

# Interim report

1 Jan.—30 Sept. 2001



 **Uponor**

# Uponor Pipe Systems improving profitability in Q3

## Summary

- Net sales were EUR 920.1 million (EUR 1,060.6 million)
- Operating profit was EUR 74.6 million (EUR 97.1 million)
- Profit after financial items reached EUR 60.1 million (EUR 80.0 million)

## Net sales and profit

Group net sales for January–September totalled EUR 920.1 million (1–9/2000: EUR 1,060.6m), which is EUR 140.5m less than in the previous year. The decline in the net sales is a result of divestments in conjunction with the structural changes carried out and the sharp decrease in prices for the utilities products in the USA. Investments in broadband networks in Europe have almost come to a standstill, which is why net sales of the telecoms business have fallen considerably. A comparable change in net sales amounted to EUR –20.2m.

The largest division within the Plastic Pipe Systems segment, Plumbing and Heating, increased its net sales by EUR 33m on the previous year, totalling EUR 459.0 million. The Building and Environment division's net sales were EUR 185.4 million, showing a year-on-year decrease of EUR 23.9m. A total of EUR 4.2m of the decline is due to divested businesses. The Utilities division's net sales totalled EUR 256.0 million, showing a drop of EUR 23.2m. Net sales of the Plastic Pipe Systems segment were EUR 900.3 (914.4) million. Net sales of the Real Estate segment reached EUR 19.2 million, which is EUR 1.7m less than in the previous year.

The Group's operating profit amounted to EUR 74.6 (97.1) million, showing a fall of EUR 22.5m. The comparable decrease in operating profit was EUR 15.3m. The decline resulted from the changes made in

the corporate structure and from the sharp fall in the profitability of the utilities business in North America.

Profit after financial items was EUR 60.1 (80.0) million, accounting for 6.5% (7.4%) of net sales. Pre-tax profit totalled EUR 56.1 (92.8) million. Profit for the period amounted to EUR 38.0 (62.3) million. Earnings per share were EUR 1.07 (1.32) and shareholders' equity per share was EUR 14.12 (13.89).

## Investments and financing

The Group's investments in January–September amounted to EUR 34.9 (62.3) million. These investments were evenly allocated to enhancing capacity in growth areas, to improving productivity, and to maintenance.

The period-end net interest-bearing liabilities were EUR 312 million, compared to EUR 346m a year earlier.

Solvency ratio was 47.4% (45.0%). Net financial expenses totalled EUR 14.5 (17.1) million.

## Market

The third quarter was characterised by an increasing number of uncertainties in the world economic prospects.

Of the Group's divisions, the Plumbing and Heating division and the Building and Environment division are dependent on overall trends in the building market, which experienced wide regional variations during the period. Demand remained active in the U.S. and in Southern European markets whereas the Central European market continued to contract; housing starts in Germany were

almost a fifth lower than in the previous year. Demand in the Nordic countries also showed a slight decrease towards autumn. Demand in the Baltic countries and Russia remained at a healthy level.

The utilities sector continued to be difficult in the U.S., where the industry's structure and overcapacity reduced prices below the break-even point. Demand in Europe decreased sharply in the telecommunications sector.

Plastic raw material prices did not experience material changes in the third quarter.

## Events

### Plastic Pipe Systems segment

Plumbing and Heating division: The Wirsbo AquaSafe sprinkler system, which was introduced last year, has been installed in some 200 new homes in the USA. The system is expected to be granted a Canadian certification by the end of the year, and there is a plan to initiate sales at the beginning of next year. Uponor's Unipipe composite pipe system has seen sales constantly growing in Europe. Market launch of the system was recently initiated in the Nordic countries and an Iberian approval is expected by the end of the year. During the report period, Uponor invested heavily in the development of plastic fittings and in increasing their production capacity. Uponor is now capable of offering its main markets corrosion-free, all-plastic plumbing and heating systems.

Building and Environment division: The need to improve housing sewage treatment is strongly growing due to both increasing environmental awareness and the impending requirements of the authorities. Uponor has long been investing in the business of

decentralised sewage treatment. In order to supplement its systems portfolio, Uponor acquired in September the biological small-sewage treatment plant business of Envicon Klärtechnik, an industry leader in Germany.

#### Utilities division:

During the report period, Uponor completed its investments in the UK, which enable capacity enhancements required for the large supply contracts concluded late last year. As a result, sales in the UK grew to the planned level during this autumn.

#### Real Estate segment

Demand for business premises weakened in Finland during the review period, due to a subdued market, and property sales were somewhat lower than in the first half of the year.

## Personnel

The number of Group employees averaged 5,794 (6,715) during the period and totalled 5,605 (5,958) at the end of the period.

## Development of operational efficiency

At the beginning of the year, Uponor launched an operational efficiency improvement programme with a view to achieving EUR 50m in productivity gains in 2002 compared to 2000. The measures relating to the programme will be completed this year. The programme will incur non-recurring, extraordinary expenses of approximately EUR 10–12 million.

The change in the Group's brand strategy is an important part of the programme, which will considerably reduce the number of system brands within the Group, while reinforcing Uponor as the corporate brand.

As a result of the programme, the number of Group employees will

decrease by more than 400 compared to the beginning of the year.

## Share capital and shares

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

On the basis of the authorisation issued by the Annual General Meetings of 21 March 2000 and 13 March 2001, Uponor bought back a total of 1,180,000 shares in public trading during January–September. In accordance with the decision made by the AGM of 13 March 2001, a total of 500,000 treasury shares out of 620,000 were cancelled. At the end of June, the company held a total of 359,000 treasury shares.

During July–September, the company bought back 321,000 of its own shares at EUR 5,510,222. At the end of the report period, the company held a total of 680,000 treasury shares, with their combined par value of EUR 1,360,000. Treasury shares accounted for 1.78% of share capital and the combined voting rights. The share buybacks will have no material effect on the division of shareholding and voting rights in the company.

On the basis of the authorisation issued by the AGM on 13 March 2001, the company took measures in April to sell those shares on the joint book-entry securities account that were not entered in the book-entry securities system. The number of shares in the account totalled 9,965 on 17 October 2001.

The Extraordinary General Meeting of 3 September 1999 authorised the

<b>Net sales by segment</b>	1-9	1-9	1-12
MEUR	2001	2000	2000
Plastic Pipe Systems	900.3	914.4	1,199.8
Real Estate	19.2	20.9	28.0
Divested businesses	0.0	116.1	116.1
Others	0.6	9.2	11.7
Uponor Group	920.1	1,060.6	1,355.6
<b>Operating profit by segment</b>	1-9	1-9	1-12
MEUR	2001	2000	2000
Plastic Pipe Systems	64.4	77.4	91.3
Real Estate	15.4	13.1	15.5
Divested businesses	0.0	6.0	6.0
Others	-5.2	0.6	-0.1
Uponor Group	74.6	97.1	112.7
<b>Financial indicators</b>	1-9	1-9	1-12
MEUR	2001	2000	2000
Earnings per share, EUR	1.07	1.32	1.74
Return on equity, %	10.4	13.2	12.8
Return on investment, %	11.8	14.1	13.2
Solvency ratio, %	47.4	45.0	48.3
Gearing	58.0	64.0	57.0
Equity per share, EUR	14.12	13.89	14.03
Exchange price of shares			
- low, EUR	14.30	15.80	15.80
- high, EUR	19.30	21.00	21.00
- average, EUR	17.44	18.78	18.73
Shares traded			
- 1000 pcs	8,097	7,984	10,860
- MEUR	141.2	150.0	203.4

<b>Income statement</b>	1-9	1-9	1-12
MEUR	2001	2000	2000
Net sales	920.1	1,060.6	1,355.6
Operating profit	74.6	97.1	112.7
Financial expenses, net	14.5	17.1	15.9
Profit after financial items	60.1	80.0	96.8
Extraordinary income	0.0	17.4	9.0
Extraordinary costs	4.0	4.6	0.0
Profit before taxes	56.1	92.8	105.8
Profit for the period	38.0	62.3	77.4
The taxes have been calculated to correspond the result for the period.			
<b>Balance sheet</b>	30 Sept	30 Sept	31 Dec
MEUR	2001	2000	2000
Intangible assets	115.7	132.1	125.1
Tangible assets	481.0	517.5	506.9
Securities and long-term investments	31.0	33.1	36.2
Stocks	172.0	202.2	187.6
Cash in hand and banks	28.2	33.4	28.6
Other current assets	305.3	282.8	246.0
Shareholders' equity	530.0	535.4	536.5
Minority interest	7.6	5.3	8.0
Obligatory provisions	10.3	13.2	14.9
Long-term liabilities	236.1	294.8	281.1
Short-term liabilities	349.2	352.4	289.9
Balance sheet total	1,133.2	1,201.1	1,130.4
<b>Contingent liabilities</b>	30 Sept	30 Sept	31 Dec
MEUR	2001	2000	2000
Pledges			
- on own behalf	12.1	13.9	7.1
Mortgages	29.3	36.9	34.7
Guarantees			
- on own behalf	0.0	0.0	-
- on behalf of others	3.2	10.9	3.0
Leasing liabilities	53.5	43.1	58.4
Other contingent liabilities	1.1	-	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	165.4	162.9	153.4
<b>Futures contracts</b>	30 Sept	30 Sept	31 Dec
MEUR	2001	2000	2000
1. Interest derivatives			
Interest rate options, bought	72.8	51.6	50.2
Interest rate options, sold	105.6	40.9	39.5
2. Foreign currency derivatives			
Forward agreements	8.9	14.0	11.5
<b>Investments</b>	1-9	1-9	1-12
MEUR	2001	2000	2000
Gross investments	34.9	62.3	83.6
Depreciation	58.9	62.1	78.4
<b>Personnel</b>	1-9	1-9	1-12
	2001	2000	2000
- on average	5,794	6,715	6,513
- at end of period	5,605	5,958	5,899
<b>Treasury shares</b>	30 Sept	30 Sept	31 Dec
	2001	2000	2000
Number of treasury shares	680,000	185,000	458,700
- nominal value of which, EUR	1,360,000	370,000	917,400
- % of share capital/voting power	1.78	0.47	1.20

Board of Directors to issue 800,000 stock options to key Group personnel as part of the management incentive scheme. At the end of the report period, a total of 236,500 of these stock options had still not been issued.

## Outlook

The overall economic activity markedly slowed down towards the autumn and the recent events in the USA have made it even more difficult to predict the development.

The U.S. central bank has pursued an interest-rate policy that aims at giving a boost to the country's consumer demand. As a result, the building market has remained strong but it is difficult to forecast the market trend in the coming months. The European building markets have become slightly less active, with the greatest fall in Germany. European demand for Uponor's products is expected to stay at the current level.

The Group-wide operational efficiency enhancement programme will compensate for the decline in profits caused by weaker market conditions. It will have a gradual effect on company performance already during the latter part of this year and a full effect next year.

Uponor's profit after financial items for the financial year is expected to remain satisfactory but fall short of the previous year's figure.

Espoo, 25 October 2001

Uponor Oyj  
Board of Directors

The figures of the interim report are unaudited.