2003

ANNUAL REPORT




Bringing *comfort* to life

uponor

Information for shareholders

The Annual General Meeting

Uponor Corporation's Annual General Meeting is to be held on Wednesday, 17 March 2004 at 5.00 p.m. at the Finlandia Hall Mannerheimintie 13 Helsinki, Finland.

Important dates in the year 2004

- Financial accounts bulletin for 2003, 3 February at roughly 12
- Financial statements for 2003, 3 February at 4 pm
- Annual General Meeting 17 March at 5 pm
- Record date for dividend payment 22 March*
- Date for dividend payment 30 March *
- Interim report: Jan.–March on Thursday, 22 April at 11 am
- Interim report: Jan.–June on Tuesday, 3 August at 11 am
- Interim report: Jan.–September on Thursday, 21 October at 11 am

**Proposal of the Board of Directors*

Publications

The annual report will be published in Finnish, English and German and will also be available on the company website at www.uponor.com. The interim reports and corporate releases will be published in Finnish and English on the company website.

To order publications, please contact

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P.O.Box 37, Robert Huberin tie 3 B, FI–01511 Vantaa, Finland
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www.uponor.com

Insider register

The public register of Uponor Corporation's insiders may be viewed at the Legal Department at the address above, Tel. +358 (0)9 4789 6325. E-mail address to the Legal Deparment is legal@uponor.com.

A complete electronic version of Uponor's annual report is available at: www.uponor.com/annualreport2003.

Contents

Financial statements 2003

The trade names mentioned in this report are registered trademarks.

The Uponor vision and strategy

Our vision

Uponor seeks to be a leading corporate brand generating profitable growth by providing solutions for housing and the environmental infrastructure.

- **Uponor will achieve this by building superior relationships with its customers and other business associates and through continuous innovation programmes.**
- **Uponor's geographical focus areas are Europe and North America.**

Our strategy

A unified corporation, targeting profitable, international growth…

The year 2004 will mark a major step in Uponor's transformation into a streamlined, efficient and cohesive enterprise focusing on businesses that offer prospects for profitable international growth.

…with a focussed, value-adding business portfolio

Uponor will invest in businesses that are increasingly interrelated, thus helping to turn its housing solutions and infrastructure offering into a meaningful, integrated whole, which provides our customers with added value.

Uponor's long-term financial goals

The Board of Directors of Uponor Corporation confirmed the long-term financial goals for Uponor in 2003. The goals were set for growth, profitability, capital structure and dividend payment.

Organic growth in net sales of a minimum of 5% per annum

Uponor's focus, in the short-term, will be on organic growth, which is achieved by improved product offering, efficient exploitation of growing market segments, such as renovation, and by bringing new products onto the market. The market segments where Uponor operates grow faster than the construction market in general, and our aim is to accelerate this growth by further development of our systems offering.

Operating profit (EBITA) accounting for a minimum of 12% of net sales
Return on investment (ROI) in the core business of a minimum of 20%

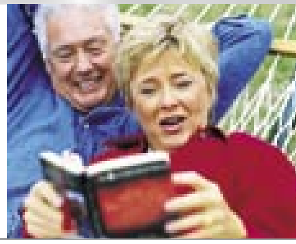
The large restructuring programme from a company acting in many fields and with many brands to a unified, coherent group with a focused business portfolio creates the prerequisites for improving profitability and return on investment.

Some of Uponor's businesses have already achieved these targets. Based on these experiences, we will focus our offering and increase the efficiency in our operations in order to reach the profit targets and increase our asset turnover, and thereby increase return on investment.

Solvency ratio exceeding 50% (gearing at less than 70)

Dividend policy: minimum of 50% of the profit for the period shall be paid out annually

Uponor aims to maintain a good level of solvency that gives the business operations adequate room for action. The company also aims to be a safe and interesting object of investment and to increase shareholder wealth with a stable and competitive dividend policy and increased share value.



...creating innovative solutions for the home and environmental infrastructure.
Uponor will continue to build on its broad expertise, innovative culture and wide range of products, offering solutions for housing and environmental infrastructure. Our systems are safe and durable, easy to install, efficient in their use of resources, and offer a level of quality, functionality and comfort unachievable with non-integrated systems.

The Uponor core purpose and values

Core purpose

Solutions for sound living
Uponor provides solutions that bring comfort to the lives of our customers. Comfort consists of many things, such as physical well-being, safety, and peace of mind. Uponor's solutions are technologically advanced, life cycle cost-efficient, environmentally oriented and ethically sound.

Sustainable, profitable growth to enable continuous development
Continuous development is Uponor's key driver. Innovation and renewal are embedded in our core values. This creates our potential to grow. Uponor is not prepared to grow at any price – our growth must be based on the genuine added value we bring to our customers and the potential to be rewarded for it. Growth in turn provides us with the resources to further develop the company and thus produce more value and wealth for all of our stakeholders.

Core values

Ready to serve

- The success of our external and internal customers is also the key to our success.
- We treat all our stakeholders with the same mindset as we treat all our customers.

Entrepreneurship

- We take the initiative.
- We deliver.
- Success will be rewarded.

Commitment

- We keep our promises.
- We take our responsibilities seriously.
- We are honest and operate in a spirit of fair play.

Continuous innovation

- If there is a better way, we will find it.
- We share what we learn with our colleagues.
- We have the curiosity and the courage to challenge the present ways of thinking.

Respect for life

- We aspire to sustainably harmonise the interests of people, the environment, and the economy.
- We communicate openly and respect the opinions of our colleagues and stakeholders.
- We care for each other's welfare and that of future generations.

Overview of businesses

Uponor at a glance

Uponor offers comfort-creating, reliable, efficient and environmentally friendly product solutions for residential housing and other constructions, as well as various piping systems for municipal and environmental infrastructure. Uponor's system brands, such as Wirsbo, Velta, Unipipe and Ecoflex, are internationally leading brands in their respective fields.

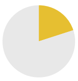
Uponor occupies a strong position as a supplier of radiant underfloor heating systems and plastic-aluminium and all-plastic tap water systems in Europe and in North America. Uponor's systems offer a number of advantages in comparison with the so-called traditional systems, from which they conquer market share.

As an innovator in its field Uponor is able to reach beyond the standard, subject to customer needs. Examples of these are cooling systems connected to radiant heating, fire safety systems for one- and two-family homes as well as ice and snow melting and area heating applications.

Uponor is also a prominent supplier of municipal infrastructure piping systems in Europe. We offer solutions for the distribution of water and gas, for wastewater and rainwater management, for the renovation of existing pipe systems without excavation, for the building of cable networks and for wastewater disposal and treatment in non-urban areas. We aim to develop the safety and reliability of modern infrastructure, to lower the costs for their construction and use, and to provide opportunities for increasing well-being without compromising the environment.

Uponor's goal is to strengthen its market position by continuously investing in a versatile, differentiated, value-adding systems offering and thereby build the recognition of the Uponor brand as a leading provider of housing and infrastructure systems.

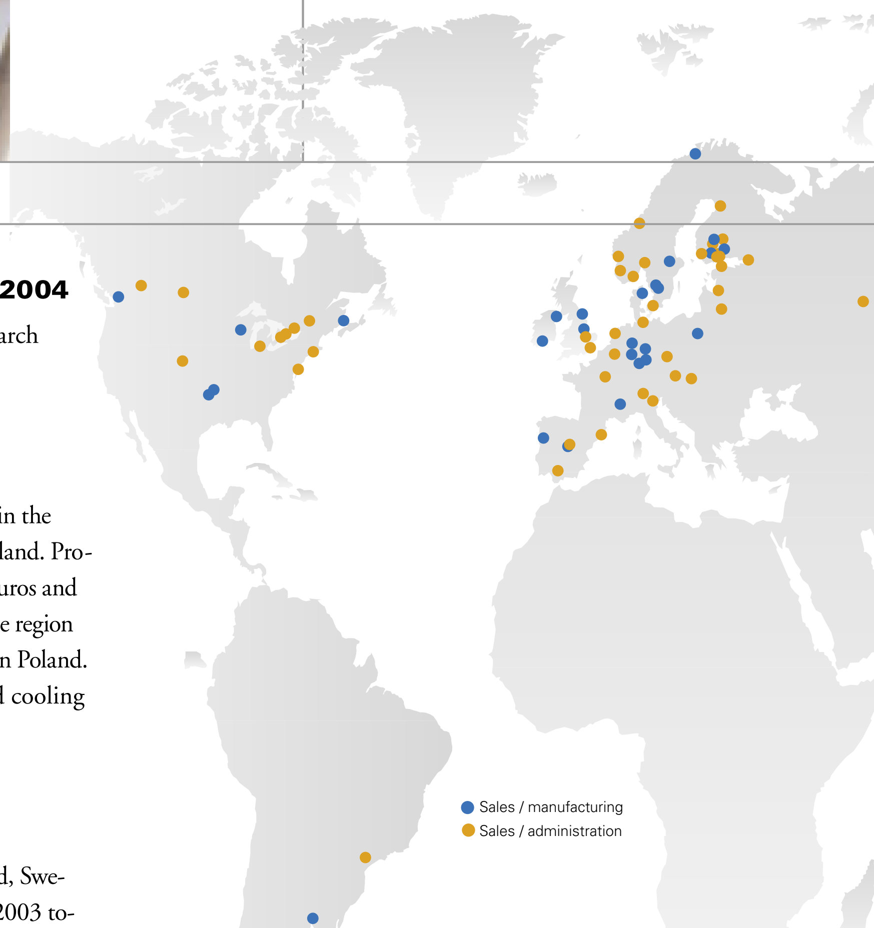
Uponor's market position

	Residential		**Infrastructure**	
	Underfloor heating systems	Tap water systems	Utilities (gas and water)	Utilities (sewer and storm water)
Segment share of the net sales 2003				
Nordic countries	• • •	• • •	• •	• • •
Central Europe	• • •	• •		•
Europe Other	• •	•	• •	• •
North America	• • •	• •		

• • • = in top 1 or 2 • • =in top 3 - 5 • = market presence

The table describes Uponor's market position in certain residential and utility market segments.

Definitions: Under-floor heating here refers to water-borne radiant floor heating. Tap water includes metal and plastic applications; in North America only PEX, copper and CPVC products. The infrastructure market includes only products made of plastics.



Regional organisation from 1 March 2004

Uponor will adopt a regional organisation on 1 March 2004. The new structure is as follows:

Central Europe

The Central Europe region is responsible for business in the Germanic Europe, in the Benelux countries and in Poland. Pro-forma net sales in 2003 totalled approx. 300 million euros and the region had a staff of 1,433 persons at year-end. The region operates four production plants in Germany and one in Poland.

The core business covers tap water, heating and cooling systems for buildings.

Nordic

The Nordic region covers Uponor business in Finland, Sweden, Norway and Denmark. Pro-forma net sales for 2003 totalled approx. 275 million euros and the region employed 1,237 people at year-end. There are eight production units in this region.

In the Nordic region Uponor offers a wide selection of products for building and construction, such as heating and tap water systems, sewer systems, ventilation systems, waste-water treatment and disposal systems as well as piping systems for the construction and renovation of municipal water and sewer networks.

Europe Other

Europe Other is responsible for Uponor businesses in other European countries, as well as for international business and exports to countries not covered by the other regions. 2003 pro-forma net sales totalled approx. 290 million euros in this region and it employed 1,207 people at year-end. There are seven production units.

In heating and tap water systems Uponor occupies a strong market position in Spain, Portugal and the Baltic countries. In the UK, Italy and France, Uponor aims to strengthen its position. In municipal infrastructure the emphasis of the business is in the UK.

North America

The North America region sells its products to the United States, Canada and Mexico and it has three production units in the U.S. and in Canada. In 2003 pro-forma net sales totalled approx. USD 150 million (EUR 130 million) and it employed 489 persons at year-end.

Uponor offers mainly tap water systems and underfloor heating systems to comfort-oriented high-end homes and leisure homes. The offering is complemented by ice and snow melting systems for houses, streets and sports fields and by combined fire sprinkler/tap water systems for one- and two-family homes.

The year 2003 in brief

Markets

Demand in Uponor's business sectors remained at a satisfactory level during 2003. In the EU, demand remained, on average, at the previous year's level, albeit characterised by regional differences. Housing construction in North America remained robust.

Financial performance

Uponor posted consolidated net sales of EUR 1,021.0 (2002: EUR 1,137.2) million, the fall being due almost entirely to divestments and the strong euro. In comparable terms, net sales improved by 4.9 per cent.

Housing Solutions experienced a favourable sales performance. Net sales rose by 4.8 per cent in Europe and continued their vigorous growth in North America, amounting to 21.0 per cent in U.S. dollars. Infrastructure and Environment recorded a decrease of 0.4 per cent in comparable terms.

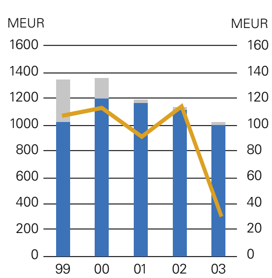
Operating profit came to EUR 30.7 (114.2) million, down by 73.2 per cent on the previous year, the sharp fall being mainly due to large restructuring costs and lower other operating income. Business profitability improved in comparable terms, due in particular to favourable developments during the second half of the year.

Restructuring

Uponor divested two of its non-core businesses. In February, Uponor sold its 51 per cent holding in a German manufacturer of in-house and house drainage systems, Uponor Hausabflusstechnik GmbH and its subsidiaries. In March, Uponor sold its shareholding in Uponor ETI Company, a U.S. subsidiary specialising in municipal water and sewage systems. As a result of the divestments, Uponor's annual net sales fell by EUR 135 million and staff by 445 employees.

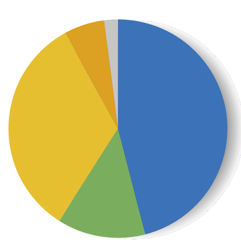
In early 2003, Uponor initiated restructuring and efficiency improvement programmes, whereby manufacture was concentrated into larger units and smaller ones were closed down. The restructuring measures led to the reduction in the number of Group employees by around 330 in 2003.

Net sales and operating profit



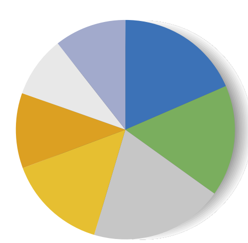
- Pipe systems
- Other
- Operating profit

Net sales by division 2003

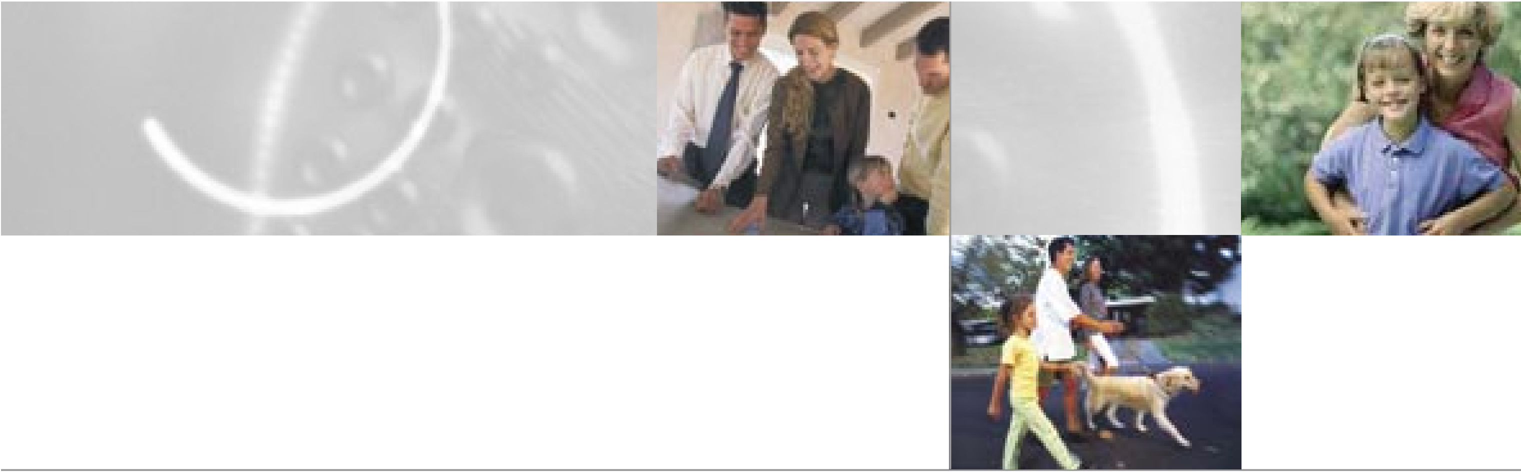


- Housing Solutions Europe 46%
- Housing Solutions North America 13%
- Infrastructure and Environment Europe 33%
- Municipal Americas 6%
- Real Estate 2%

Net sales by market area 2003



- North America 18%
- Germany 16%
- Other EU countries 20%
- Scandinavia 15%
- UK & Ireland 11%
- Other countries 9%
- Finland 11%



Other events

In line with the new brand strategy, Uponor aims to integrate all of its major system brands into the Uponor brand. Consequently, in March it was the first time that Uponor's German units were housed on the same stand under the Uponor brand at the ISH, the largest international trade fair for plumbing and heating technology. Furthermore, Uponor's leading heating system brand in Germany, Velta, which had been an independent brand, joined Uponor brand offerings at the end of 2003.

The company continued to develop further its partnership programmes. The year saw the launch of a new training programme in the U.S., focusing on technical training for installation firms and wholesalers, so that they might gain a deeper knowledge of radiant floor heating.

Other significant events included a contract to supply the new Bangkok international airport with a Velta radiant cooling system, as well as a deal on Unipipe tap water systems into 7,000 bathrooms in the world's largest hotel and shopping complex in Mecca, Saudi Arabia. Furthermore, Uponor extended its supply contracts by two more years in the UK, with Transco for the supply of gas pipe systems, and with Severn Trent Water, a water utility services provider.

Personnel

Uponor's long-standing President and CEO, Jarmo Rytilahti, stepped down on 31 July 2003, in line with his Executive Contract, but will act as Senior Executive Advisor reporting to the Board's Chairman until his retirement in September 2004.

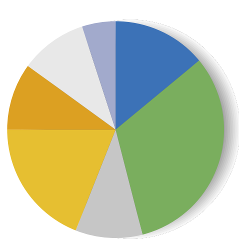
The company's new CEO, Jan Lång, M.Sc. (Econ.) took up his duties on 1 August 2003.

Shares

The volume of Uponor shares traded on the Helsinki Exchanges totalled 14.0 (13.5) million, valued EUR 280.8 (270.0) million in 2003. The year-end market capitalisation of the outstanding shares was EUR 935.4 (738.6) million.

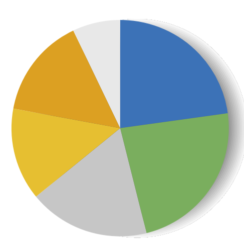
At year-end, Uponor had 3,998 shareholders, with foreign shareholding accounting for 30.0 per cent (30.7 per cent).

Personnel by market area 2003



- North America 14%
- Germany 32%
- Other EU countries 10%
- Scandinavia 19%
- UK & Ireland 10%
- Finland 10%
- Other countries 5%

EU construction market 2003



- New residential 23%
- Residential renovation and modernisation 23%
- New non-residential construction 18%
- Non-residential renovation 1%
- New civil engineering 15%
- Civil engineering renovation 7%

Source: Euroconstruct, December 2003

Review by the CEO

The year 2003 was once again an eventful one for Uponor. We operated in a market environment that behaved somewhat unexpectedly, divested two non-core businesses, carried out a restructuring programme in Central Europe and, furthermore, I took the role as CEO in August 2003 from Jarmo Rytilahti.

Market conditions in 2003 varied considerably depending on the market and segment. The German housing market showed signs of starting to stabilise. In the USA, the market maintained high volumes, and our organic growth of over 20 per cent, measured in U.S. dollars, shows evidence of our stronger market position. Also, other large markets, such as Spain, the UK and the Nordic countries, showed good demand. Increased activity levels were noted in the renovation market, which already accounts for half of the residential building activity in the EU. This is good news because Uponor is increasingly offering products for the renovation market.

Against this background, Uponor's like-for-like sales growth (excluding divestments and currency impact) of 4.9 per cent can be regarded as an acceptable performance. The second half of the year was clearly better than the first. In Europe, this was particularly thanks to the Unipipe multilayer composite pipe system, which is well positioned for the renovation market. In North America, the strong growth of our business is due to extended product offerings and successful consolidation measures.

We maintained a strong cash flow and balance sheet in 2003. The underlying profitability of our Piping Systems business was somewhat better than in the previous year, due to higher demand in the last two quarters of the year and earlier efficiency improvement efforts starting to bear fruit. Nevertheless, profitability is still at a too low level.

With a view to improving our performance further, we announced a large restructuring programme in December, including a 45 million provision. The target of the programme is to increase our efficiencies, improve economies of scale, simplify administration and improve our supply chain. I am confident that the programme will bring tangible results. These improvements may not be much reflected in our 2004 results, but will certainly have a significant impact in 2005.

The restructuring programme aims to complete the transformation of Uponor to become one company, already started three years ago. We will be a streamlined, efficient and cohesive company focusing on businesses that offer prospects for profitable growth. Our work that has already been under way to establish Uponor as the corporate brand will continue, and anchoring the Uponor values into the organisation will serve as the glue for building an integrated company.

In terms of strategy, Uponor's foundations are well developed and firm. We will continue to utilise and further improve our strong market position in the core business, targeting a stronger organic growth and improved profitability. We will also work to extend our offering in a way that integrates tightly into our current portfolio of products.

In order to provide better transparency and at the same time clear guidance to the management of Uponor, the Board of Directors approved in December the long-term financial targets for the Group. The main shift in our emphasis will be to improve our profitability, supported by an organic growth exceeding 5 per cent. Initiatives completed in 2003 and the restructuring programme in 2004 will give us a good basis to achieve these key financial targets.

We have a strong team of people to pursue these targets, and our goal is to further build management and leadership competencies and develop our organisation, in order to successfully face the challenges ahead of us.

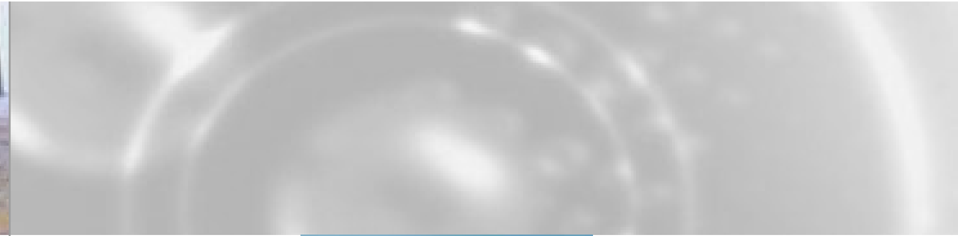
In early February, we announced a major change in our organisation by adopting a geographic organisation as opposed to the previous divisional organisation. The motivation for the change was twofold: firstly, a geographic organisation removes one layer while making implementing changes quicker and more efficient. Secondly, due to the strategic transformation of the Group resulting in a more focused business, there was less need for a divisional organisation. I believe that the new structure will better support us in utilising our market position to its full effect, and it will bring us closer to our customers.

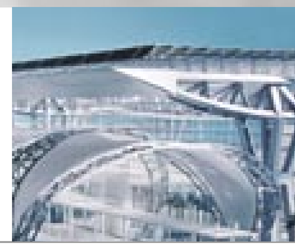
On a more personal level, the first half-year in Uponor is now behind us, and it's time to look back and reflect. Uponor has in many ways been the kind of company that I expected and hoped for. I have been very well received by the people working for the company. Thank you!

My thanks also go to our customers, suppliers and partners for their confidence. All our actions are directed at improving our relationships further.

Finally, I would like to thank Jarmo Rytilahti for a smooth hand-over and for leaving Uponor behind him in a condition from which it is good to continue. I wish Jarmo, as he leaves the company in the autumn, a pleasant and rich retirement after many years of dedicated service.

Jan Lång
CEO





Housing Solutions Europe

- **Uponor is one of Europe's leading suppliers of radiant floor heating and cooling systems, as well as plastic plumbing systems.**
- **Uponor's system brands hold strong market positions in the building industry. Now that they are more closely integrated under the Uponor corporate brand, they help to promote Uponor brand awareness in the European market.**
- **Uponor is regarded as a reliable partner. Despite the difficult market situation in Central Europe, the company strengthened its position as the leading supplier of plastic pipe systems.**

Business environment

In the main, heating and plumbing installation products are sold to wholesale distributors who, in turn, resell them to installers and builders. The consolidation process has continued within the wholesale sector in Europe, providing Uponor with a range of opportunities, as larger buyer groups prefer systems with a profitable growth potential. Installers tend to show interest in systems that enable them to improve their competitiveness and profitability.

In this respect, Uponor has made dedicated efforts to develop its systems, in order to rise to these challenges. Customers appreciate the reliability of the Uponor offering and the comfort created by its total systems. With positive customer feedback, Uponor has continued to strengthen its position in a difficult market situation.

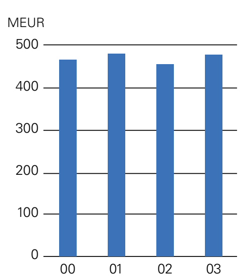
Aspects related to energy saving and comfortable living are reflected in ever-stricter legislation and end-user attitudes, supported by architects and designers who recommend innovative underfloor heating solutions. Uponor's radiant floor heating systems are clear market leaders within the field of increasingly popular underfloor heating systems. However, the market is continuously attracting new suppliers competing chiefly on prices.

Uponor's main plumbing systems competitors include metal pipe manufacturers who still dominate the total market and are strong in certain niche segments, such as fittings, in particular. Nevertheless, with a growing interest in the potential of plastic systems and the added value they provide, plastic plumbing system are taking over from traditional metal-based systems.

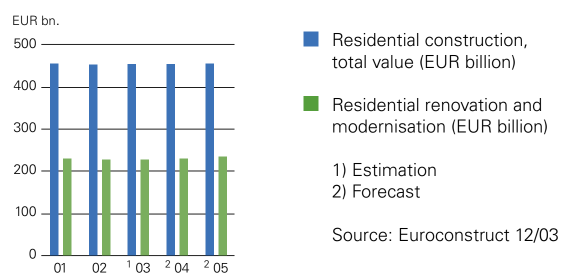
Major events

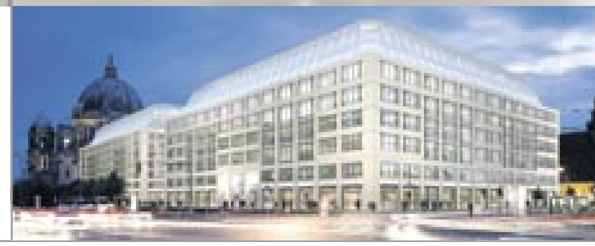
The division continued to harmonise its operations, processes and brands. With the adoption of a completely new organisational structure in Central Europe, it is possible to harmonise processes, segment product offerings, differentiate sales channels, and streamline production and logistics throughout the region.

Net sales



EU residential construction 2001-2005





As part of the brand harmonisation process, Velta has adopted a stronger Uponor identity since early 2004. In addition to its pioneering cooling systems, it holds the leading market position in underfloor heating in Germanic Europe. Attended by 228 representatives, engineers and experts from customer companies, the 25th Velta Arlberg Congress organised by Velta in the spring is a manifestation of long-termism and esteem.

In August, Velta won the largest ever contract for the supply of an underfloor cooling system, covering a floor area of 140,000 m^2, to Bangkok's new international airport.

At the major international trade fair, ISH, held in Frankfurt in March, it was the first time that Uponor's German units were housed on the same stand under the Uponor brand, providing customers with a better overall picture of Uponor's offerings. The latest products, such as renovation solutions, were on display at the fair. During the trade fair, Polytherm GmbH, an Uponor subsidiary, received a German innovation award for its work on the development of low-energy housing solutions.

The range of fittings for the Unipipe system was extended during the year. The new technology introduced sets new standards for tight-proof fittings in plumbing system installations. One of the most significant Unipipe contracts included the supply of plumbing systems for 7,000 bathrooms in the world's largest hotel and shopping mall complex under construction in Mecca, Saudi Arabia, most of the deliveries taking place during 2004.

In Sweden, Uponor launched a nationwide campaign, with the aim of paying greater attention to the importance of the right installation methods and product solutions in an effort to reduce damp damage in buildings.

In Norway, Uponor's non-freezing Ecoflex Supra pipe system was specified for a project to connect 6,000 houses, located on the Oslo fjord islands, to the water and sewer network. The project, if implemented on a full-scale basis, will require more than 700 km of pipes to be installed during its several years of implementation.

Outlook

Customers' increasing awareness and stricter requirements set for systems constitute Uponor's explicit competitive advantages. Customers perceive Uponor as a reliable and innovative partner whose solutions improve quality of life and security. The EU's stricter drinking water standards and the increasing popularity of plastic-based solutions will provide the company with solid growth potential.

During 2004, Uponor will continue its harmonisation process. In this respect, it will pay special attention to improved customer relationship management and salesmanship, more targeted market segmentation, as well as enhanced supply-chain and product-information management. In particular, it aims to increase its solution offering within the housing renovation sector due to its prospects looking brighter than those within the new housing sector.

Uponor delivered an underfloor heating system to DomAquarée, a hotel and shopping centre in Berlin, Germany.

Housing Solutions North America

- **Demand for radiant floor heating and flexible plastic plumbing systems is growing rapidly in North America.**
- **Uponor's new innovations and versatile product range have strengthened the company's system brand position.**
- **Through further development of distribution network alliances, and enhanced marketing and support programmes, Uponor has strengthened its foundation for future profitable growth.**

Business environment

The construction industry in the United States and Canada has experienced many years of consolidation, as companies seek to strengthen their competitive position through economies of scale and improved operating efficiency.

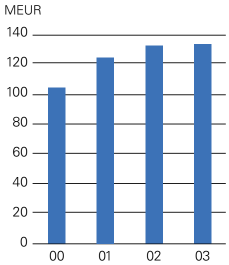
Plumbing and heating products are typically sold through wholesale distributors who, in turn, sell them to professional installation contractors and builders. Uponor's main competitors in this market area include suppliers of traditional forced-air heating and copper plumbing systems, which dominate their respective markets. As awareness of their significant advantages has grown, plastic plumbing systems have steadily gained broader acceptance. As a result, several new plastic plumbing system suppliers have entered the market, typically establishing low price/value positions. Evolving building regulations have also contributed to the growth of plastic plumbing systems. All Canadian and most U.S. states now accept PEX plumbing systems and additional plumbing code barriers were removed in 2003, including the State of Minnesota. The industry expects that all 50 U.S. states will approve the use of PEX tubing in plumbing by 2005.

Despite fiercer competition, Uponor has succeeded in strengthening its market position, largely as a result of the continuous improvement of its product offering, enhanced service and support programmes such as training, and strong distribution system partnerships.

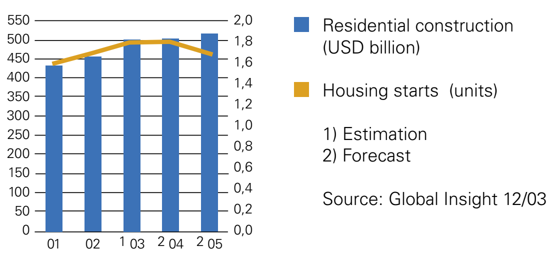
Major events

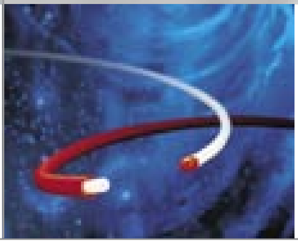
Wirsbo, Uponor's best-known brand in North America, enjoyed significant growth in 2003, due in part to the successful introduction of several new products. The Wirsbo plumbing offering was strengthened with a new line

Net sales



US residential construction 2001-2005





of engineered plastic manifolds and improved installation tools. The most notable new Wirsbo floor heating products include expansion of Wirsbo's line of ProSeries controls and the introduction of ProPANEL, a new line of pre-assembled/pre-wired mechanical panels. The new controls and ProPANEL advance Wirsbo's efforts to simplify and improve the design, installation and operation of floor heating systems.

Wirsbo's product innovations were rewarded late in the year with a New Product Showcase Award at one of the industry's largest trade shows.

Uponor enhanced its already well-respected training programme by increasing the range of courses available. Providing special services and marketing support for installers, the Wirsbo Advantage Programme also continued to expand, and now boasts over 800 contractor members in the US. It was also well received in Canada when launched in 2003.

News and feature stories about Uponor's Wirsbo installations were regularly featured in the construction-industry press, while attracting increasing attention in consumer-oriented media.

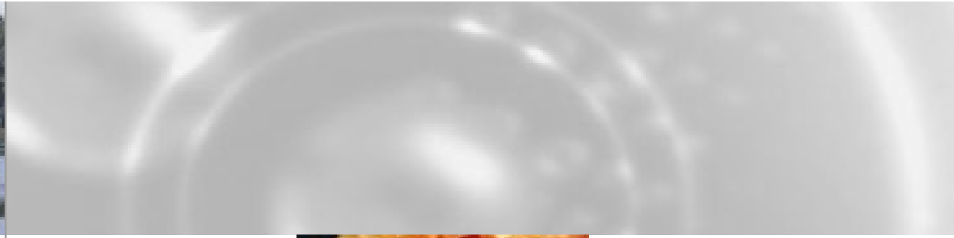
2003 was the first full year following the successful completion of the integration of Wirsbo Canada and Plasco Ltd into a single operating unit, Uponor Canada, generating considerable cost savings while sharpening the Wirsbo and Plasco brand positions in the Canadian market.

Outlook for 2004

With the aim of strengthening the leading market position of Wirsbo, its flagship brand in North America, Uponor will supplement its product offerings by introducing higher performing, installer-friendly products and tools. The Wirsbo offering will be further enhanced through expanded e-business capabilities, improved websites, and continued focus on installer training. In addition, the expansion of the Minnesota plant's capacity will shorten order lead times and improve fill rates.

The aim is also to further improve internal efficiencies, with the focus on the improved of supply chain management and enhanced exploitation of information systems. Both of these initiatives will help to more fully develop the Strategic Supplier Programme, which was launched a year ago in order to improve quality, cost and working capital management through closer alliances with Uponor's most important suppliers.

The Concord Pacific Vista residential and office towers in Vancouver, Canada, are plumbed with Wirsbo AquaPex systems.



Infrastructure and Environment Europe

- **With the long winter holding up sales, demand strengthened towards the end of the year, except in Portugal and the UK.**
- **Focus is on increasing efficiency and introducing special solutions onto the market.**

Business environment

As one of Europe's leading suppliers of municipal infrastructure systems, Uponor provides solutions for wastewater and rainwater management, the construction and rehabilitation of water distribution and sewer networks, heat and energy distribution, the construction of telecommunications networks, and decentralised wastewater treatment in non-urban areas.

Its major customers include utilities and companies managing the public water, gas and sewer systems as well as civil engineering construction firms. Increasingly stringent environmental regulations are paving the way for growing demand for plastic solutions, as they are increasingly used to replace failing water and gas mains and sewer pipes made from traditional material. Major competitors are ceramic, metal and concrete pipe suppliers.

Plastic pipe systems account for a major share in total markets for water and gas distribution, the largest business segment. Both in new installations and renovation, Uponor aims to replace standard systems with its more advanced new-generation solutions, providing customers with benefits in terms of lower building costs and longer product service life, in particular.

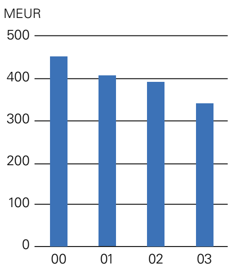
Plastic plays a proportionately smaller role in wastewater and rainwater management, another major market segment, in which conventional ceramic and concrete materials still hold a dominant position. Uponor's systems incur lower installation and operating costs, and reduce the burden on the environment.

Ever-more stringent EU directives have spurred the renovation of municipal water and sewage pipe systems, since leaky pipes pose major environmental and safety hazards. For the same reason, demand has been rising for wastewater treatment systems in non-urban areas.

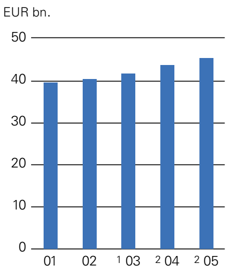
Major events

Uponor's main customer in the UK, National Grid Transco, finalised the extension of a contract for the supply of gas pipe systems to the end of 2005, while another major customer, Severn Trent Water, a water utility services provider, extended its supply agreement with Uponor by two more years to April 2006. Uponor also won an award from Severn

Net sales



EU water and sewage related civil engineering 2001-2005



1) Estimation
2) Forecast

Trent Water – the second in a row – as Underground Supplier of the Year.

A new sewage pipe system based on weldable fittings met with a favourable reception in Germany. This completely leak-proof sewer system is specifically designed for use in groundwater basins and other delicate areas. Uponor is increasingly shifting its range of solutions offered in Germany towards highly advanced rainwater and sewer systems, as well as decentralised sewage treatment solutions.

With sales of No-Dig systems for subterranean piping renovation remainining buoyant, Uponor won major sewer renovation contracts with water utilities in Copenhagen and Helsinki. In addition, the Omega-Liner® pipe system based on this technology was rewarded by the trade press and organisations in Poland as the most advanced renovation solution of the year.

Uponor Radius, a subsidiary providing telecom installation ducting systems, finalised a three-year agreement with British Telecom for the supply of the so-called microglide products used for installing broadband into buildings, while clinching a European-wide distribution agreement with Pirelli, the leading cable manufacturer in Europe, for the supply of the same product solutions.

The utilities plumbing system PuritonTM, which is resistant to alien smells and tastes, was upgraded with a tapping tee that enables equally tight installations. Designed for installation in areas with contaminated soil, Puriton was adopted by, for example, Severn Trent Water as part of its product portfolio. Demand for this product will be boosted by the UK government's programme, the aim of which is that 60 per cent of new homes would be built on out-of-use land by 2008.

Outlook for 2004

The outcome of the restructuring and streamlining measures taken in 2003 is expected to take effect during 2004. Uponor will continue with these structural changes, with the aim of strengthening its position in selected markets, both by region and segment, and shifting its focus on differentiated products.

In addition to future developments in the construction market, European environmental directives and standards coupled with national ones will have an effect on the demand for Uponor's products, as increasingly stricter standards will enhance demand for highly specialised systems, providing Uponor with a major competitive edge.

With more stringent European and national environmental requirements set, for instance, for wastewater treatment, Uponor has designed solutions to meet these specific requirements, as evidenced by wastewater treatment systems developed for sparsely populated areas. This product family provides solutions ranging from the wastewater disposal of summerhouses to biochemical wastewater treatment for large farms.

The wastewater network in the Czech Republic is renovated by the Uporol sewer pipe system.

Municipal Americas

The Municipal Americas Division consists of Uponor's gas pipe businesses in North and South America, its main market area covering the United States and southern South American countries. The Division's companies market their products mainly for gas utilities, while in South America they also provide products targeted at water utilities and industry. Their offices are based in Tulsa and Shawnee, Oklahoma, USA, and in the Buenos Aires Metropolitan Area, Argentina.

Demand in the U.S. gas market has continued its downward trend, showing a decline of around a quarter since its peak in 2000. Consequently, Uponor took measures to streamline its operations, involving rationalisation of head count, for instance. One of the company's major in-house achievements included improvements in industrial safety at the Tulsa plant, which by November had experienced two years without a lost-time injury.

2003 saw major supply contracts, such as a three-year agreement with Nicor Gas and a two-year contract with ONEOK. Business development remained high on the agenda, with a number of new pipe fittings being launched onto the market.

In South America, market demand remained constant, with slight signs of revival chiefly in the municipal and co-operative sectors, as well as the oil industry. Persistently low rates and charges are still restraining gas- and water-sector investments. In spite of the challenging market situation, Uponor was successful in expanding its business.

Real Estate

The Real Estate business is responsible for managing, developing, leasing and marketing the Group's property, located mostly in Finland, which is not used by the Group's core business. The aim is to increase the value of property through development and allocate assets from property sales to the development of the Group's core business.

The balance sheet value of the Group's property for sale totals EUR 145 million. The value of property sales in 2003 was EUR 7.0 (53.5) million, consisting mainly of residential buildings and two Asko House business premises. With a year-end staff of 35, the Division's net sales for 2003 came to EUR 21.1 (23.7) million.

Its major development ventures are based in Lahti, Forssa, Pori and Vantaa, the Asko area in Lahti being the most important new property development, topped by HTC Lahti whose gross floor area totals 50,000 m^2. The second of the seven planned buildings is in the planning stage.

The main development venture in Vantaa is the former Tikkurila Silk Mill, whose site was re-zoned for commercial use ratified by the Vantaa City Council, but an appeal is pending against the decision in the Supreme Administrative Court. The site has building rights for a gross floor area of 20,230 m^2. The Pori Cotton Mill property still holds building rights for a gross floor area of 130,000 m^2.

Property occupancy ratio of around 74 (80) per cent at the end of the year fell from the previous year, due mainly to the premises vacated by a few large industrial leaseholders in Lahti.

With promising prospects for 2004, economic recovery, low interest rates and the entry of foreign property companies will activate the Finnish property market and create demand for commercial premises.

Development

- **Uponor's goal is to become a leading international supplier of complete housing, building and environmental technology solutions. During 2003, Uponor specified its strategy, mapped out its future focus areas, and defined specific roles and goals for each of its business areas.**
- **Related to its new strategy introduced in 2001, the company has presented the new corporate values to its personnel, and transformed its brand strategy and corporate identity. Structural changes are being continued.**
- **The aim of this transformation is to provide a basis for "one unified Uponor". Product offerings focus on differentiated products and complete solutions.**
- **Competence development at Uponor aims to meet the changing requirements within housing and construction, and to provide new business opportunities.**

Brand development

The aim of Uponor's brand strategy is to reinforce the development of a single, unified Uponor, as mentioned above. 2003 saw the launch of a project for an in-depth strategic definition of the Uponor brand, according to which the brand essence also involves solutions and other offerings to be sold under the Uponor brand in the future. This brand analysis applies a holistic approach: the brand is defined in relation to the Group's strategy, business concepts, product development, human resources, training offerings, suppliers and partners.

Corporate values are a vital part of the brand promise. With the process of introducing its values under way within the Group, Uponor aims to anchor its new values into the organisation by presenting practical examples to employees in all market areas.

As part of this harmonisation process and in an effort to fortify the selected brand strategy, Uponor restructured its Housing Solutions Division in Central Europe, with the aim of establishing one single, region-wide view, and ensuring efficient operations. Since early 2004, Central Europe's leading underfloor heating brand, Velta, has also adopted a stronger Uponor identity.

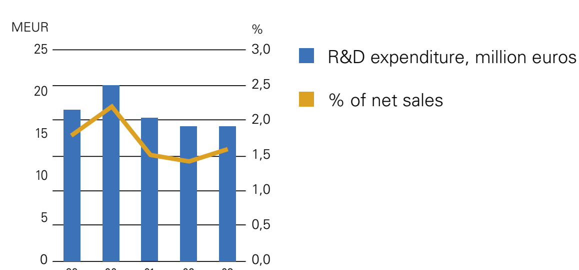
In other market areas too, Uponor has proceeded with the county organisation model, thus boosting the marketing of different brands under the Uponor corporate brand.

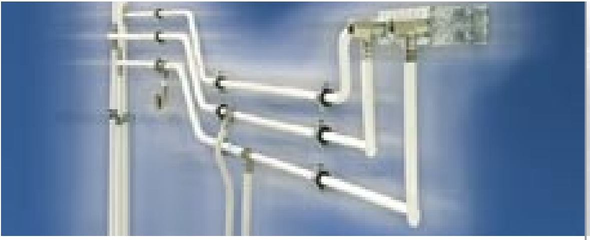
Product development

Key focus areas in 2003 included harmonising and streamlining product development in Europe, in particular. Uponor transformed its Housing Solutions Europe's R&D organisation, which now operates under one management. Housing Solutions North America previously underwent the same reorganisation. This transformation not only enables more efficient use of resources but also more targeted resource allocation.

Europe is experiencing changes in standardisation practices. The establishment of the so-called euro standards covering the European Economic Area is expected to come into effect in a few years' time. The focus will shift away from national acceptance procedures to pan-European ones, which will contribute to the operations of international

Pipe Systems R&D expenditure





companies. In addition, the obligatory EAS (European Acceptance Scheme) for drinking water treatment equipment, regardless of the material used in manufacture, is under negotiation. Being actively involved in the establishment of uniform standards ensuring sufficient safety, Uponor aims, for its part, to develop its product range in view of future requirements.

The year 2003 saw a number of launches of innovative products. In particular, Velta Minitec, a floor heating system designed for the renovation market, attracted great attention, its greatest virtues including the system's low structure and low circulating water temperature, resulting in higher efficiency. Furthermore, the system is extremely installer-friendly: it can be installed directly onto the existing base material. Product deliveries will begin in the first quarter of 2004.

The first pilot installations of a fire-extinguishing sprinkler system connected to a plumbing system were performed in Norway, Sweden and Finland. The system is an effective, safe and affordable fire-protection solution for detached houses, and it has met with a warm reception in the Nordic countries.

With a long tradition of product development co-operation with its customers, Uponor developed, together with Helsinki Water, installation chambers used in utilities system renovation. Assembled on site, installing the modular elements is simple and easy.

Competence development

Uponor's secret of success has at all times been based on its highly skilled and motivated employees, and the company's goal for 2004 is to continue with employee training and skills development.

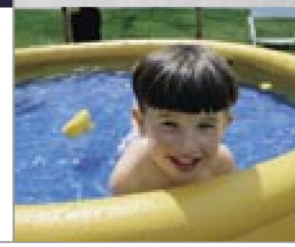
Uponor's international leadership training programme (ULP) not only creates a uniform managerial parlance, but also improves managerial competencies and generates new networks between regions and units, which is of great use in developing Group-wide operating models and meeting goals. The first 25 course participants who enrolled on the company's new training programme got their diplomas in October 2003.

Intensified focus on customers is evidenced not only by salesmanship and customer-service training programmes initiated in a number of units, but also by the increase in the number marketing people employed by the Group.

Ready for the future

Along with changes in society, housing requirements tend to change also, spurring the building and construction industry on to seek new methods. Building renovation and modernisation will increase the share of the total construction market not only because of the expanding and ageing building stock, but also because people who spend more time at home are ready to invest in it. The ageing population, in turn, will set new requirements for homes. In addition, with growing emphasis being placed on living comfort and safety in the home, housing construction should take individual needs into greater consideration, not to mention environmental aspects.

Uponor is determined to respond to these changes. A key challenge is to choose systems, which are based on its current strengths and expertise, and cleverly supplement the existing systems while providing opportunities for growth. In this way, the company provides a solid basis for one Uponor, which offers its customers cost-efficient and pro-environmental solutions related to living comfort and housing infrastructure.



Corporate social responsibility

Responsibility for people and the environment – naturally

Uponor's responsible way of conducting its corporate policies and practices is based on its core values that require commitment to responsibility and respect for life. According to its values, Uponor seeks to create solutions for more comfortable living and improved human well-being in a way that also provides foundations for healthy business development. In the development of its present and future business, the company prioritises a balance between business goals, human needs and environmental interests, in order to enable future generations to enjoy welfare, too.

Uponor crystallises its aim at sustainable development into three goals:

- Considering environmental aspects in the development and manufacture of its products;
- Maintaining and improving employee well-being; and
- Appreciating partners, consumers and the society.

Tangible measures to promote environmental values

While most of Uponor's units have set explicit environmental goals, all of the Group's production units are involved in the corporate social responsibility reporting procedure. Environmental, quality, and health and safety indicators form a part of financial reporting, with a view to providing increasingly more extensive and reliable information on the effects of the Group's operations.

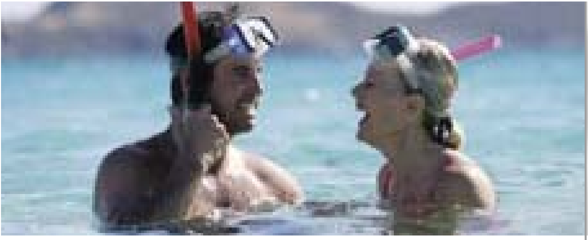
During the last few years, Uponor has made a number of tangible pro-environmental improvements. For example, since 1997, Uponor Wirsbo AB's production plant in Sweden has supplied plastics waste, highly appropriate for energy use, to a district heating plant for reuse as its energy source. Monitoring its water use on a daily basis, the plant has succeeded in decreasing its water consumption by 40 per cent during the past ten years. Investments in chemical silos have reduced the use of packaging board by half. Furthermore, the end of 2003 saw the replacement of chlorofluorocarbon used in cooling systems with an alternative method. Other Uponor's production plants have also undergone similar improvements, and many of them have been awarded prizes by local authorities for their economical use of natural resources.

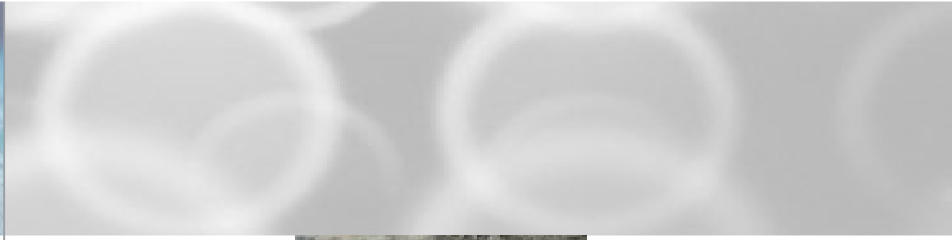
Uponor aims to exceed the environmental standards set by the authorities, and thus be amongst the front-runners in the industry in this respect, too. In line with its environmental management programme, the company also aims to increase its staff's environmental awareness, formulated as follows: We all share responsibility for the environmental effects of our operations.

Based on an agreement concluded in late 2002, Uponor opted to buy all third-party environmental audit services from a single partner in 2003, with the aim of standardising auditing methods and target levels beyond organisational and national borders, thus providing a consistent framework for benchmarking different units. Issues dealing with strategy implementation and corporate values are also included in auditing criteria.

Uponor continued its environmental management programme in 2003, and today more than half of its production staff works on sites with an ISO 14001 accreditation.

In this respect, a major step forward in 2003 included the launch of a division-wide certification programme in Housing Solutions Europe; almost all of the division's plants and offices are now operating under the same quality and environmental management system.





Pro-environmental product offering

With a long tradition of the development of pro-environmental products, Uponor can boast long-life products that save energy and clean water in use, and are made from raw material characterised by a high recyclable value. With no major burden on the environment, the plastics processing industry neither generates any significant emissions nor pollutes the soil on factory grounds.

The report year saw launches of new pro-environmental products especially on the market for sewer systems. At the beginning of the year, the company introduced an innovative weld technique of the UltraRib2 pipe, based on an electrically welded ring making for a tensile and tight-proof sleeve fitting. This ground-breaking solution is ideal for use, for example, in groundwater areas, soft soil and steep slopes, as well as for industry, whenever there is a need for exceptionally reliable solutions.

Uponor supplemented its Upoclean product family, designed for biological wastewater treatment in sparsely populated areas, with systems for shared use by 2–3 houses and for farms.

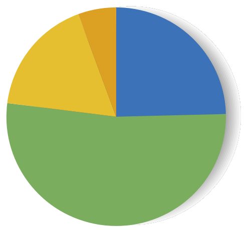
Personnel

Employee well-being, open communication, health and safety at work, and competence development are high on Uponor's human resources agenda. As part of Uponor's aim to be a more unified company, it took measures to develop HR tools and processes, with particular attention being paid to the systematisation and proactive planning of recruitment, competence development and career development.

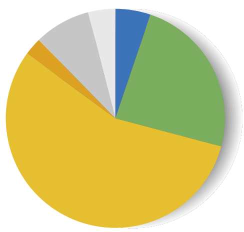
With minimum occupational safety risks involved in Uponor's operations, the company did not report any serious accidents during 2003. It paid special attention to occupational safety during the year, the number of reported accidents decreasing in a number of its production plants. A case in point in this respect is Uponor Aldyl Company's plant in Tulsa, USA, which by November had experienced two years without lost-time injuries.

Early December in France saw the eighth Upofor meeting, a forum for information and communication between employee representatives and corporate management held since 1996.

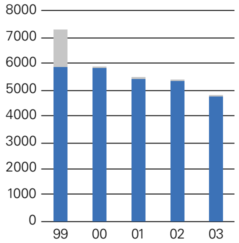
Personnel by education



Personnel by function



Personnel at year-end



Markets

Demand for Uponor's product lines in the construction sector remained at a satisfactory level during 2003, and much the same way as in 2002. Demand in the EU remained on average at the previous year's level, albeit characterised by large differences within the region. Housing construction in North America remained robust.

Germany is still the largest single residential construction market area in terms of value, although volume has fallen by almost half of its peak level in 1999. During 2003, residential housing construction in Germany continued to decline, although the second half of the year saw subtle signs of recovery. One and two-family housing construction decreased less than housing construction in general. The number of residential building permissions rose from the 2002 level.

In other large markets, such as the UK, Spain and Nordic countries, demand remained good in residential housing-construction, while the company's new market areas in Russia and the Baltic countries remained buoyant. Portugal made an exception to this overall trend, with its market facing a downturn.

Demand for infrastructure and environment solutions remained unchanged or showed a slight growth in most European market areas, despite the unusually long winter holding up sales in Central and Northern Europe.

Net sales

In 2003, Uponor posted consolidated net sales of EUR 1,021.0 million (2002: EUR 1,137.2 million), down 10.2 per cent, or EUR 116.2 million over the previous year, due almost completely to first-half divestments and the strong euro. Excluding currency fluctuations and divestments, net sales improved by 4.9 per cent in comparable terms.

Housing Solutions experienced quite a favourable sales performance. Following two weaker years, net sales in Europe rose by 4.8 per cent. Net sales continued their vigorous growth in North America, amounting to 21.0 per cent in U.S. dollars, gathering momentum during the second half of the year, in particular.

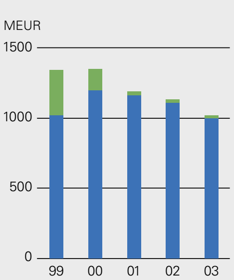
Infrastructure and Environment recorded 13.0 per cent lower net sales than a year ago, due to both divestments and declined orders from utilities customers in the UK and Portugal. If divestments and exchange rate changes are taken into account, net sales remained almost at the previous year's level (decrease of 0.4 per cent).

The largest geographical markets and their share of consolidated net sales in 2003 were as follows: North America 18.5 (23.8) per cent, Germany 16.4 (16.6) per cent, other EU 19.7 (17.5) per cent, Scandinavia 14.7 (12.5) per cent, UK and Ireland 11.1 (11.8) per cent, other countries 9.0 (8.8) per cent and Finland 10.6 (9.0) per cent.

Results

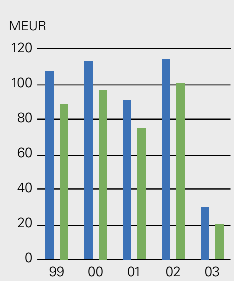
Consolidated operating profit reported for the period came to EUR 30.7 (114.2) million, down 73.2 per cent on the previous year, the sharp fall being mainly due to restructuring costs of EUR 54.9 (9.0) million entered in 2003. In addition, the 2002 operating profit included EUR 35.6 mil-

Net sales



Pipe Systems
Other

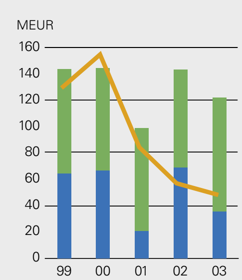
Operating profit and profit before appropriations and taxes



Operating profit
Profit before appropriations and taxes*

* excluding extraordinary items

Net investment



Divestments
Depreciation
Investments

lion in other operating income, generated by capital gains mostly on property, whereas the corresponding item came to a mere EUR 7.3 million in 2003.

Business profitability improved in comparable terms, due in particular to favourable developments during the second half of the year.

Profit after financial items dropped by 79.4 per cent, to EUR 20.8 (100.7) million. Profit before appropriations and taxes amounted to EUR 20.8 (100.7) million. Taxes totalled EUR 19.2 (36.9) million. Profit for the financial year diminished by 97.6 per cent, to EUR 1.6 (64.2) million.

Non-recurring expenses of around EUR 54.9 (9.0) million incurred in 2003 were entered as operating expenses.

Group net financial expenses totalled EUR 9.9 (13.5) million.

Return on equity was 0.3 (11.8) per cent and return on investment reached 4.9 (14.8) per cent.

Earnings per share came to EUR 0.04 (1.72) and equity per share was EUR 12.69 (14.58).

Year on year, cashflow from business operations increased to EUR 148.0 (124.8) million.

Investment and financing

Gross investments amounted to EUR 36.7 (45.0) million, i.e. EUR 50.4 million less than the value of depreciation.
Net investments totalled EUR 1.2 (–24.0) million. Investments were mainly allocated to restructuring businesses, improving productivity and maintenance.

The Group's R&D expenditure remained at the previous year's level, totalling EUR 16.0 (16.0) million, or 1.6 (1.4) per cent of net sales.

With a marked improvement in the Group's financial position, net interest-bearing liabilities decreased from EUR 163.9 million to EUR 84.0 million and solvency ratio rose to 59.8 (58.9) per cent while gearing fell to 18 (30) per cent.

Key events

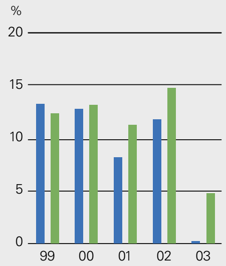
Nordic countries

2003 marked the first year Uponor was engaged in the marketing of all of its three international housing technology brands – Wirsbo, Unipipe and Ecoflex – in Finland, Sweden, Norway and Denmark under the pan-Nordic organisation. The main focus was on the development of the distribution chain, resulting in a favourable impact on sales.

Central Europe

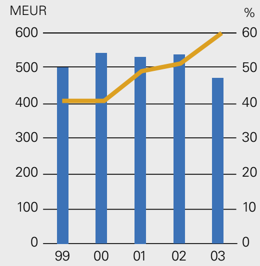
In line with its new brand strategy, Uponor aims to integrate all of its major system brands into the Uponor brand. Consequently, in March it was the first time that Uponor's German units were housed on the same stand under the Uponor brand at the ISH, the largest international trade fair for plumbing and heating technology. Furthermore, Uponor's leading heating system brand in Germany, Velta, which had been an independent brand, joined Uponor brand offerings at the end of 2003.

Return on investment and on equity



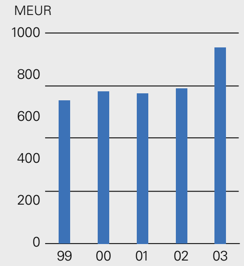
ROE, %
ROI, %

Equity and solvency



Equity, MEUR
Solvency, %

Market capitalisation, 31 Dec.



In spite of much focus being placed on production restructuring, the Ochtrup unit introduced a plastic-aluminium-multilayer pipe production line based on new technology, with the aim of meeting growing demand.

Other Europe

Uponor's contracts for its pressure pipe systems were extended, as evidenced by the extension by two more years to the end of 2005 of the three-year agreement with Transco for the supply of gas pipe systems, and with Severn Trent Water, a water utility services provider, by two more years to April 2006. Furthermore, Uponor's subsidiary Radius Plastics, the provider of telecom installation ducting systems, concluded agreements with British Telecom and Pirelli, the leading cable manufacturer in Europe, for the supply of so-called microglide products for installing broadband into buildings.

In the UK, Uponor began to provide its customers with special installation and maintenance services for utility pipe systems, which met with a favourable reception.

All of Uponor's businesses in Russia and the Baltic countries were arranged under one unit. In Estonia, the operations belonging to different divisions were merged into one company, while the Russian unit in Moscow moved into new premises featuring appropriate training facilities.

North America

Demand remained at a good level for Uponor's plastic radiant floor heating and plumbing systems. Uponor streamlined marketing by combining under a single management the sales of other brands sold alongside the Wirsbo brand.

The company continued to develop further its partnership programmes, the most popular of which is Wirsbo Advantage with over 800 installation firms as members. The year also saw the launch of a new training programme, Mini-Camp II, focusing on technical training for installation firms and wholesalers, so that they might gain a deeper knowledge of radiant floor heating.

With the increasing logistics efficiencies achieved, Uponor closed down its Utah-based distribution facilities, redeploying their operations to an extended distribution centre in Minnesota. The Minnesota plant launched a large-scale expansion investment programme in production, due for completion in the first few months of 2004, coupled with several other investments in order to shorten throughput times.

Uponor Aldyl Company within Municipal Americas finalised several new contracts of 2–3 years' duration for the supply of gas distribution pipes and related components.

Other issues

At the end of the year, Uponor launched an ERP project aimed, in the initial stage, at establishing new, harmonised operating models and policies, while the overall aim is to implement modifications for enterprise resource planning systems. The project's first phase will be completed during the beginning of the current year.

Restructuring

At the beginning of the year, Uponor divested two of its non-core businesses. In February, Uponor sold its 51 per cent holding in a manufacturer of in-house and house drainage systems, Uponor Hausabflusstechnik GmbH and its subsidiaries, to Magnaplast Beteiligungs GmbH & Co KG, established by minority shareholders, for EUR 6.5 million. The deal, which included production plants in Germany and Poland, took effect at the beginning of the year.

In March, Uponor sold its shareholding in Uponor ETI Company, a U.S. subsidiary specialising in municipal water and sewage systems, to the PW Eagle group for USD 30–34 million, of which USD 22 million was paid cash at closing on 14 March. The deal involves the company's four production plants in the eastern and central part of the USA.
As a result of the above divestments, Uponor's annual net sales fell by approximately EUR 135 million and staff by around 445 employees.

In early 2003, Uponor initiated a restructuring programme in Continental Europe, with the aim of streamlining operations. In Germany, it transferred the production of installation panels for radiant floor heating systems from the closed Buchholz/Mendt plant to the Ochtrup factory and moved injection moulding production to the Hassfurt unit. The Westheim plant discontinued the manufacture of fittings, and the manufacture of pipe-in-pipe products was transferred to Ochtrup. In Sweden, the Virsbo plant expanded its PEX pipe production, resulting from the discontinuation of radiant floor heating and plumbing systems in Maintal, Germany.

A decision was made to withdraw from the development of the solar panel business in Sweden, due to insufficient prospects for profitable international growth.

As a result of the introduction of a new organisation in early June, Housing Solutions Central Europe, began to reorganise, combining key functions, previously managed by separate units, such as marketing, production and logistics, under one management. This project for building up a new organisation proceeded according to plans during the year.

In September, Uponor decided to redeploy its sales office in charge of Infrastructure and Environment systems for eastern Central Europe to a unit based in the Czech Republic, while running down the unprofitable manufacture of sewer, gas and water pipes in Szekszárd, Hungary.

The Nordic countries underwent a number of operational efficiency enhancing projects as part of normal business development, and in response to intensified competition. The business unit for decentralised sewage treatment was dissolved and the businesses will be managed by the local companies in each country. The focus of the loss-making installation of NoDig systems for piping renovation was placed on product and system sales.

At the end of the year, Uponor began to take measures to centralise its production in Portugal on the Vila Nova de Gaia unit. The Vila do Conde plant will be closed down during the first quarter of 2004.

The Group's restructuring measures led to the reduction in the number of Group employees by around 330 in 2003.

Personnel

Uponor's long-standing President and CEO, Jarmo Rytilahti, stepped down on 31 July 2003, in line with his Executive Contract, but will act as Senior Executive Advisor reporting to the Board's Chairman until his retirement in September 2004.

Uponor Corporation's Board of Directors elected Jan Lång (46), M.Sc. (Econ.), as the company's new CEO who took up his duties on 1 August 2003.

The number of the Group's employees decreased by close to 500 during 2003. The Group had a staff of 4,803 (5,302) at the end of the year, while the reported average number of employees came to 4,962 (5,393).

The geographical breakdown of personnel was as follows: Germany 1,536 (32.0%), North America 655 (13.6%), Scandinavia 900 (18.7%), Finland 494 (10.3%), other EU 475 (9.9%), UK and Ireland 495 (10.3%), and other countries 248 (5.2%).

Administration and audit

The 2003 Annual General Meeting (AGM) re-elected Matti Niemi, Pekka Paasikivi and Horst Rahn for a term of one year and elected Anne-Christine Silfverstolpe Nordin and Aimo Rajahalme as new members. Hannu Kokkonen and Niilo Pellonmaa, the long-standing members who withdrew from the Board, acted until 17 March 2003 as the first and second Deputy Chairman, respectively. Pekka Paasikivi chaired the Board of Directors during 2003 and Horst Rahn has acted as Deputy Chairman since 17 March 2003.

The AGM appointed KPMG Wideri Oy Ab, Authorised Public Accountants, as the company's auditor, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor.

The 2003 AGM also approved the Board's proposal for the alterations of the company's Articles of Association. Consequently, the company adopted Uponor Corporation as an English equivalent to its corporate name. The amendments also applied to the provisions governing aspects relating to the Board of Directors, the rights to sign on behalf of the company and notice of the shareholders' meeting. In addition, it altered the company's object to better align with the company's strategy, extending it to cover systems solutions for housing, infrastructure and environmental technologies.

On 2 September, the Board of Directors set up a new Executive Committee for the Group, consisting of CEO Jan Lång; CFO and Deputy CEO Jyri Luomakoski; Executive Vice President, Corporate Development Kari Norbäck; as well as Division Presidents Jim Bjork (Housing Solutions North America), Jukka Kallioinen (Infrastructure and Environment Europe) and Dieter Pfister (Housing Solutions Europe). The previous management group, which consisted of corporate functions, and the internal Divisional Boards were suppressed.

Uponor revised rules applying to its Corporate Governance to be in line with the recommendation issued jointly by the Central Chamber of Commerce, HEX Helsinki Exchanges and the Confederation of Finnish Industry and Employers (TT). Approved by the Board of Directors in December, the revised Corporate Governance came into force on 1 January 2004.

Share capital and shares

In accordance with the Articles of Association, the company's minimum share capital amounts to EUR 33,637,590 and maximum capital to EUR 132,550,360. The company can increase or reduce its share capital within these limits, without amending its Articles of Association.

At the beginning of the financial year, Uponor Corporation's share capital came to EUR 75,834,444 and the number of shares totalled 37,917,222. Based on the AGM's decision, the company reduced its share capital by EUR 1,000,000 in March by invalidating 500,000 treasury shares. At the end of the financial year, Uponor Corporation's share capital amounted to EUR 74,834,444 and the number of shares totalled 34,417,222. In January 2004, the company increased its share capital by EUR 542,000 as a result of share subscriptions based on stock options, with the result that its share capital increased to EUR 75,376,444 and the number of shares to 37,688,222. With a nominal value of EUR 2, each share entitles its holder to one vote at the shareholders' meeting.

The 2003 AGM authorised the Board of Directors to issue one or several convertible bonds, grant stock options and increase share capital through one or several rights issues. Based on this authorisation, the company's share capital can be increased by a maximum of EUR 10 million. The Board is also authorised to sell a maximum of 1,800,000 treasury shares bought back by the company. During the financial year, the Board of Directors did not exercise these authorisations which are valid until 17 March 2004.

Own shares

Pursuant to the authorisation given by the AGM, the Board of Directors decided on 17 March 2003 to buy back a maximum of 1,400,000 own shares. The company may use such shares to strengthen its capital structure or finance investments, in consideration of any company acquisitions and other industrial restructuring, or it can dispose of them in some other way or invalidate them. Based on previous authorisations, the company held 911,000 own shares at the beginning of the financial year, of which 500,000 were invalidated by the AGM in March 2003.

During the year, Uponor Corporation bought back a total of 234,000 own shares traded on the Helsinki Exchanges, for EUR 4.6 million. At the end of the year, it held 645,000 own shares, at a total nominal value of EUR 1,290,000, accounting for 1.7 per cent of the share capital and total votes at the end of the year. The share buybacks have no significant effect on the distribution of shareholdings and votes in the company. Treasury shares carry no balance-sheet value in the financial statements.

Stock option plan

The number of shares subscribed on 31 December 2003, under Uponor Corporation's valid stock option plan, totalled 271,000, each share carrying a nominal value of EUR 2. The number of shares subscribed based on A stock options totalled 194,000 and that on B stock options totalled 77,000. The subscription price for A stock options and B stock options amounted to EUR 15.46 and EUR 19.75, respectively. The unexercised stock options based on the company's stock option plan entitle their holders to subscribe for 289,000 new shares, corresponding to a further share capital increase of EUR 578,000. The share subscription period will expire on 31 August 2004.

The share subscription price for stock option A is determined by the trade-weighted average of a Uponor share quoted on the Helsinki Exchanges in August 1999, and for B stock option the trade-weighted average quoted in August 2000, both added by 15 per cent. Dividends distributed after August 1999/2000 and before the subscription will be deducted from the subscription price. A dividend is deemed distributed on the record date of each dividend distribution.

The shares are payable at subscription and they entitle their holders to a dividend for the same accounting period during which they were subscribed for. Any other shareholder entitlements will become effective once the increase of the share capital has been registered with the Trade Register.

Management shareholding

The members of the Board of Directors, CEO and his deputy, as well as corporations known to the company, in which they exercise influence, held a total of 180,368 Uponor shares on 31 December 2003. These shares accounted for 0.5 per cent of the share capital and total votes at the end of the year. In addition, the stock options granted to the Deputy CEO account for 5 per cent of all the stock options issued by Uponor Corporation. The stock options held by the Deputy CEO on 31 December 2003 entitle their holder to subscribe for a maximum of 21,000 shares, corresponding to 0.06 per cent of the total number of shares and votes on 31 December 2003.

Events after the financial year

The increase of share capital by EUR 542,000, corresponding to the 271,000 shares subscribed under Uponor's stock option plan 1999/2002, was registered with the Trade Register on 19 January 2004. The new shares were traded on the Helsinki Exchanges as of 20 January. As a result of the increase, the company's share capital amounts to EUR 75,376,444 and the number of shares totals 37,688,222.

On 3 February, Uponor announced a letter of intent to divest, on an MBO basis, its cable and tap water protection pipe businesses, as well as certain industrial-product and metal components businesses in Germany, to Dieter Pfister, President of Housing Solutions Europe Division, who plans to resume as an entrepreneur. With a combined staff of around 110 in Hassfurt, Schweinfurt and Ochtrup, these businesses' net sales total approximately EUR 16.7 million. The parties aim at closing the deal by the end of March.

3 February also saw the announcement of the Board's decision to approve the management's proposal for replacing the Group's divisional organisation with a regional one. This change aims at streamlining the organisational structure, speeding up decision-making and providing the impetus for the establishment of hamonised, Group-wide processes. The regional organisation will strengthen Uponor's market position and the marketing power of its product portfolio.

Outlook

The large-scale restructuring programme initiated at the end of 2003 is to complete, mainly during 2004, a series of changes initiated at the merger of Asko and Uponor in late 1999, with the aim of making Uponor a streamlined, efficient and integrated international company. This restructuring, coupled with the development of the uniform operating model, will tie up resources and involve great challenges in the years to come.

Construction markets that began to show signs of picking up during the latter part of 2003 are expected to continue to develop favourably, and the volume of housing renovation projects in the EU is expected to continue to grow faster than that of new housing projects. In Germany, the housing construction volumes are not expected to decline any more. Market prospects in the Nordic countries and the UK are likely to remain good, whereas the currently buoyant demand in Spain is predicted to weaken slightly. With housing construction in North America remaining extremely active for the last few years, growth is expected to remain at a healthy level during 2004, albeit slowing down slightly. Renovation and modernisation projects are also expected to increase in value.

The restructuring measures already taken and the new ones, partly underway are expected to have a favourable effect on the company's financial performance during the current year. Market prospects too are somewhat brighter than a year ago. Consequently, the Group's cashflow is expected to remain strong and the 2004 operating profit and profit margin are expected to improve, excluding restructuring expenses.

Breakdown by segment 2003

Net sales	2003 MEUR	2003 Share, %	2002 MEUR	Change, %
Pipe Systems	999.7	97.9	1,112.9	-10.2
Real Estate	21.1	2.1	23.7	-11.0
Other/internal	0.2	0.0	0.6	-66.7
Uponor Group total	**1,021.0**	**100.0**	**1,137.2**	**-10.2**

Operating profit	2003 MEUR	2003 Share, %	2002 MEUR	Change, MEUR
Pipe Systems	28.3	92.2	83.9	-55.6
Real Estate	12.8	41.7	30.9	-18.1
Other/elimination	-10.4	-33.9	-0.6	-9.8
Uponor Group total	**30.7**	**100.0**	**114.2**	**-83.5**

Investment	2003 MEUR	2003 Share, %	2002 MEUR	Change, MEUR
Pipe Systems	35.2	95.9	43.1	-7.9
Real Estate	1.0	2.7	1.4	-0.4
Other/elimination	0.5	1.4	0.5	0.0
Uponor Group total	**36.7**	**100.0**	**45.0**	**-8.3**

Personnel at 31 Dec.	2003 Number	2003 Share, %	2002 Number	Change, %
Pipe Systems	4,740	98.7	5,239	-9.5
Real Estate	35	0.7	36	-2.8
Other	28	0.6	27	3.7
Uponor Group total	**4,803**	**100.0**	**5,302**	**-8.6**

Definitions of key ratios

Return on Equity (ROE), % $= \dfrac{\text{Earnings before extraordinary items - tax}}{\text{Shareholders' equity + Average minority interest}} \times 100$

Return on Investment (ROI), % $= \dfrac{\text{Earnings before extraordinary items + interest and other financing costs}}{\text{Balance sheet total - Average non-interest-bearing liabilities}} \times 100$

Solvency, % $= \dfrac{\text{Shareholders' equity} \pm \text{minority interest}}{\text{Balance sheet total - advance payments received}} \times 100$

Gearing, % $= \dfrac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity + minority interest}} \times 100$

Net interest-bearing liabilities = Interest-bearing liabilities - cash, bank receivables and financial assets

Earnings per share (EPS) $= \dfrac{\text{Profit before extraordinary items} \pm \text{minority interest of profit - tax}}{\text{Number of shares adjusted for share issue in financial period}}$

Equity per share ratio $= \dfrac{\text{Shareholders' equity}}{\text{Average number of shares adjusted for share issue at end of year}}$

Dividend per share ratio $= \dfrac{\text{Dividend per share}}{\text{Profit per share}}$

Effective dividend yield $= \dfrac{\text{Dividend per share}}{\text{Share price at end of financial period}} \times 100$

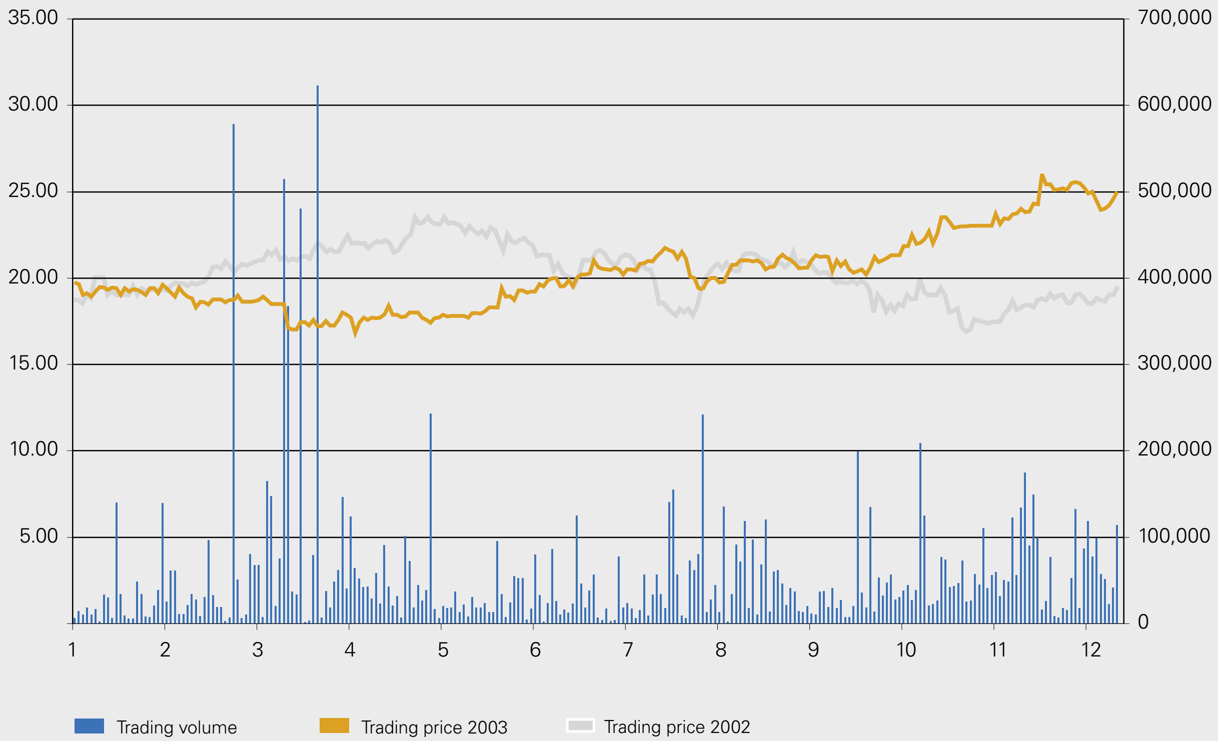
Price-Earnings ratio (P/E) $= \dfrac{\text{Share price at end of financial period}}{\text{Earnings per share}}$

Share trading progress = Number of shares traded during the financial year in relation to average value of the said number of shares

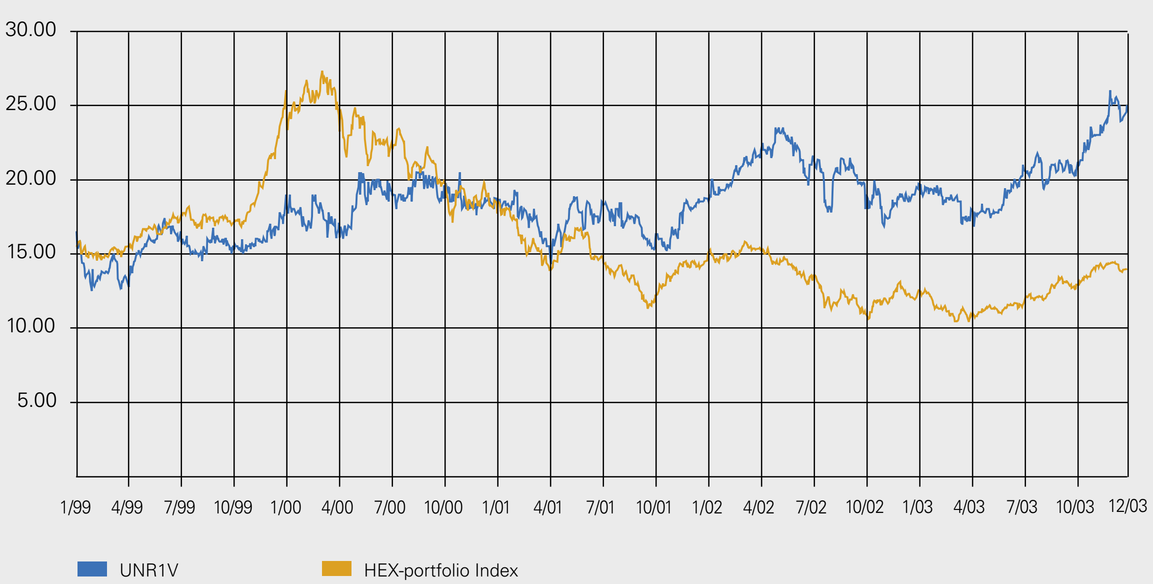
Market value of shares = Number of shares at end of financial period x last trading price

Average share price $= \dfrac{\text{Total value of shares traded (EUR)}}{\text{Total number of shares traded}}$

UNR1V: Share price development and trading on the Helsinki Exchanges in 2003



Uponor vs. HEX Portfolio Index 1999-2003



Group key financial figures

	2003	2002	2001	2000	1999
Consolidated income statement, MEUR					
Net sales	1,021.0	1,137.2	1,192.4	1,355.6	1,346.8
Operating expenses	910.0	984.0	1,035.3	1,174.9	1,175.5
Depreciation according to plan	87.1	74.7	78.2	78.4	79.4
Other operating income	6.8	35.7	12.3	10,4	15.5
Operating profit	30.7	114.2	91.2	112.7	107.4
Financial income and expenses	-9.9	-13.5	-16.2	-15.9	-18.7
Profit after financial items	20.8	100.7	75.0	96.8	88.7
Extraordinary items	-	-	-9.7	9.0	22.3
Profit before appropriations and taxes	20.8	100.7	65.3	105.8	111.0
Book result	1.6	64.2	36.6	77.4	76.3
Consolidated balance sheet, MEUR					
Non-current assets	373.1	455.8	534.6	556.3	637.1
Consolidation goodwill	75.9	91.2	101.7	111.9	122.3
Inventories	135.5	166.5	173.0	187.6	211.5
Cash and deposits	16.9	6.3	31.1	28.6	57.3
Other liquid assets	187.8	207.0	232.6	246.0	238.7
Restricted equity	186.9	179.2	181.6	181.9	184.5
Non-restricted equity	283.1	360.9	344.0	354.6	310.4
Minority interest	0.9	5.4	8.4	8.0	9.1
Obligatory provisions	31.4	11.4	12.1	14.9	16.8
Interest-bearing long-term liabilities	59.5	100.2	191.7	243.3	365.5
Interest-bearing short-term liabilities	41.5	70.0	122.2	96.0	116.5
Non-interest-bearing liabilities	185.9	199.7	213.0	231.7	264.1
Balance sheet total	789.2	926.8	1,073.0	1,130.4	1,266.9
Other key figures					
Operating profit, %	3.0	10.0	7.6	8.3	8.0
Profit after financial items, %	2.0	8.9	6.3	7.1	6.6
Profit before appropriations and taxes, %	2.0	8.9	5.5	7.8	8.2
Return on Equity (ROE), %	0.3	11.8	8.2	12.8	13.3
Return on Investment (ROI), %	4.9	14.8	11.3	13.2	12.4
Solvency, %	59.8	58.9	49.8	48.3	39.9
Gearing, %	18	30	53	57	84
Net interest-bearing liabilities, MEUR	84.0	163.9	282.8	310.7	424.7
- % of net sales	8.2	14.4	23.7	22.9	31.5
Change in net sales, %	-10.2	-4.6	-12.0	0.7	15.6
Exports from Finland, MEUR	20.4	20.6	21.0	49.4	103,1
Net sales of foreign subsidiaries, MEUR	900.9	1,043.4	1,070.5	1,156.8	1,125.4
Total net sales of foreign operations, MEUR	903.4	1,047.6	1,075.1	1,188.1	1,146.9
Share of foreign operations, %	88.5	92.1	90.2	87.6	85.2
Personnel at 31 December	4,803	5,302	5,486	5,899	7,307
Average no. of personnel	4,962	5,393	5,723	6,513	7,451
Investments, MEUR	36.7	45.0	55.7	83.6	154.3
- % of net sales	3.6	4.0	4.7	6.2	11.5

Share-specific key figures

	2003	2002	2001	2000	1999
Share capital, MEUR	75.4	75.8	76.4	77.4	77.4
Number of shares at 31 December, in thousands	37,417	37,917	38,217	38,717	38,717
Number of shares adjusted for share issue, in thousands					
- at end of year	37,043	37,006	37,377	38,237	38,532
- average	36,904	37,269	37,829	38,521	38,075
Nominal value of shares, EUR	2.00	2.00	2.00	2.00	2.00
Adjusted equity, MEUR	470.9	545.5	534.0	544.5	504.1
Share trading, MEUR	280.8	270.0	184.4	203.4	363.0
Share trading, in thousands	13,956	13,511	10,621	10,860	22,865
- of average number of shares, %	37.8	36.3	28.1	28.2	60.1
Market value of share capital, MEUR	935.4	720.9	716.6	725.9	681.5
Adjusted earnings per share (fully diluted), EUR	0.04	1.72	1.15	1.74	1.58
Equity per share, EUR	12.69	14.58	14.06	14.03	12,85
Dividend, MEUR	74.1	55.5	29.9	30.6	25.8
Dividend per share, EUR	*) 2.00	1.50	0.80	0.80	0.67
Effective share yield, %	8.0	7.7	4.3	4.3	3.8
Dividend per earnings, %	5,000.0	87.2	69.6	46.0	42.3
P/E ratio	625.0	11.3	16.3	10.8	11.1
Issue-adjusted share prices, EUR					
- highest	26.02	24.85	19.30	21.00	17.83
- lowest	16.80	16.51	14.30	15.80	12.28
- average	20.12	19.98	17.36	18.73	15.88

* Proposal of the Board of Directors

The definitions of key ratios are shown on page 30.

The average number of shares allows for the effect of treasury shares.

Share issues	2003	2002	2001	2000	1999
Directed issues, MEUR	-	-	-	-	0.7
- issue premium	-	-	-	-	2.5
Subscription price, EUR	-	-	-	-	8,9

Information on shareholders and shares

In 2003, the volume of Uponor Corporation shares traded on the Helsinki Exchanges totalled 13,955,847, valued EUR 280.8 million. The year-end share quotation amounted to EUR 25.00 and the market capitalisation of the outstanding shares was EUR 935.4 million. At year-end, Uponor had 3,998 shareholders, with foreign shareholding accounting for 30.0% (30.7%)

Shareholders by category on 31 December 2003

Category	No. of shares	% of shares
Private non-financial corporations	10,334,533	27.6
Public non-financial corporations	10,129	0.0
Financial and insurance corporations	6,436,051	17.2
General government	5,195,219	13.9
Non-profit institutions	1,306,084	3.5
Households	2,898,162	7.8
Foreign (including nominee registrations)	11,236,555	30.0
Other (joint account, waiting list)	489	0.0
	37,417,222	100.0

Shareholders by size of holding on 31 December 2003

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1 - 100	66,271	0.2	917	22.9
101 - 1,000	906,939	2.4	2,191	54.8
1,001 - 10,000	2,189,113	5.9	743	18.6
10,001 -	34,254,899	91.5	147	3.7
	37,417,222	100.0	3,998	100.0

Share capital development 1999 - 2003

Year	Date	Reason	Change, euro	Share capital, euro	Number of shares
2003	31 Dec.			74,834,444	37,417,222
	21 Mar.	Reduction (invalidation of own shares)	1,000,000	74,834,444	37,417,222
2002	31 Dec.			75,834,444	37,917,222
	18 Mar.	Reduction (invalidation of own shares)	600,000	75,834,444	37,917,222
2001	31 Dec.			76,434,444	38,217,222
	15 Mar.	Reduction (invalidation of own shares)	1,000,000	76,434,444	38,217,222
2000	31 Dec.			77,434,444	38,717,222
1999	31 Dec.			77,434,444	38,717,222
	25 Aug.	Increase (bond with warrants)	33,000	77,434,444	38,717,222
	7 Jul.	Increase (bond with warrants)	154,000	77,401,444	38,700,722
	9 Jun.	Increase (bond with warrants)	426,250	77,247,444	38,623,722
	7 Apr.	Increase (bond with warrants)	27,500	76,821,194	38,410,597
	20 Mar.	Increase (conversion of nominal value)	12,214,833	76,793,694	38,396,847
			Change, FIM	**Share capital, FIM**	**Number of shares**
	19 Mar.	Reduction (invalidation of own shares)	5,000,000	383,968,470	38,396,847
	8 Jan.	Increase (bond with warrants)	371,250	388,968,470	38,896,847
1998	31 Dec.			388,597,220	38,859,722

A further share capital increase of EUR 542,000 was entered in the Trade Register on 19 Jan. 2004 corresponding a total of 271,000 new shares subscribed on the basis of stock option rights. As a result, the share capital went up to EUR 75,376,444 and the number of shares to 37,688,222.

Major shareholders on 31 December 2003

Shareholder	Shares	% of shares	% of votes
Henki-Sampo Life Insurance Company	2,804,985	7.5	7.6
Kaleva Mutual Insurance Company	169,700	0.4	0.4
Oras Administration Ltd	2,392,564	6.4	6.5
Oras Technology Ltd	2,392,463	6.4	6.5
Oras Marketing Ltd	2,392,463	6.4	6.5
Oras Ltd	1,058,400	2.8	2.9
Varma Mutual Pension Insurance Company	2,006,552	5.3	5.4
Ilmarinen Mutual Pension Insurance Company	1,043,500	2.8	2.8
Tapiola Mutual Pension Insurance Company	733,000	1.9	1.9
Tapiola General Mutual Insurance Company	597,500	1.6	1.6
Tapiola Mutual Life Insurance Company	263,200	0.7	0.7
Tapiola Corporate Life Insurance Company Ltd	101,100	0.3	0.3
Odin Norden	407,900	1.0	1.0
Odin Finland	143,900	0.3	0.3
Others	20,408,895	54.5	55.5
	36,772,222	98.3	100.0
Own shares held by the company	645,000	1.7	-
Total	37,417,222	100.0	100.0

Nominee registered shares on 31 December 2003

Nordea Bank Finland Plc	8,798,090	23.5	23.9
Svenska Handelsbanken AB (publ.)	936,102	2.5	2.5
HSS/Skandinaviska Enskilda Banken AB (publ.)	562,831	1.5	1.5
Others	239,641	0.6	0.7
	10,536,664	28.1	28.6

The maximum number of votes which may be cast at the Annual General Meeting is 36,772,222 (status on 31 December 2003). At the end of the financial period the company held a total of 645,000 own shares corresponding to the same number of votes. These shares do not entitle to vote in the Annual General Meeting.

Accounting principles

The financial statements of Uponor Oyj comply with the 1997 Finnish Accounting Act, which is based on the fourth and seventh Directives of the European Community. There have been no changes of substance in accounting conventions since last year.

Method of compiling the consolidated financial statements

The consolidated financial statements include the parent company and all companies in which the parent company holds more than half of the voting rights, either directly or through its subsidiaries. Subsidiaries acquired or established during the year have been included as of the time of acquisition or establishment. Divested companies are included up to the time of divestment.

Transactions between Group companies have been eliminated. Reciprocal shareholdings have been eliminated by the acquisition cost method. The difference between the acquisition price of shares in a subsidiary and the net assets of subsidiaries at the time of acquisition is shown as a difference on consolidation, part of which is allocated to the fixed assets acquired if their current value substantially exceeds their book value, while the remaining, unallocated portion is shown as consolidation goodwill depreciating over an estimated effective period not exceeding 20 years. The share of minority holdings in earnings and shareholders' equity is shown as a separate item.

Associated companies are those in which the Group has a stake of 20–50 per cent and where it exercises influence. These have been included in the consolidated accounts using the capital share method. The share of earnings of associated companies for the accounting period is reckoned according to the stake held by the Group and shown separately in the income statement. Essential differences in accounting conventions between the Uponor Group and the associated companies are eliminated before combination using the capital share method.

Currency denominated items

Each company converts daily currency denominated transactions in its own accounts using the current exchange rates on the day of the transaction. Currency denominated receivables and liabilities are converted in the financial statements using the current exchange rate at the end of the accounting period. Exchange rate differentials pertaining to normal business are processed as sale and purchase corrections and those pertaining to financing are shown as finance exchange rate differentials.

Receivables and liabilities protected by derivative instruments are shown in the balance sheet at the agreed rate of exchange.

In the consolidated financial statements the income statements of foreign subsidiaries have been converted into Finnish marks at the average rate of exchange for the accounting period, while the balance sheet is based on the current exchange rate at the end of the accounting period. Any conversion differential arising from this, and other conversion differentials due to changes in subsidiary shareholders' equity are shown as an increase or reduction in unrestricted shareholders' equity. In addition to this, exchange rate differentials relating to parent company loans to foreign subsidiaries, which compensate shareholders' equity, have been treated as conversion differentials in the consolidated accounts. Conversion differentials realised in connection with substantial returns of capital are released to income in the exchange rate differentials of the income statement.

Net sales

Net sales comprise sales of products and services supplied, minus indirect taxes, allowed discounts and exchange rate differentials.

Extraordinary income and expenses

Extraordinary income and expenses comprise items which are exceptional from the point of view of regular business operations, such as factory closures and non-recurrent expenses arising from reorganising operations, as well as earnings and expenses due to sales of entire business operations. Items derived from changes in accounting conventions are shown as extraordinary income or expenses. Characteristically recurrent income and expenses pertaining to business operations, e.g. profits and losses incurred on sales of current assets, are included in other income of business operations.

Tax

The taxes in the consolidated financial statements include direct taxes based on the taxable earnings of each company, reckoned according to local tax regulations, together with the change in deferred tax receivables or liabilities arising from temporary differences. In addition to this, the change in deferred tax receivables or liabilities arising from consolidation elimination is shown in the taxes of the consolidated income statement. The accrued adjustments in the consolidated financial statements are divided between deferred tax liability and shareholders' equity.

Pension arrangements

All expenses incurred in pension benefits are recorded as expenses in the period during which the corresponding work was performed. The pension arrangements of companies in the Group comply with local regulations and practices in various countries. The costs of these arrangements are recorded as expenses in the income statement. The sums concerned are based on actuarial valuations or on the direct debits of insurance companies.

Fixed assets and depreciation

Fixed assets are shown in the balance sheet at residual value according to plan. This residual value is reckoned by deducting cumulative depreciation from the original acquisition cost.

Depreciation of fixed assets according to plan has been calculated on the basis of the acquisition cost and estimated economic life span as follows:

Buildings	25	–	50 years
Machinery and equipment	5	–	20 years
Office and shop furniture and fittings	5	–	10 years
Transport equipment	5	–	7 years
Capitalised expenditure	5	–	10 years
Goodwill	5	–	10 years
Consolidation goodwill	10	–	20 years

Current assets

Current assets are valued according to the FIFO principle at the deferred acquisition cost or probable sale price, whichever is the lower. The probable sale price of commodity current assets is the price received at the time of sale minus sales expenses. The acquisition cost of finished products and goods in process includes a share of indirect manufacturing costs.

Cash flow statement

The change in working capital and changes in balance sheet items pertaining to financing activities are reckoned in the Group cash flow statement at annual average exchange rates and include only the companies within the Group at the end of the year.

Derivative instruments

The companies in the Group employ derivative instruments to reduce interest rate, exchange rate, and raw material price risks. The Group does not speculate in derivative instrument trading. The premiums for options purchased and sold for financing purposes are recorded under the financing expenses category of the income statement during their period of validity.

Treasury shares

The parent company held some of its own shares during the year under review and the preceding year. These shares have been eliminated from the shareholders' equity of the parent company and of the Group and have no balance sheet value. Treasury shares have been eliminated from the calculation of key figures.

	Note	Uponor Group 2003	Uponor Group 2002	Uponor Corporation 2003	Uponor Corporation 2002
Net sales		1,021.0	1,137.2	2.3	3.4
Cost of goods sold		740.0	805.5	1.2	1.3
Gross profit		**281.0**	**331.7**	**1.1**	**2.1**
Marketing costs		168.9	167.3	-	-
Administration costs		58.0	58.9	7.3	9.3
Other operating income	**1.1.**	6.8	35.7	1.1	11.2
Other operating costs		16.0	16.0	8.4	3.7
Depreciation of group goodwill		14.2	11.0	-	-
Expenses		**250.3**	**217.5**	**14.6**	**1.8**
Operating profit		**30.7**	**114.2**	**-13.5**	**0.3**
Financial expenses and income	**1.5.**	-9.9	-13.5	30.4	45.3
Profit before extraordinary items		**20.8**	**100.7**	**16.9**	**45.6**
Extraordinary items	**1.6.**	-	-	22.0	25.8
Profit before appropriations and taxes		**20.8**	**100.7**	**38.9**	**71.4**
Appropriations				0.3	1.0
Income taxes	**1.7.**	19.2	36.9	4.8	9.0
Minority share		0.0	-0.4	-	-
Profit for the period		**1.6**	**64.2**	**34.4**	**63.4**

	Note	Uponor Group 31/12/2003	Uponor Group 31/12/2002	Uponor Corporation 31/12/2003	Uponor Corporation 31/12/2002
Assets					
Fixed assets					
Intangible assets					
Intangible rights		6.4	7.9	-	-
Goodwill		2.7	3.4	-	-
Consolidation goodwill		75.9	91.2	-	-
Other capitalised long-term expenditure		0.4	0.3	0.6	0.8
Intangible assets	**2.1.**	**85.4**	**102.8**	**0.6**	**0.8**
Tangible assets					
Land and water areas		46.4	58.7	2.1	2.3
Buildings and structures		164.6	192.6	9.9	11.9
Plant and machinery		120.6	159.4	0.7	0.8
Other tangible assets		5.8	8.4	-	-
Advance payments and investment in progress		11.8	13.5	-	-
Tangible assets	**2.1.**	**349.2**	**432.6**	**12.7**	**15.0**
Securities and long-term investments					
Shares in subsidiaries	**3.1.**	-	-	296.3	285.9
Shares in associated companies	**3.2.**	2.0	2.4	-	-
Other shares and holdings		8.9	8.0	3.7	3.7
Other investments		3.5	1.2	225.3	252.8
Securities and long-term investments	**2.1., 2.2.**	**14.4**	**11.6**	**525.3**	**542.4**
Total fixed assets		**449.0**	**547.0**	**538.6**	**558.2**
Current assets					
Inventories					
Raw materials and consumables		23.7	28.4	-	-
Finished products / goods		109.7	137.6	-	-
Advance payments		2.1	0.5	-	-
Inventories		**135.5**	**166.5**	-	**-**
Accounts receivables					
Trade receivables		134.5	139.4	0.7	0.5
Loan receivables		0.9	11.3	18.0	32.8
Accruals	**2.4.**	28.1	34.7	3.1	1.9
Deferred tax assets	**2.14.**	18.0	18.9	0.1	0.1
Other receivables		6.3	2.7	39.9	46.0
Accounts receivables	**2.3.**	**187.8**	**207.0**	**61.8**	**81.3**
Liquid assets					
Cash in hand and at bank		16.9	6.3	8.0	0.4
Liquid assets		**16.9**	**6.3**	**8.0**	**0.4**
Total current assets		**340.2**	**379.8**	**69.8**	**81.7**
Total assets		**789.2**	**926.8**	**608.4**	**639.9**

	Note	Uponor Group 31/12/2003	Uponor Group 31/12/2002	Uponor Corporation 31/12/2003	Uponor Corporation 31/12/2002
Liabilities and shareholders equity					
Shareholders' equity					
Restricted equity					
Share capital		74.8	75.8	74.8	75.8
Share issue		4.5	-	4.5	-
Other restricted equity		107.6	103.4	112.6	111.8
Restricted equity		**186.9**	**179.2**	**191.9**	**187.6**
Unrestricted equity					
Retained earnings		281.5	296.7	285.3	282.0
Profit for the period		1.6	64.2	34.4	63.4
Unrestricted equity		**283.1**	**360.9**	**319.7**	**345.4**
Total shareholders' equity	**2.5.**	**470.0**	**540.1**	**511.6**	**533.0**
Minority interest		**0.9**	**5.4**	**-**	**-**
Accumulated appropriations	**2.6.**	**-**	**-**	**3.1**	**3.4**
Obligatory provisions		**31.4**	**11.4**	**0.5**	**0.5**
Liabilities					
Long-term liabilities					
Bonds		26.0	26.0	26.0	26.0
Loans from financial institutions		20.1	33.8	-	16.7
Loans from pension funds		13.3	13.9	7.8	8.8
Other long-term liabilities		0.3	27.4	-	-
Long-term liabilities	**2.7., 2.8.**	**59.7**	**101.1**	**33.8**	**51.5**
Deferred tax liability	**2.14.**	**33.9**	**41.5**	**-**	**-**
Short-term liabilities					
Annual loan instalments		1.9	16.4	1.0	4.3
Advances received		2.7	4.9	0.0	0.0
Trade payables		69.4	72.6	0.6	0.7
Accruals	**2.10.**	75.7	82.4	3.4	2.6
Other short-term liabilities		43.6	51.0	54.3	43.9
Short-term liabilities	**2.9.**	**193.3**	**227.3**	**59.3**	**51.5**
Total liabilities		**286.9**	**369.9**	**93.1**	**103.0**
Total liabilities and shareholders equity		**789.2**	**926.8**	**608.3**	**639.9**

	Uponor Group		Uponor Corporation	
	1 Jan – 31 Dec '03	1 Jan – 31 Dec '02	1 Jan – 31 Dec '03	1 Jan – 31 Dec '02
	MEUR		MEUR	
Cash flow from operations				
Net cash from operations				
Profit for the period	1.6	64.2	34.4	63.4
Depreciation	87.1	74.7	1.0	1.3
Sales gains from the sale of fixed assets	-7.2	-35.3	-1.1	-10.2
Cash flow adjustment items	18.8	7.1	-0.3	-1.0
Group contributions	-	-	-22.0	-25.8
Net cash from operations	**100.3**	**110.7**	**12.0**	**27.7**
Change in working capital				
Receivables	15.1	10.9	19.5	16.5
Inventories	31.9	-1.6	-	-
Non-interest-bearing liabilities	0.7	4.8	0.6	-2.9
Change in working capital	**47.7**	**14.1**	**20.1**	**13.6**
Cash flow from operations	**148.0**	**124.8**	**32.1**	**41.3**
Cash flow from investments				
Share acquisitions	0.0	-2.6	-	-2.1
Share divestments	20.8	30.9		
Investment in fixed assets	-36.7	-42.4	-0.5	-2.4
Income from sales of fixed assets	14.7	38.1	3.0	23.0
Cash flow from investments	**-1.2**	**24.0**	**2.5**	**18.5**
Cash flow before financing	**146.8**	**148.8**	**34.6**	**59.8**
Cash flow from financing				
Change in long-term receivables	-2.3	1.1	16.5	-2.3
Change in long-term liabilities	-40.1	-85.6	-21.0	-45.9
Change in short-term liabilities	-38.7	-49.2	11.1	-13.1
Share issue	4.5	-	4.5	-
Dividend payments	-55.5	-29.9	-55.5	-29.9
Dividends to minority shareholders	-	-2.0	-	-
Cash flow from treasury shares	-4.6	-7.2	-4.6	-7.2
Group contributions	-	-	22.0	25.8
Cash flow from financing	**-136.7**	**-172.8**	**-27.0**	**-72.6**
Exchange rate differences for liquid assets	**0.5**	**-0.8**	**-**	**-**
Change in liquid assets	**10.6**	**-24.8**	**7.6**	**-12.8**
Liquid assets at 1 January	6.3	31.1	0.4	13.2
Liquid assets at 31 December	16.9	6.3	8.0	0.4
Changes according to balance sheet	**10.6**	**-24.8**	**7.6**	**-12.8**

1. Notes to the income statement

	Uponor Group 2003	Uponor Group 2002	Uponor Corporation 2003	Uponor Corporation 2002
1.1. Other operating income				
Gains from sales of fixed assets	7.2	35.3	1.1	10.2
Royalties	-	0.3	-	0.3
Earnings share from associated companies	-0.4	0.1	-	-
Other income	-	-	-	0.7
	6.8	**35.7**	**1.1**	**11.2**
1.2. Personnel costs				
Salaries and fringe benefits	166.1	177.8	2.0	1.9
Pension expenses	9.3	9.1	0.1	0.3
Other personnel costs	35.9	38.0	0.1	0.2
	211.3	**224.9**	**2.2**	**2.4**
Salaries and emoluments paid to the Managing Directors and Board members				
Salaries and emoluments	4.5	6.9	0.6	0.5
Bonus payments	0.9	0.9	0.1	0.1
	5.4	**7.8**	**0.7**	**0.6**
1.3. Depreciation according to plan				
Intangible rights	2.4	2.8	-	-
Goodwill	0.6	0.6	-	-
Consolidation goodwill	14.2	11.0	-	-
Other capitalised long-term expenditure	0.1	0.1	0.3	0.5
Land and water areas	0.7	1.5	-	-
Buildings and structures	21.3	9.5	0.5	0.6
Plant and machinery	44.9	45.3	0.2	0.2
Other tangible assets	2.9	3.9	-	-
	87.1	**74.7**	**1.0**	**1.3**
1.4. Depreciation by operation				
Manufacturing	61.5	51.1	0.5	0.6
Sales and marketing	6.1	6.8	-	-
Administration	4.2	4.7	0.5	0.7
Other	1.1	1.1	-	-
Consolidation goodwill	14.2	11.0	-	-
	87.1	**74.7**	**1.0**	**1.3**

	Uponor Group		Uponor Corporation	
	2003	2002	2003	2002
1.5. Financial income and expenses				
Dividend income				
- Subsidiaries	-	-	28.3	43.6
- Others	0.9	0.8	1.3	1.2
Interest and financial income				
- Subsidiaries	-	-	12.9	13.5
- Associated companies	0.5	0.5	-	-
- Others	1.6	2.8	1.1	1.0
	3.0	**4.1**	**43.6**	**59.3**
Interest and financial costs				
- Subsidiaries	-	-	1.4	1.2
- Others	11.0	15.1	6.2	6.3
Exchange differences				
- Realised	-1.6	-1.8	-0.5	0.6
- Unrealised	-0.3	-0.7	-5.0	-7.1
	12.9	**17.6**	**13.1**	**14.0**
Net financial costs	**-9.9**	**-13.5**	**30.5**	**45.3**
1.6. Extraordinary income				
Group contributions	-	-	22.0	25.8
	-	**-**	**22.0**	**25.8**
1.7. Taxes				
For the financial period	22.3	29.0	4.8	8.2
For previous financial periods	0.1	0.8	-	0.8
Change in deferred taxation	-3.2	7.1	-	-
	19.2	**36.9**	**4.8**	**9.0**

2. Notes to the balance sheet

2.1. Fixed assets

Uponor Corporation	Intangible rights	Other capitalised long-term expenditure	Land and water areas	Buildings and structures	Plant and machinery	Other tangible assets	Advance payments and investment in progress	Securities and long-term investments
Acquisition costs 1 Jan	0.2	4.3	1.9	29.1	8.2	2.0	-	289.6
Increases	-	0.2	-	-	0.2	-	-	11.0
Decreases	-	-0.1	-0.2	-1.4	-0.1	-	-	-0.6
Acquisition costs 31 Dec	0.2	4.4	1.7	27.7	8.3	2.0	-	300.0
Accrued depreciation and value adjustments	0.2	3.5	-	17.5	7.4	2.0		
Depreciation for the financial period		0.3	-	0.4	0.2	-		
Accrued depreciation	0.2	3.8	-	17.9	7.6	2.0	-	-
Revaluations	-	-	0.4	0.1	-	-	-	-
Book value	**0.0**	**0.6**	**2.1**	**9.9**	**0.7**	**-**	**-**	**300.0**

Uponor Group	Intangible rights	Goodwill	Consolidation goodwill	Other capitalised long-term expenditure	**Intangible assets**	Shares in associated companies	Other shares and holdings
Acquisition costs 1 Jan	36.5	23.1	144.6	3.7	**207.9**	2.4	8.0
Structural changes	-0.4	-1.1	-1.4	0.0	**-2.9**	-	-
Conversion difference	-0.4	-0.5	-1.1	0.0	**-2.0**	0.0	-
Increases	1.0	0.2	0.2	0.2	**1.6**	-	1.9
Decreases	0.2	-1.0	-9.5	0.1	**-10.2**	0.4	1.0
Transfers between items	0.1	-0.1	0.0	0.0	**-**	-	-
Acquisition costs 31 Dec	36.5	22.7	151.8	3.8	**214.8**	2.0	8.9
Accrued depreciation and value adjustments	28.5	19.9	53.4	3.4	**105.2**	-	-
Structural changes	-0.4	-1.1	-0.6	0.0	**-2.1**		
Conversion difference	-0.4	-0.5	-0.6	0.0	**-1.5**		
Accrued depreciation of decreases and transfers	0.0	1.1	9.5	-0.1	**10.5**	-	-
Depreciation for the financial period	2.4	0.6	14.2	0.1	**17.3**	-	-
Accrued depreciation	30.1	20.0	75.9	3.4	**129.4**	0.0	0.0
Book value	**6.4**	**2.7**	**75.9**	**0.4**	**85.4**	**2.0**	**8.9**

	Land and water areas	Buildings and structures	Plant and machinery	Other tangible assets	Advance payments and investment in progress	**Tangible assets**
Acquisition costs 1 Jan	55.1	271.5	543.7	32.3	13.5	**916.1**
Structural changes	-2.3	-8.8	-58.1	-0.8	-0.4	**-70.4**
Conversion difference	-2.8	-7.2	-22.5	-1.7	-0.7	**-34.9**
Increases	0.2	2.5	29.0	1.4	0.9	**34.0**
Decreases	0.1	5.1	15.2	1.4	0.3	**22.1**
Transfers between items	-6.6	4.6	3.6	-0.3	-1.2	**0.1**
Acquisition costs 31 Dec	43.5	257.5	480.5	29.5	11.8	822.8
Accrued depreciation and value adjustments	7.6	86.8	386.1	23.8	-	**504.3**
Structural changes	-0.9	-3.0	-39.8	-0.4	-	**-44.1**
Conversion difference	-0.4	-2.5	-15.2	-1.3	-	**-19.4**
Accrued depreciation of decreases and transfers	0.2	-2.0	-14.1	-1.3	-	**-17.2**
Depreciation for the financial period	0.7	21.3	44.9	2.9	-	**69.8**
Accrued depreciation	7.2	100.6	361.9	23.7	0.0	**493.4**
Revaluations	10.1	7.7	2.0	-	-	**19.8**
Book value	**46.4**	**164.6**	**120.6**	**5.8**	**11.8**	**349.2**
Balance sheet value of production plant and machinery			108.5			

	Uponor Group		**Uponor Corporation**	
	2003	**2002**	**2003**	**2002**
2.2. Long-term investments				
Loans receivables				
- Subsidiaries	-	-	224.6	251.5
- Associated companies	-	9.7	-	-
- Others	0.6	1.2	0.7	1.2
	0.6	**10.9**	**225.3**	**252.7**

	Subsidiaries		**Associated companies**	
	2003	**2002**	**2003**	**2002**
2.3. Receivables from subsidiaries and associated companies				
Uponor Corporation				
Loan receivables	242.6	284.4	-	-
Accruals	0.1	0.1	-	-
Other receivables	39.4	45.2	-	-
	282.1	**329.7**	**-**	**-**

No loans have been issued to management or shareholders, nor have guarantees been issued or securities lodged on their behalf.

	Uponor Group 2003	Uponor Group 2002	Uponor Corporation 2003	Uponor Corporation 2002
2.4. Accrued income				
Taxes	14.2	15.2	2.1	0.9
Discounts received	4.6	5.8	-	-
Interest	1.0	0.8	0.9	0.8
Other	8.3	12.9	0.1	0.2
	28.1	**34.7**	**3.1**	**1.9**
2.5. Changes in shareholders' equity				
Restricted shareholders' equity				
Share capital on 1 January	75.8	76.4	75.8	76.4
Cancelling of shares	-1.0	-0.6	-1.0	-0.6
Share capital on 31 December	**74.8**	**75.8**	**74.8**	**75.8**
Capital reserve on 1 January			111.6	111.0
Cancelling of shares			1.0	0.6
Premium on shares issued, 31 December			**112.6**	**111.6**
Revaluation reserve on 1 January			0.2	0.2
Decrease			0.2	-
Revaluation reserve on 31 December			**0.0**	**0.2**
Share issue			**4.5**	**-**
Non-restricted shareholders' equity on 1 January			345.4	319.1
Dividend payments			-55.5	-29.9
Treasury shares			-4.6	-7.2
Profit for financial period			34.4	63.4
Non-restricted shareholders' equity on 31 December			**319.7**	**345.4**
Other restricted shareholders' equity on 1 January	103.4	105.2		
Changes in revaluation reserve	-1.3	-1.2		
Transfer from non-restricted shareholders' equity	4.5	-1.2		
Share issue	4.5	-		
Transfer from share capital	1.0	0.6		
Other restricted shareholders' equity on 31 December	**112.1**	**103.4**		
Non-restricted shareholders' equity on 1 January	360.9	344.0		
Dividend payments	-55.5	-29.9		
Conversion differences	-14.9	-11.4		
Transfer to restricted shareholders' equity	-4.5	1.2		
Treasury shares	-4.5	-7.2		
Profit for financial period	1.6	64.2		
Non-restricted shareholders' equity on 31 December	**283.1**	**360.9**		
Of which not distributable in dividends	**42.9**	**43.1**		
2.6. Accumulated appropriations				
- Intangible assets			0.1	0.2
- Buildings and structures			2.6	2.8
- Plant and machinery			0.4	0.4
			3.1	**3.4**

	Uponor Group		Uponor Corporation	
	2003	2002	2003	2002
2.7. Loans				
Falling due in following financial period				
- Loans from financial institutions	0.9	11.9	-	-
- Pension loans	1.0	4.3	1.0	4.3
- Other loans	0.2	0.2	-	-
	2.1	**16.4**	**1.0**	**4.3**
2.8. Long-term loans				
Due in five years				
- Loans from financial institutions	1.8	3.6	-	-
- Pension loans	10.0	10.2	3.7	4.2
	11.8	**13.8**	**3.7**	**4.2**

Serial bond I/2001
Serial bond not exceeding EUR 100 million
Nominal annual interest 6.25 %
Term: 20 November 2001 to 20 November 2005
The loan is unsecured.
Redemption in full on 20 November 2005

First tranche
Loan amount: EUR 26 million
Issue price 99.937

	Subsidiaries		Associated companies	
	2003	2002	2003	2002
2.9. Liabilities to subsidiaries and associated companies				
Uponor Corporation				
Trade payables	0.4	0.4	-	-
Other short-term liabilities	32.7	39.1	-	-
	33.1	**39.5**		

	Uponor Group		Uponor Corporation	
	2003	2002	2003	2002
2.10. Accrued liabilities				
Staff costs	23.6	22.0	0.5	0.7
Interest	0.4	0.8	0.8	0.7
Taxes	13.6	21.3	1.8	-
Discounts	7.2	7.7	-	-
Others	30.9	30.6	0.3	1.2
	75.7	**82.4**	**3.4**	**2.6**
2.11. Secured loans				
Pledged assets	0.7	0.8	-	-
Mortgages	9.1	23.4	-	-
	9.8	**24.2**		

	Uponor Group		Uponor Corporation	
	2003	2002	2003	2002
2.12. Exchange and interest rate risk management				
Derivatives contracts				
Interest derivatives				
Interest rate options, bought	96.7	82.7	96.7	82.7
Interest rate options, sold	120.4	111.3	120.4	111.3
Interest rate swaps	10.0	10.0	10.0	10.0
Foreign currency derivatives				
Forward agreements	12.4	5.0	12.4	5.0
Currency swaps	-	17.0	-	17.0
Commodity derivatives				
Forward agreements	1.7	1.1	-	-
2.13. Contingent liabilities				
Pledges at book value				
- on own behalf	0.7	0.8	-	-
Mortgages issued				
- on own behalf	9.2	23.3	-	-
Guarantees issued				
- on behalf of a subsidiary	-	-	39.8	70.0
- on behalf of an associated company	9.3	-	-	-
- on behalf of others	3.2	3.3	9.3	-
Other contingent liabilities	8.8	4.9	-	-
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.				
Leasing and renting liabilities				
Maturing in the following year	7.7	2.3	0.2	0.3
Maturing later	50.1	51.3	1.6	2.3
	57.8	**53.6**	**1.8**	**2.6**
2.14. Deferred tax liabilities and assets				
Deferred tax assets				
- Consolidation procedures	0.0	0.0		
- Consolidated companies	18.0	18.9		
	18.0	**18.9**		
Deferred tax liabilities				
- Appropriations	17.8	18.0		
- Consolidation procedures	-	-		
- Consolidated companies	16.1	23.5		
	33.9	**41.5**		
	15.9	**22.6**		

3. Shares and holdings

3.1. Subsidiaries

Name	Domicile and country		Parent company stake	Group stake
Uponor Aldyl S.A.	Buenos Aires	AR	100.0	100.0
130167 Canada Inc.	Montreal	CA	100.0	100.0
Uponor Beteiligungs GmbH	Haßfurt	DE	100.0	100.0
Uponor Müanyag Csörendszer Kft. i.v.L.	Budapest	HU		100.0
Uponor Polska Sp. z o.o.	Sochaczew	PL		100.0
Uponor Bor Sp. z o.o.	Sochaczew	PL		100.0
Uponor Resiplast, S.A.	Barcelona	ES		100.0
Uponor Hispania, S.A.U.	Móstoles	ES		100.0
Uponor Czech s.r.o.	Prague	CZ		100.0
Uponor (Deutschland) GmbH	Haßfurt	DE		100.0
Uponor Anger GmbH	Marl	DE		100.0
Uponor Abwassertechnik GmbH i.L.	Emstek	DE		75.5
Uponor Klärtechnik GmbH	Marl	DE		100.0
Hewing GmbH	Ochtrup	DE		100.0
Cronatherm Verwaltungsgesellschaft mbH	Buchholz-Mendt	DE		100.0
Cronatherm GmbH & Co. KG	Buchholz-Mendt	DE		100.0
WIRSBO Pex GmbH	Maintal	DE		100.0
Wirsbo Verwaltungsgesellschaft mbH	Norderstedt	DE		100.0
Wirsbo-VELTA GmbH & Co. KG	Norderstedt	DE		100.0
Polytherm VertriebsGmbH	Ochtrup	DE		100.0
Uponor S.A.R.L.	Saran	FR		100.0
Uponor Rohrsysteme GmbH	Haßfurt	DE		100.0
PR Consulting & Marketing GmbH	Haßfurt	DE		100.0
Unicor GmbH Rahn Plastmaschinen	Haßfurt	DE		100.0
Unicor Extrusionstechnik GmbH	Zella-Mehlis	DE		100.0
Unicor Plastic Machinery, Inc. i.L.	Missisauga	CA		100.0
Sörberg GmbH & Co. KG	Haßfurt	DE		100.0
Uponor A/S	Hadsund	DK	100.0	100.0
Uponor Eesti Oü	Tallinn	EE	100.0	100.0
Nereus Oy	Uusikaupunki	FI	100.0	100.0
Jita Oy	Virrat	FI	100.0	100.0
Kiinteistö Oy Porin Asko-talot	Pori	FI	79.1	79.1
Renor Oy	Lahti	FI	100.0	100.0
Oy Finla Ab	Tampere	FI		100.0
Varastotalo Oy	Tampere	FI		100.0
Kiinteistö Oy Trikootalot	Tampere	FI		100.0
Kiinteistö Oy Keskuskatu 20	Heinola	FI		100.0
Kiinteistö Oy Porin Puuvillan Vanha Värjäämö	Pori	FI		89.6
Asunto Oy Forssan Kuhalankatu 2	Forssa	FI		60.3
Asko Norge AS	Oslo	NO		100.0
Asko i Fristad AB	Borås	SE		100.0
KB Sekanten	Borås	SE		100.0
Uponor Suomi Oy	Nastola	FI	100.0	100.0
Uponor Holding S.A.	Lyon	FR	100.0	100.0
Uponor France S.A.	St. Etienne de St. Geoirs	FR		100.0
S.C.I. Village les Apprets	St. Etienne de St. Geoirs	FR		100.0
Uponor Limited	Bishopstown	IE	100.0	100.0
Uponor (Cork) Limited	Bishopstown	IE		100.0
Uponor S.r.l.	Badia Polesine	IT	100.0	100.0
Uponor Latvia SIA	Riga	LV	100.0	100.0
Uponor UAB	Vilnius	LT	100.0	100.0
Uponor B.V.	Amsterdam	NL	100.0	100.0

Name	Domicile and country		Parent company stake	Group stake
Uponor AS	Furuflaten	NO	100.0	100.0
Uponor Portugal, Lda.	Vila Nova de Gaia	PT	100.0	100.0
Uponor Construcão e Ambiente, S.A.	Vila Nova de Gaia	PT		100.0
ZAO Uponor RusSt.	Petersburg	RU	100.0	100.0
Sörberg Produktion AB	Kungsör	SE	100.0	100.0
Uponor AB	Fristad	SE	100.0	100.0
Uponor Innovation AB	Fristad	SE	100.0	100.0
Uponor Wirsbo AB	Virsbo	SE	100.0	100.0
Uponor Wirsbo A/S	Glostrup	DK		100.0
Uponor Wirsbo AS	Vestby	NO		100.0
Uponor Magyarország Kft.	Budapest	HU		100.0
WA Vertriebs GmbH	Guntramsdorf	AT		100.0
Uponor Limited	England	UK	100.0	100.0
Wirsbo UK Limited	England	UK		100.0
nrg2 Limited	England	UK		100.0
Uponor Aldyl Limited	England	UK		100.0
Uponor Housing Solutions Limited	England and Wales	UK		100.0
Radius Plastics Limited	Northern Ireland	UK		100.0
Uponor North America, Inc.	Delaware	US	100.0	100.0
Hot Water Systems North America, Inc.	Delaware	US		100.0
Uponor Wirsbo, Inc.	Illinois	US		100.0
Uponor Canada Inc.	Regina	CA		100.0
Radiant Technology, Inc.	New York	US		100.0
Unicor Pipe Systems Ltd. i.L.	Toronto	CA		100.0
Uponor Aldyl Company, Inc.	Delaware	US		100.0

3.2. Associated companies

Name	Domicile and country		Parent company stake	Group stake
Bostads Ab Gyllene Svanen Asunto Oy	Tammisaari	FI		50.0
Bostads Ab Silversvanen Asunto Oy	Tammisaari	FI		50.0
Punitec GmbH & Co. KG	Gochsheim	DE		45.0
Punitec Verwaltungs GmbH	Gochsheim	DE		45.0
Kiinteistö Oy Lahden Teollisuuskeskus	Lahti	FI		37.4
HTC-Lahti Oy	Lahti	FI		33.3
Kiinteistö Oy Silkkirivi	Ikaalinen	FI		33.3
Kiinteistö Oy Puolikivi	Ikaalinen	FI		32.3
Kiinteistö Oy Lahden Vesijärvenkatu 36	Lahti	FI		24.0
Kiinteistö Oy Neilikkapolku	Vantaa	FI		20.5

Proposal of the Board of Directors

According to the balance sheet as of 31 December 2003, Group profits amount to EUR 283,109,000, of which EUR 240,162,000 can be distributed. The distributable profit of Uponor Corporation is EUR 319,677,236.40.

The Board of Directors proposes that a dividend of EUR 2.00 per share be paid on the 2003 accounting period.

Vantaa, 3 February 2004

Pekka Paasikivi
Chairman

Matti Niemi

Horst Rahn

Aimo Rajahalme

Anne-Christine Silfverstolpe Nordin

Jan Lång
Managing director

Auditor's report

To the shareholders of Uponor Corporation
We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Uponor Corporation for the year ended 31 December 2003. The financial statements prepared by the Board of Directors and the Managing Director include the report of Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the parent company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations for the year, as well as of the financial position at the year-end. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited. The proposal made by the Board of Directors on how to deal with the distributable funds is in compliance with the Companies Act.

Vantaa, 3 February 2004

KPMG WIDERI OY AB

Sixten Nyman
Authorized Public Accountant

Pursuant to the provisions of the Finnish Companies Act and the Articles of Association of Uponor Corporation (hereinafter 'the Corporation'), the control and management of the Corporation is divided among the shareholders, the Board of Directors and the Chief Executive Officer. Uponor Corporation follows the recommendations issued by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (TT) relating to the governance of publicly quoted companies.

General meetings of shareholders

The shareholders exercise their rights in general meetings of shareholders, which constitute the Corporation's highest decision-making organ. Under the Companies Act, decisions made by general meetings of shareholders include among other things:

- amendments to the Articles of Association,
- adoption of the annual accounts,
- distribution of dividends,
- share issues,
- repurchasing and disposal of the Corporation's shares,
- stock plans/stock option plans,
- election of members of the Board of Directors and decision on their remuneration,
- election of the Corporation's auditor and decision on its fee.

Board of Directors

Duties

In accordance with the Finnish Companies Act, the Board of Directors is responsible for the management of the Corporation and the proper organisation of its activities. The Board's main duty is to direct the Corporation's operations in such a way that in the long run the best use of the invested capital is secured, while simultaneously taking the expectations of various stakeholders into account. In addition to its statutory duties, the Board of Directors takes decisions on all other significant issues, such as the Group strategy, dividend policy, budget, major investments including acquisitions, as well as major restructuring plans.

Election and composition

Pursuant to the Articles of Association of the Corporation, the Board of Directors consists of at least five and not more than seven members. Members of the Board of Directors are elected for a term of one year beginning at the end of the general meeting of shareholders at which they were elected and terminating at the end of the next Annual General Meeting. Members of the Board of Directors may be elected or removed only by a resolution adopted by the shareholders in a general meeting.

The Annual General Meeting in March 2003 elected five members to the Board: Mr Matti Niemi, Mr Pekka Paasikivi, Mr Horst Rahn, Mr Aimo Rajahalme and Ms Anne-Christine Silfverstolpe Nordin.

It is the Corporation's policy to comply with the recommendations issued by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (TT) on issues related to directors, their independence and non-executive positions. All directors are required to deal at arm's length with the Corporation and its subsidiaries and to disclose any potential conflicts of interest.

All the Board members are independent of the Corporation except for Mr Horst Rahn, who has entered into a consultancy agreement with the Corporation ending on 30 September 2004. All the Board members except for Mr Pekka Paasikivi are independent of the significant shareholders.

It is in the interests of the Corporation and stakeholders that the directors elected represent expertise from various fields, such as the Corporation's field of business, relevant technologies, finance, human resources, risk management and international sales and marketing. (For a detailed description of the members of the Uponor Board, please refer to page 58 or to www.uponor.com.)

The Annual General Meeting shall determine the remuneration of the Board members. In accordance with the decision taken by the 2003 AGM, the annual emoluments of the Board members are as follows: Chairman EUR 36,000, Deputy Chairman EUR 25,000 and ordinary members of the Board EUR 22,000.

All members are further entitled to a remuneration of EUR 240 for each meeting.

Additionally, the AGM decided that approximately 40 per cent of the annual emoluments should be paid in terms of company shares acquired on behalf and in the name of the Board members and approximately 60 per cent in cash. As a matter of policy, remuneration is paid to non-executive directors only.

The following amounts were paid to the current members of the Board during 2003:

Member of the Board	*Annual emolument, €*	*Additional remuneration, €*
Paasikivi, Pekka	36,000	3,540
Rahn, Horst	-	-
Niemi, Matti	22,000	3,360
Rajahalme, Aimo	22,000	2,400
Silfverstolpe Nordin, Anne-Christine	22,000	2,640

The Board members do not participate in a share-related compensation system of the Corporation.

The Board elects one member to serve as Chairman, and one as Deputy Chairman, for one year at a time.

Meetings and decision-making

The Board shall convene approximately 12 times a year. Some of the meetings may be held as teleconferences. Two of the meetings should take place at a business unit, a different one each time.

During 2003, the Board held 14 meetings, 4 of which were teleconferences. Non-attendances were recorded twice.

Board Committees

The Board of Directors has decided that the Corporation shall not have a separate Audit Committee but that the Board shall perform this function. The Board shall meet with the external auditor at least twice a year, once without the corporate management. In addition to monitoring the internal and external audit, the duties of the Board as Audit Committee include, for example, reviewing the contents of the Corporation's annual accounts and interim reports, as well as monitoring its internal control and risk management systems.

When necessary, the Board shall establish ad hoc committees to deal with various issues, such as compensation and nominations.

Chief Executive Officer

The Chief Executive Officer (CEO), assisted by the Executive Committee, is in charge of the day-to-day management of the Group's affairs. The CEO acts in accordance with the orders and instructions issued by the Board of Directors. It is the duty of the CEO to ensure that the accounting methods used comply with the legislation in force and that financial matters are handled in a reliable manner. The Chief Executive Officer is also the Chairman of the Executive Committee.

The annual compensation of the CEO, Jan Lång, amounts to EUR 280,000, including fringe benefits. The CEO is also entitled to a bonus of maximum 50% of his annual salary. In accordance with the terms of the written service contract with the CEO, the contract may be terminated by either the CEO or the Corporation at six (6) months' notice. If the Corporation terminates the contract, it shall pay the CEO, in addition to the statutory compensation for the notice period, an amount equivalent to the compensation paid to the CEO for the 12 months prior to the termination. The Corporation may also terminate the agreement with immediate effect by paying an indemnification equivalent to 18 months' compensation. The CEO is entitled to retirement at the age of 63 with full pension calculated in accordance with the Employees' Pensions Act (TEL). The CEO must retire at the age of 65, at the latest.

Executive Committee

Duties

The Executive Committee (ExCom) shall mainly be responsible for formulating and implementing the Group's strategy. Significant operational issues shall be discussed and decided in the ExCom, whereas its members shall be responsible for the day-to-day management of the Group in accordance with their respective fields of responsibility. (For the fields of responsibility of the ExCom members, please refer to page 59.)

The ExCom shall attend to issues such as the Group's strategy and its implementation, budgets, business plans and their implementation, significant organisational changes and any changes in employment conditions affecting large numbers of employees.

Composition

The ExCom consists of the CEO and a number of executives set by the Board of Directors. The CEO acts as the Chairman of the ExCom.

Meetings and decision-making

The ExCom shall convene 10–12 times per year, with informal records being kept of its meetings.

The ExCom was established in September 2003 and held 5 meetings before the end of the year.

Board and CEO evaluation

The Board conducts an annual evaluation of the CEO's performance, based on a systematic, separate evaluation form approved by the Board. In addition, the Board conducts a separate evaluation of the performance of its own members and the Chairman.

Compensation

The Group's compensation system is divided into three elements: basic salary, a result and performance-related bonus system and a long-term incentive programme. Depending on the position of the employee, various combinations may be applied. An individual employee's compensation must be approved by the person who is above the employee's immediate superior. A Group employee is not entitled to separate remuneration for Board membership within a Group company.

The Board shall determine the CEO's annual compensation, and approve the annual compensation for members of the Executive Committee, based on a proposal drawn up by the CEO.

Internal control, risk management and internal audit

The Board of Directors and CEO determine the policies that guide the Group's operational performance. As part of internal control, the management is responsible for monitoring compliance with said policies within the Group.

The Group's main risk areas have been identified, with each member of the ExCom being allocated his/her own area of responsibility with regard to the identified risks. These responsibilities include the management and proper organisation of the said areas throughout the Group. Risk management in general is co-ordinated by the Group Risk Manager, also responsible for arranging appropriate insurance coverage and organising Group-wide risk reporting. Risk management in more detail is covered in the following section.

Internal audit is independent of daily business operations in order to form the basis for an objective evaluation of the business. The Board approves the annual internal audit plan.

External audit

The Annual General Meeting of the Corporation elects the external auditor, which must be a corporation of authorised public accountants accredited by the Central Chamber of Commerce of Finland. Together with the auditor, the corporate management organises the audit of the Group's legal units, in accordance with relevant local legislation. The auditors of the local companies report directly to the legal unit they have audited, submitting a copy of each report to the corporate financial administration, for inclusion in the Corporation's audit log.

The Board shall make a proposal for an external auditor to be elected by the AGM.

The 2003 AGM appointed KPMG Wideri Oy Ab, a corporation of authorised public accountants accredited by the Central Chamber of Commerce, to serve as the auditor of the Corporation for the 2003 financial year. Mr Sixten Nyman, Authorised Public Accountant, bears the main responsibility for the audit. The fees paid to the external auditor for the audit services in 2003 amounted to EUR 705,000, and non-audit services came to EUR 235,000.

Insider guidelines

The Corporation complies with the guidelines for insiders issued jointly by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

The Corporation's primary register of permanent insiders comprises members of the Board of Directors, the Chief Executive Officer and the members of the Executive Committee, as well as the Secretary to the Board of Directors and the auditor. The Corporation maintains its insider register in the Finnish Central Securities Depository Ltd's SIRE system.

The Corporation also maintains a secondary, non-public register of insiders, which includes individuals in Group administration. Persons who participate in the development and preparation of a specific project, including mergers and acquisitions, are considered project-specific insiders. When appropriate, a separate project-specific insider register is maintained. The Group's internal insider rules are published on the Group intranet, and Group employees are required to act in accordance with these rules.

Trading of the Corporation's shares and option rights is subject to prior approval by the Corporate General Counsel. The Corporation applies an absolute trading prohibition of three weeks prior to the disclosure of annual accounts and interim reports.

The share and stock option holdings of the permanent insiders in 2003 are listed below (including any holdings of corporations controlled by them as well as any holdings of persons under their guardianship).

The share and stock option holdings of permanent insiders in 2003

Name	Position	Date	Shares	Stock options A	Stock options B
Bjork, Jim	Member of the Executive Committee	1 Jan. 31 Dec.	- -	3,500 3,500	3,500 3,500
Hanski, Marja	Secretary to the Board of Directors	1 Jan. 31 Dec.	-	3,500 0	3,500 0
Kallioinen, Jukka	Member of the Executive Committee	1 Jan. 31 Dec.	220 220	0 0	14,000 0
Luomakoski, Jyri	Deputy CEO, CFO	1 Jan. 31 Dec.	800 800	14,000 7,000	14,000 14,000
Lång, Jan	Chief Executive Officer	1 Jan. 31 Dec.	- *) -	- -	- -
Niemi, Matti	Member of the Board of Directors	1 Jan. 31 Dec.	289 790	- -	- -
Norbäck, Kari	Member of the Executive Committee	1 Jan. 31 Dec.	- -	14,000 0	14,000 14,000
Nyman, Sixten	Auditor	1 Jan. 31 Dec.	- -	- -	- -
Paasikivi, Pekka	Chairman of the Board	1 Jan. 31 Dec.	76,955 177,776	- -	- -
Pfister, Dieter	Member of the Executive Committee	1 Jan. 31 Dec.	100,000 50,000	7,000 7,000	7,000 7,000
Rahn, Horst	Deputy Chairman of the Board	1 Jan. 31 Dec.	100,000 -	- -	- -
Rajahalme, Aimo	Member of the Board of Directors	1 Jan. 31 Dec.	- 501	- -	- -
Rytilahti, Jarmo	Senior Executive Advisor (CEO until 31 July 2003)	1 Jan. 31 Dec.	52,468 52,468	28,000 5,000	28,000 28,000
Silfverstolpe Nordin, Anne-Christine	Member of the Board of Directors	1 Jan. 31 Dec.	- 501	- -	- -

*) CEO's shareholding at 9 February 2004: 4,700 shares.

The Corporate Governance rules define the main principles governing the Group's risk management. This section provides a more detailed description of risk management practices.

Financial risks

In the main, financial risk management aims to minimise the adverse effects of financial market fluctuations, ensure the Group's profit performance and cost-efficiently maintain a solid financial position, as well as ensure independence of individual financing sources.

Approved by the Board of Directors and Management, the Group's financing policy defines the general objectives and operating principles governing the Group's financing function. Convened on a monthly basis and chaired by the Group's CEO, the Treasury Committee is responsible for steering and supervising practical financial risk management. For financial risk management, Uponor employs, within the framework of specified limits, only financial instruments whose market value and risk profile can be monitored reliably and continuously within the Group's treasury system.

The financing function, Group Treasury, serves as the Group's internal bank, centralised at the Corporate Head Office, its financial risk management duties including identifying, assessing and covering the Group's net financing risks. The internal bank is also responsible for foreign transactions related to asset and risk management, and providing Group subsidiaries with consultation and services within treasury related activities

Currency risks

Due to business operations in several home markets, the Group's economic exposure to currency risks is not significant. Despite the lower risk exposure resulting from the advent of the European Monetary System, the Group is exposed to currency risks for non-euro area transactions.

Uponor aims to manage currency risks associated with exchange rate fluctuations in such a way that they do not jeopardise earnings or solvency. In addition to the euro, the main pricing and invoicing currencies are the US dollar, the pound sterling and the Swedish krona. The Group hedges all substantial open currency positions using currency forward contracts and currency options, as well as currency swaps. In non-euro area countries, the Group typically funds itself in local currencies.

Group subsidiaries are responsible for hedging their own net currency flows with the Group's internal bank. Group Treasury is responsible for hedging Group-level net currency flows in external currency markets. The euro is the principal currency used in intra-Group transactions.

Interest rate risks

The Group is exposed to risks involved in changing interest rates caused by market rate fluctuations. The Group Treasury is responsible for taking any measures necessary to balance the interest rate position and minimise interest rate risks, within the framework specified by corporate financing policy.

To manage interest rate risks, Group funding is spread across fixed and floating interest rate instruments. The duration of the interest rate position is regulated by choosing loans with different interest rate periods and by using different derivative instruments, such as interest rate swaps, forward rate agreements and interest rate options. Group Treasury is responsible for matching external financial items and the life span of balance sheet items funded by such items.

Liquidity risks

Liquidity risk management is based on the balanced distribution of loan maturities, as well as adequate liquidity reserves consisting of Group cash reserves plus stand-by credit limits necessary to maintain liquidity in all circumstances.

Group Treasury is responsible for the co-ordination of Group funding needs through the parent company. In exceptional cases, mainly for practical or legal reasons, Group Treasury may establish local working capital credit lines in the name of a subsidiary, guaranteed by the parent company.

In countries where the Group runs several business units, company-specific deficit and surplus cash balances are netted within the Group cash pool accounts co-ordinated by Group Treasury.

Credit risks

In order to minimise credit and counterpart risks, the Group invests its cash reserves and makes derivative contracts only with parties who meet the terms of credit standing the Group has set for such parties. The Group invests its cash reserves only in low-risk instruments, which can be realised without a delay and at an explicit market price. To avoid concentration of risk, the Group applies maximum amounts, specified in advance for each counterpart, to investments and borrowings.

Management of credit risks involved in commercial flows is primarily the responsibility of Group subsidiaries, in line with the Group's general payment terms and instructions on the required securities. During 2003, Uponor adopted a Group-wide credit insurance policy in order to cover any unsecured accounts receivable.

Other risk management

Raw material risks

Uponor has centralised its raw material purchases. In order to manage price and availability risks associated with its raw material purchases, Uponor typically concludes annual agreements with its suppliers, guaranteeing the availability of raw materials. In order to reduce production disruption risks, Uponor requires from its suppliers that the needed raw materials be produced in at least two production units. Alternatively, Uponor may use several raw material suppliers.

Uponor seeks to minimise its raw material stock and the related risks, i.e. it is primarily the raw material suppliers' responsibility to store raw materials and ensure their availability, as agreed.

Damage risks

The aim of Group damage risk management is to shelter the Group from insurable damage risks so that the Group can continue to operate under all circumstances. Damage risk management is based on regular Group-wide risk analyses, performed in co-operation with risk management experts, for determining, surveying and managing any non-commercial risk factors, in order to prevent any damage to the Group. Based on risk analyses, the Group decides whether there is a need for any development measures.

The Group's Risk Management Manager is responsible for co-ordinating measures related to damage risk management, and ensuring that insurable risks are covered within the framework of Group-level insurance policies reviewed for each calendar year. Simultaneously, the deductibles of insurance policies are determined, with a view to optimising the relation between the insurance premiums payable and Uponor's capacity to bear a portion of its own risks.

Adoption of International Financial Reporting Standards

Uponor will adopt IFRS (International Financial Reporting Standards) in its reporting at the beginning of 2005. The company will prepare its first interim report for the first quarter of 2005, applying IAS 34 governing interim financial reporting. Before that, it will disclose IFRS-compliant comparatives on a quarterly basis as of 2004, presenting material effects resulting from the adoption of the new standards. During its transition to IFRS, Uponor will apply the First-Time Adoption of IFRS, permitting certain exceptions and exemptions to be applied retrospectively to individual rules during the transition period. The adoption date, on which comparatives are based, is 1 January 2004.

Based on a plan for the transition to IFRS-compliant financial statements, Uponor provided, in 2003, its staff with relevant training, defined the records and information required for IFRS-compliant financial statements, and analysed changes in accounting principles and information systems. The 2004 financial statements and interim reports will be based on the Finnish Accounting Standards, although the company will collect at the same time comparative data for the transition period.

The most significant changes resulting from the adoption of IFRS will apply to:

Investment property

Investment property is defined as property that the Group holds in order to earn rental income or for capital appreciation. It will be measured at cost, such as other tangible assets. Its fair value will, however, be presented in the notes to the financial statements, as required by IFRS.

Leases

Leases on tangible assets that transfer significant risks and rewards to the Group, are classified as financial leases. They will be recognised as tangible assets on the balance sheet at amounts equal, at the inception of the lease, to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. An asset based on a finance lease will be depreciated over its useful life or within the shorter lease term. Similarly, lease obligations will be recognised under interest-bearing liabilities on the balance sheet.

A Group company acting as a lessor will recognise the present value of future lease payments under interest-bearing receivables, and the leased-out asset under fixed assets will be derecognised. Lease payments for finance leases will be divided into financial expenses or income and a reduction of liabilities or assets. Lease payments for other leases will be recognised as expenses in the income statement.

Impairment

The Group should assess on each balance sheet date whether there is any indication of an impaired asset. Should any such indication exist, the asset's carrying value will be compared with its recoverable amount, which is the higher of the asset's net selling price and its value in use. Whenever the asset's carrying amount exceeds its recoverable amount, it will be impaired, and the resulting impairment loss will be recognised in the income statement. An impairment reversal should be recognised, if circumstances give rise to the reversal, or the recoverable amount has changed from the date the impairment loss was recognised.

Revaluations on tangible assets will be eliminated on transition.

Employee benefits

The Group applies defined contribution and defined benefit plans. Contributions under the defined contribution plan will be recognised in the income statement for the accounting period during which such contributions were made. Obligations under the Group's defined benefits plans will be calculated separately for each plan. Pension expenses under the defined benefit plan will be recognised as expenses for the period of employment, based on calculations performed by authorised actuaries.

Financial instruments

Available-for-sale financial assets will be carried at fair value. Changes in the asset's fair value will be recognised in revaluation reserve under shareholders' equity. Changes in fair value will be 'recycled' to the income statement, when the asset is disposed of or it has lost its value to the extent that an impairment loss should be recognised for the asset.

Financial assets held for trading and derivative financial assets will be measured at fair value. Unrealised gains and losses arising from changes in the fair value of trading assets, and realised gains and losses on disposal of trading assets will be included in the income statement in the period in which they occur.

Deferred tax

Temporary differences between the tax basis of assets and liabilities and their carrying values for IFRS-reporting will be presented as deferred tax assets and liabilities, in accordance with the balance sheet liability method. The greatest temporary differences will come from fixed assets, revaluation of financial and derivative instruments, defined benefit plans and unused tax losses.

Pekka Paasikivi
b. 1944, Finnish citizen, B.Sc. (Eng.), Chair of the Board, Oras Oy.
Chair of the Board, Uponor Corporation from 30 September 1999.
Member of the Board from 23 September 1999.

Board memberships:
Member of the Supervisory Board, Finpro Oy.
Deputy Chair of the Board, Hollming Oy.
Deputy Chair of the Supervisory Board, Varma-Sampo Insurance Company.
Member of the Board, Okmetic Oyj.
Member of the Board, Oras Administration Oy.
CEO, Oras Marketing Oy.
Member of the Board, Oras Technology Oy.
Member of the Board, Raute Oyj.
Member of the Board, Technology Industries of Finland.
Member of the Board, Confederation of Finnish Industry and Employers.
Member of Board, Foundation of Economic Education

Career history:
Various positions at Oras Companies, e.g. Managing Director and CEO

Horst Rahn
b. 1939, German citizen, M.Sc. (Eng.)
Deputy Chair of the Board, Uponor Corporation from 17 March 2003.
Member of the Board, Uponor Corporation from 21 March 2000.

Career history:
Director, Technology Division, Uponor, 1999-2000
Chair of the Board, Unicor Holding AG, 1997-1999
Founder of Unicor GmbH and its Managing Director, 1984-1997

Matti Niemi
b. 1947, Finnish citizen, B.Sc. (Econ)
Member of the Board, Uponor Corporation from 21 April, 1994.

Board memberships:
Member of the Board, Hollming Oy.
Member of the Board, M-real Corporation.
Member of the Supervisory Board, Sampo Life Insurance Company Limited

Career history:
Deputy CEO, Varma-Sampo Mutual Pension Insurance Company, 1998-2003.
Deputy CEO, Varma Mutual Pension Insurance Company, 1996-1998.
Various Director positions in Postipankki Oy, 1974-1995, a.o. as Managing Director, 1988-1995

Aimo Rajahalme
b. 1949, Finnish citizen, M.Sc. (Econ.), Executive Vice President, Finance and Information Services, KONE Corporation
Member of the Board, Uponor Corporation from 17 March 2003

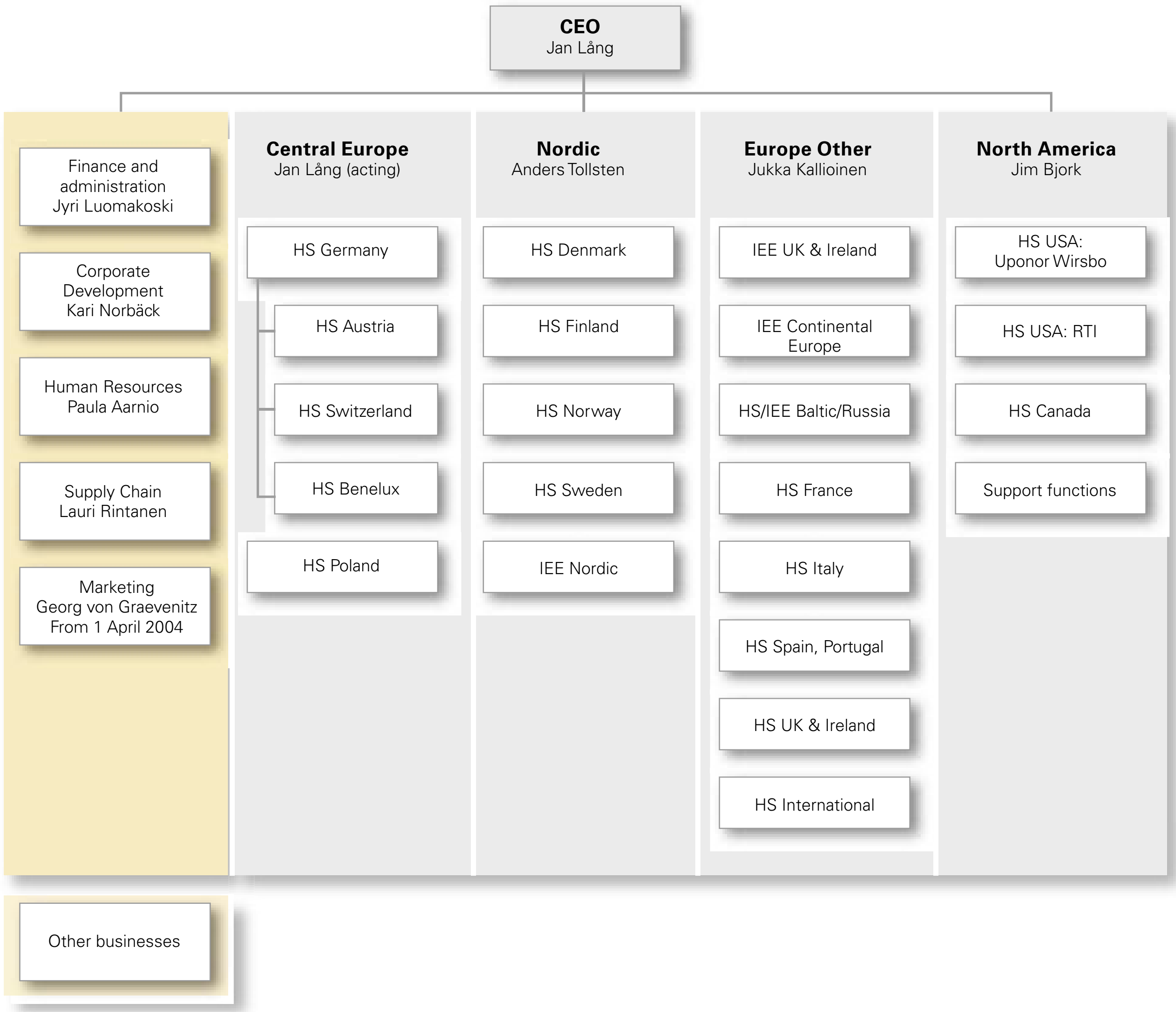
Career history:
Senior Vice President, CFO, KONE Corporation, 1995-2002
Director, CFO, KONE Corporation1991-2002
Member of Executive Committee, KONE Corporation, since 1991
Various positions in Finance and administration at KONE Group in Finland and abroad, 1973-1991.

Anne-Christine Silfverstolpe Nordin
b. 1950, Swedish citizen, M.A. (Soc.), consultant, owner, Chorda Management AB
Member of the Board, Uponor Corporation since 17 March 2003

Board memberships:
Chair of the Board, Friskis & Svettis Riks If
Chair of the Board, Jympaprodukter F&S AB
Member of the Board, Springtime AB
Member of the Board, Institute of Graphics Design, Sweden

Career history:
Senior Vice President, Swedish Post (Posten AB) 1997-2002. Various positions in Human Resources in different companies 1984-1997.

New organisation 1 March 2004



HS = Housing Solutions business
IEE = Infrastructure and Environment Europe business

The responsibilities of the Executive Committee are as follows:

- Deputy CEO and CFO, Jyri Luomakoski: finance and administration, legal affairs, ERP project and IT, Municipal Americas
- Head of Development, Kari Norbäck: research and product development, corporate development, strategic planning, and standardisation
- Head of Human Resources, Paula Aarnio: human resources development and management systems
- Head of Supply Chain, Lauri Rintanen: production, purchasing, and logistics
- Head of Marketing, Georg von Graevenitz from 1 April 2004: brand management, product portfolio and communications

Regional responsibilities are presented in the chart above.

Executive Committee 1 March 2004

Jan Lång
b.1957, M.Sc. (Econ.)
CEO
from 1 August 2003.

Career history:
CEO, Uponor Corporation, 1 August 2003-
Various positions at Huhtamäki Group during 1982-2003:
Division President, Food Service, Europe, 2003
Group Vice President, South & West Europe, 2001-2002
Group Vice President, Global Sourcing, 2000-2001
Steering Group Member, Senior Executive, Huhtamäki/Van Leer merger, 1999-2000
Group Vice President, North & West Europe, Leaf Group, 1997-1999
Various Director and Manager positions in Germany, Holland, UK and Finland, 1982-1977

Jyri Luomakoski
b. 1967, MBA
Deputy CEO, CFO
Employed by Uponor Group since 1996.

Career history:
Deputy CEO, Uponor Corporation, 2002-
CFO, member of Executive Committee, Uponor Corporation (Asko Oyj), 1999-
Group controller, Uponor, 1997-1999
Controller, Uponor, 1996-1997
Deputy Managing Director and CFO, Oy Lars Krogius Ab, 1991-1996
Director and Manager positions in Germany and Finland, Datatrans, 1987-1991

Paula Aarnio
b. 1958, M.Sc. (Eng.)
Head of Human Resources
Employed by Uponor Group since February 2004.

Career history:
Human Resources Director, Oy Karl Fazer Ab, 2001-2004
Various positions at Fortum/Neste Group 1991-2001, mostly in HR and also in production.

Jim Bjork
b. 1959, US citizen, B.A., MBA
Head of North America region
Employed by Uponor Group since 1990.

Career history:
President, Housing Solutions North America, 2002-2003
Director, Plumbing and heating systems, North America, 2000-2002
Managing Director, Wirsbo Company, 1998-2000
Director, Wirsbo Company, 1996-1998
CFO, Plant director, Sales director, Marketing director, Wirsbo Company, 1990-1996

Jukka Kallioinen
b. 1958, M.Sc. (Eng.), eMBA
Head of Europe Other region
Employed by Uponor Group since 1984.

Career history:
President, Infrastructure and Environment Europe, 2002-2003
Director, Building and construction division, 1999-2002
Director, Municipal Engineering, 1998-1999
Managing Director, Uponor Anger GmbH, Germany, 1995-1998
Business area manager, Ecoflex, 1988-1995

Kari Norbäck
b. 1944, M.Sc. (Eng.)
Executive Vice President, Corporate Development
Employed by Uponor Group since 1985.

Career history:
Executive Vice President, Corporate Development, 1999-
Director, Building and Construction, 1997-1999
Director, Gas systems, 1991-1997
Director, Development, Oy Uponor Ab, 1989-1991

Lauri Rintanen
b. 1955, Finnish citizen, M.Sc. (Eng.)
Head of supply chain
Employed by Uponor Group since February 2004.

Career history:
Various positions in the Nokia Group during 1989-2003:
OLS, Quality, Process Development and Customer Care, Nokia Mobile Phones (NMP), Entertainment & Media, 2002-2004
Vice President, NMP, APAC Operations, 1997-2001
Site Director, NMP, in Finland and in UK, 1992-1997
Quality Director, NMP Operations, Finland, 1989-1991

Anders Tollsten
b. 1962, M.Sc. (Eng.)
Head of Nordic region
Employed by the Group since February 2004.

Career history:
CEO, ABB Building Systems AB, 2002-2003
CEO, NorthNode AB, 2001-2002
Head of LV Motor Division, ABB Motors AB 1996-2001
Sub-division Manager, ABB Installation AB, 1994-1996

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Uponor assumes no liability for the analysts' statements.

Innocorp Oy/ Auranen Oy, Finland 2004





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