	1,020.9
Asko Appliances*		81.0	143	198.8
Upofloor Flooring*		35.1	46	62.2
Asko Real Estate		20.9	20	26.5
Others		9.2	38.0	38.4
Uponor Group		1,060.6	996.0	1,346.8

Operating profit by division	MEUR	1–9/2000	1–9/1999	1–12/1999
Uponor Plastic Pipe Systems		77.4	63.8	79.0
Asko Appliances*		3.5	5.9	9.4
Upofloor Flooring*		2.5	2.3	3.5
Asko Real Estate		13.1	8.2	10.5
Others		0.6	4.9	4.9
Uponor Group		97.1	85.1	107.4

* Of the divested companies, the operations of Asko Appliances are included in the Group's figures until the end of May and those of Upofloor Flooring until the end of June. Asko Furniture was included in the Group's 1999 figures until 31 March.

The figures of this Interim Report are unaudited.

of the deal totalled EUR 6.2 million.

In August, Uponor's subsidiary Asko Real Estate sold its Uusi Kutomo real estate in Forssa to the Kesko Group for EUR 5.5 million.

Events after the report period

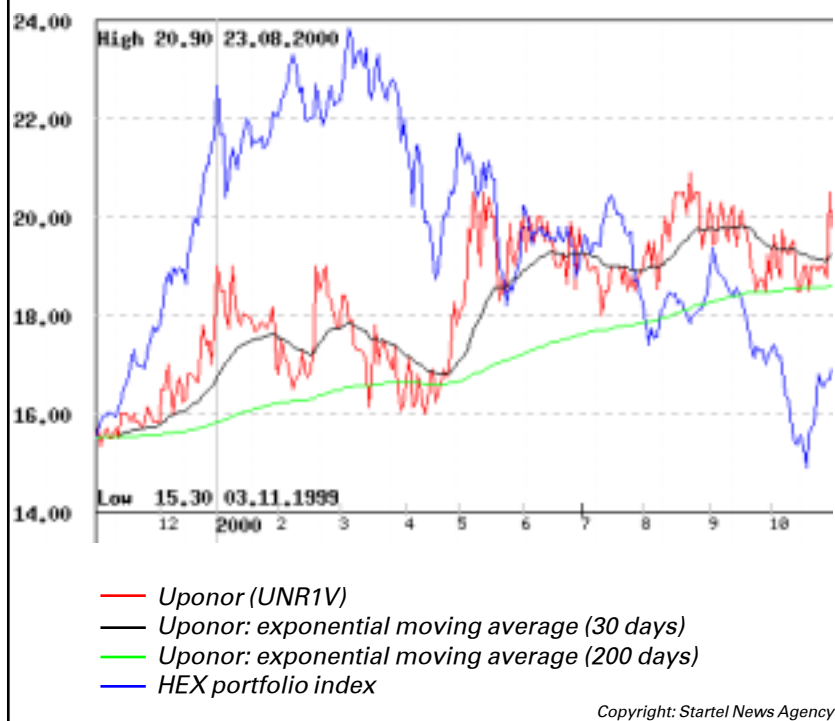
In October, Uponor's British subsidiary Uponor Ltd. won the contract for the supply of gas pipe systems to BG Transco plc, UK's largest gas utility. This is the biggest single deal ever in Uponor's history and in the industry. Under the contract, Transco will purchase plastic pipes and fittings for 100 per cent of its needs in Britain. The term of the contract is three years, with two one-year options. On the basis of delivery estimates, the contract is valued at about EUR 165–265 million depending on the actual length of the contract.

In October, Uponor announced it would issue fixed-rate bonds by means of private placing targeted at institutional investors to the maximum value of EUR 100 million. The serial bonds will be issued in several tranches, with a variable issue price and a continuous subscription period, through a public auction process ("book-building"). The bonds have a maturity of five (5) years (20 November 2000–20 November 2005). The bond's denomination (book-entry security) is EUR 100,000. Uponor Oyj will apply for listing of the bonds on the Helsinki Exchanges.

Personnel and structure

The average number of employees in the Group during the report period was 6,715 (7,303). The number of employees at the end of the period was 5,958 (7,285).

Share price development 1 Nov. 1999–31 Oct. 2000



Share capital and shares

At the end of the third quarter, the Group's share capital was EUR 77,434,444.00 and the number of outstanding shares was 38,717,222. Each share entitles to one vote.

The total number of treasury shares, 185,000, remained unchanged during the period with their total nominal value of EUR 370,000. The treasury shares accounted for 0.47% of share capital and of the total votes for all shares.

The Board of Directors decided on 1 August, on the grounds of the authorisation given by the Annual General Meeting on 21 March 2000, to buy back a total of 1,750,000 of its own shares to be used as a consideration for company acquisitions and industrial restructuring schemes, to finance investments or to strengthen capital structure. No shares have yet been bought back.

The Extraordinary General Meeting held on 3 September 1999 authorised the Board of Directors to grant a total of 800,000 stock options to the Group's key personnel and wholly-owned subsidiary. Pursuant to the authorisation, a total of 570,500 options have been until now granted to 50 employees. As a result of the share subscriptions, the Group's share capital may rise by not more than EUR 1,600,000 and the number of shares by not more than 800,000.

The subscription time with option A began on 1 September 2000 while the subscription time with option B will begin on 1 September 2001. The subscription time with both options will end on 31 August 2004.

The Annual General Meeting on 21 March 2000 authorised the Board of Directors to make decisions regarding share buyback and transfer in the course of the next financial year, convertible bond and option

issues as well as increase of share capital. The Board of Directors has not yet exerted its authorisation.

According to an announcement Uponor Oyj received in July, the ownership and voting rights in Uponor Oyj of the Group comprising Insurance Company Sampo Oyj and Leonia Bank plc dropped below 10 percent.

Outlook

Uponor's prospects for the rest of the year seem quite favourable. Demand is expected to continue strong in most markets considering the annual cycles. The biggest threat to the positive trend comes from the volatile general economic climate.

The growth of the Group's core business continues. Profit after financial items is expected to remain at the previous year's level despite the divestments made.

Espoo, 31 October 2000

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 Uponor Oyj



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