uponor

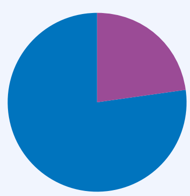
ANNUAL REVIEW 2005

Our partnership with professionals is of primary importance in building better human environments

Uponor in brief

Uponor is a leading international supplier of plumbing and heating systems for the residential and commercial building markets. In Europe, Uponor is also a prominent regional supplier of municipal infrastructure pipe systems. The Group's key applications, such as radiant floor heating and tap water systems, are sold in over hundred countries

Housing solutions

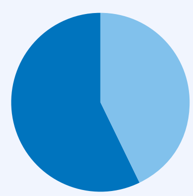


Underfloor heating and cooling systems

- For residential, industrial, and commercial construction
- For new buildings and renovations

Customers

- Installation companies
- Wholesalers
- Construction companies



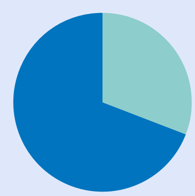
Plumbing systems

- Tap water and other indoor plumbing
- Solutions to bring clean water from the source to the tap

Customers

- Installation companies
- Wholesalers
- Construction companies

Infrastructure



Pipe systems and services

- Wastewater and rainwater management
- Water and gas distribution
- Solutions for cable protection
- Renovation systems

Customers

- Municipalities
- Utility companies (water and gas)

Uponor 2005

The year 2005 was, overall, strong for Uponor. In comparable terms, net sales from continuing operations grew by 7% and the operating profit by 10%. Uponor finalised its restructuring programme, which continued to provide the planned benefits in the form of improved profit performance, and accelerated its internal consolidation process, which proceeded successfully toward the agreed goals.

Capital expenditure

Investments in 2005 were mainly devoted to the development of an enterprise resource planning (ERP) system and harmonised processes, and to the enhancement of the production network. The largest single investment was a Europe-wide ERP system, while investments also were continued in North America to further develop the company's operations by extending the production plant and offices in Minnesota and automating the warehouse management system.

A uniform brand

In June, Uponor announced a global renewal of its brand strategy from the beginning of 2006. The purpose of this is to strengthen the company's operations and market position by focusing on one brand.

A major contract

In September, Uponor and United Utilities signed a major contract according to which Uponor will supply all plastic gas and water pipes and fittings for the company's three major operational areas in the UK. The 3-year contract has an estimated worth of 20 million euros a year.

Restructuring programme

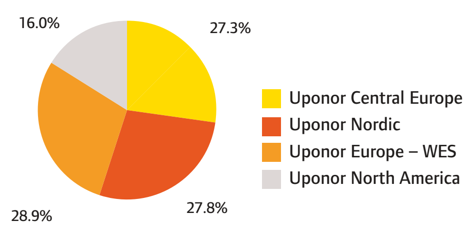
The extensive restructuring programme that Uponor initiated in 2003 was finalised in 2005. The key objective of this was to establish larger, specialist production units and streamline production and logistics beyond regional borders.

Key figures

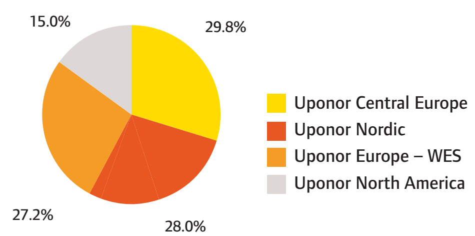
	2005	2004
Net sales (continuing operations), MEUR	1,031.4	1,026.9
Operating profit (continuing operations), MEUR	123.0	95.2
Profit before taxes (continuing operations), MEUR	120.5	89.3
Adjusted earnings per share (fully diluted), EUR	1.12	1.19
Dividend per share, EUR	0.90 *	0.70
Equity per share, EUR	5.72	5.34
Market value of share capital, MEUR	1,338.9	1,029.5
P/E ratio	16.1	11.6
Solvency,%	63.2	57.7
Gearing,%	–6,4	8,5
Number of shareholders	6,766	5,225

* proposal of the Board of Directors

Net sales by region 2005



Personnel by region 2005



Uponor's Annual report 2005 consists of two publications, The Annual review and the Financial report. The Annual review gives a broad picture of the business operations and the company. The Financial report, on the other hand, contains the financial statements including notes, share and shareholder information, and other relevant information on Uponor as an investment.

The entire Annual report has been mailed to the registered shareholders.

Information for shareholders

The Annual General Meeting

Uponor Corporation's Annual General Meeting is to be held on Thursday, 16 March 2006 at 5.00 p.m. at the Finlandia Hall, Mannerheimintie 13 E, 00100 Helsinki, Finland.

Important dates in the year 2006

- Financial accounts bulletin for 2005, 9 February
- Financial statements for 2005, 9 February
- Annual General Meeting 16 March at 5 p.m.
- Record date for dividend payment 21 March*
- Date for dividend payment 28 March*
- Interim report: January–March on Tuesday, 25 April at 8 a.m.
- Interim report: January–June on Thursday, 3 August at 11 a.m.
- Interim report: January–September on Thursday, 26 October at 11 a.m.

* Proposal of the Board of Directors

Publications

The annual report will be published in Finnish and English 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:
Uponor Corporation, Communications
P.O. Box 37, Robert Huberin tie 3 B, FI-01511 Vantaa, Finland
Tel. +358 (0)20 129 2854, fax +358 (0)20 129 2841
communications@uponor.com
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)20 129 2837. E-mail address to the Legal Department is legal@uponor.com. The share and stock option holdings of company's permanent insiders are also available on the website at www.uponor.com.

Uponor's Annual Report is also available on the company's website at www.uponor.com.

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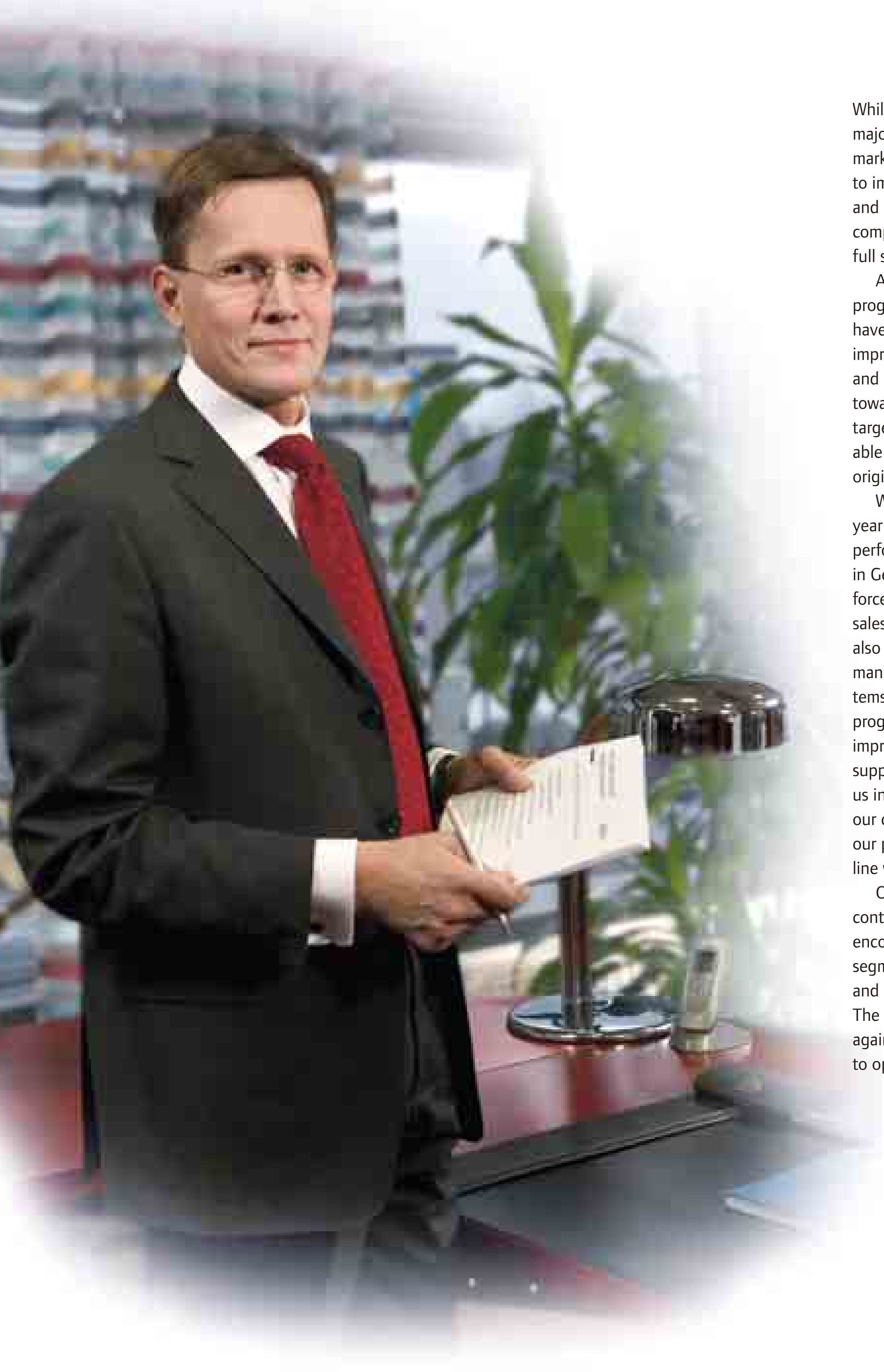
Review by the CEO



While 2004 was characterised by major restructuring efforts, 2005 was marked by two key themes: our drive to improve our financial performance and our major effort to integrate the company in order to utilise Uponor's full strength.

After concluding the restructuring programme early in the year, we have enjoyed benefits in the form of improvements in our business mix and cost base. We took large strides towards our long-term performance targets in 2005, and achieved profitable growth, one year ahead of the original schedule.

We started several initiatives last year to improve our organisational performance, such as our major effort in Germany to combine four sales forces into one, giving us additional sales power in that market. We also remodelled our global offering management and product and systems development processes. Good progress was made in setting up an improved structure for managing our supply chain. All this work will benefit us in the years to come by improving our customer service and developing our product and systems offerings in line with our strategic ambitions.

Our activities on the market continued to bear fruit, and we saw encouraging growth in the plumbing segment, where both our multilayer and PEX pipe systems performed well. The key growth driver is penetration against other materials. We continued to open new Uponor Academy training centres, strengthening our ability to provide high-quality training to our professional partners. Their loyalty is essential to our success, and the length and depth of these relationships demonstrates our capability to deliver on our promise – partnering with professionals to create better human environments.

Integration of the company well underway

A significant pool of our internal resources has been working on two major projects that will markedly advance the way Uponor is managed and performs in the future. It is gratifying to see that the hard work our people have put in has started to yield results. These projects will form the basis of a true integration of the company.

In June, we took the decision to migrate to a single-brand concept. Our journey from an aggressive acquirer with multi-brand positions to an integrated single-brand industry leader within its segments is now finally taking shape. This is a major, exciting exercise for us. At the same time, we re-aligned our value statements to ensure that our brand promise to our customers would also be integrated into the daily behaviour of all of us working for Uponor.

The second major initiative was the ERP project, which was in the planning phase in Europe and undergoing final implementation in North America. Its timing was natural because it coincided well with the unification and integration process underway. This project, the biggest Uponor has embarked on, is advancing well and will be rolled out during 2006–2008 in Europe.

Partnering with professionals to create better human environments

Strategic agenda going forward

During the second half of 2005 we reviewed our strategic agenda. Our medium-term core strategy continues to be based on three key elements: growth, corporate brand and operational excellence, all designed to generate profitable growth for the company. In our review, we paid particular attention to sharpening up our growth platform. It will be based on three key areas: enhancing our position in the residential single-family segment, exploiting our infrastructure business and expanding in the high-rise segment.

The high-rise segment will serve to broaden our organic growth base. During the past three decades, Uponor has achieved a strong position in the single-family home segment, currently commanding close to 20 per cent of the combined market for underfloor heating and plumbing in our key regions. We will go beyond this and also build a stronger position in the high-rise segment, where we today have a rather marginal market share. Achieving this goal will require adapting our offering to suit the segment and adjusting our go-to–market approach to reflect the more complex route to market. We are committed to this long-term opportunity, and we know it will require a great deal of hard work, but in the times to come it will prove rewarding.

With 2006 now well underway, we are confident that another good year for Uponor is in prospect. Our agenda is clear and we will implement it with vigour.

May I take this opportunity to thank everyone – our personnel, business partners, shareholders – all of you who are contributing to making Uponor a better and stronger company and to creating better human environments for everyone to enjoy!

Vantaa, February 2006

Jan Lång
President and CEO

Uponor's strategy and other principles guiding its operations

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.

Strategy

Uponor's strategy builds on three main pillars:

- Strengthening of the Uponor brand
- Operational excellence
- Growth

The company implemented major projects in 2005 to develop the first two key areas. As of the beginning of 2006, Uponor's businesses around the world operate under the Uponor brand name with few local exceptions. A single-brand focus is a major strategic step that improves the company's efficiency. Another focal area is increasing of the company's operational excellence and harmonisation of its processes, enabling a strong unification of the previously decentralised corporate structure.

In February 2006, Uponor presented its new strategic framework that places increased emphasis on organic growth, in addition to operational excellence and the corporate brand. Besides its present main market segments, i.e. single-family houses and infrastructure solutions, the company seeks additional growth from solutions and services targeted to the high-rise building sector.

Long-term financial goals

Organic growth in net sales	≥ 5%
Operating profit (EBITA) of net sales	≥ 12%
Return on investment (ROI) in the core business	≥ 20%
Solvency ratio	> 50%
Gearing	< 70
Dividend policy: annual profit payout ratio	> 50%

Core purpose

In connection with the renewal of its brand strategy in 2005, Uponor reformulated its core purpose as:
Partnering with professionals to create better human environments.

Uponor values

Values reflect what we stand for and define how we should behave to our customers and to each other. Uponor renewed the wording of its values in connection with the brand strategy renewal in 2005.

Uponor's revised values:

- Knowledge
- Enabling
- Most rewarding
- Improving effectiveness
- Committed

Review of Uponor's operations and financial status

Demand cycles

Uponor's products are used in various markets, including house building, renovation and infrastructure construction. All of these involve some cyclical fluctuation that may affect demand for Uponor's products.

In the house building sector, cyclical fluctuations arise from such elements as demographic variables, interest rates, and various fiscal (tax related) factors. On the other hand, the cyclicity is levelled out by the fact that plastic and composite pipe systems are gradually replacing the use of metallic systems. A corresponding trend is evident in renovation, which is less exposed to cyclical fluctuations than new building.

The infrastructure construction market has two segments:

- New building, which is based on either community growth or stricter environmental requirements. Throughout the world, the shared goal is to increase the number of households attached to sewerage networks to ensure efficient handling of wastewater while burdening nature as little as possible.
- Renovation and modernisation in which old municipal piping is either replaced or renovated due to its insufficient capacity or deteriorated condition.

Since the proportion of plastic pipe systems in infrastructure technology is rather high, growth of business is largely dependent on market shares and trends in construction activity.

Dependence on customers or markets

Uponor's products are distributed mainly through wholesalers. In the last few years, the wholesale sector has been undergoing consolidation, particularly in Europe. Despite this, and partly due to Uponor's geographically widespread operations, any single customer's or distributor's share of Uponor's net sales remains well below 10 per cent.

Uponor's prominent position in its main market segments in Europe and North America makes it an interesting partner for installers and distribution channels alike.

Uponor's strongest growth opportunities come from growing the market shares of housing solutions systems such as plastic and multilayer pipe systems, and extending the company's geographical scope. The four largest national markets currently generate almost 50% of Uponor's net sales, with the ten largest markets accounting for slightly more than 80%.

The three pillars of Uponor's strategy

In autumn 2003, Uponor announced the strategy to focus on three pillars: organic growth, strengthening of the Uponor brand, and operational excellence. The main strategic goal is to improve profitability with the support of organic growth.

With respect to organic growth, the aim has been to allocate resources such that Uponor can better utilise the potential its products have in key markets. Uponor has managed to simplify its operations by harmonising its brands and concentrating on the Uponor brand while at the same time increasing its operational excellence by streamlining its supply chain and building a joint ERP system. The ERP project was initiated in autumn 2004, and the first implementations are to take place in Central Europe during 2006.

Financial goals

In December 2003, Uponor announced the company's long-term financial goals related to organic growth, profitability, return on investment (ROI), capital structure, and dividend policy. Of these five goals, Uponor had achieved four by the end of 2004 and recorded favourable development in the fifth area, profit margin. This positive trend continued in 2005 and, boosted by gains from the disposals of non-core assets, Uponor ended up very close to its long-term profit margin target of 12%.

In 2005, Uponor finalised the divestment of its non-core assets by selling its retail property holdings in Oslo and Stockholm as well as its subsidiary manufacturing infrastructure pipes in Argentina. Uponor recorded a capital gain of approximately EUR 2 million as a result of these divestments.

Raw materials

In 2005, many raw materials, including oil based plastics, were relatively expensive, and raw material prices continued to increase in the last quarter of the year. As a whole, Uponor managed to pass the increased material costs on to sales prices, as evidenced by the company's improvement in gross profit from the 2004 level. This improvement was mainly attributable to the increased efficiency of Uponor's production structure that resulted from the restructuring announced in 2003 and implemented in 2004–2005. Thus, the initial promise of a maximum payback time of 12 months, calculated from the end of the programme, for the funds invested in the programme on a cash flow basis was fulfilled.

Net sales

In 2005, net sales decreased by 3.8% from 2004. This negative trend was fully attributable to the divestments and closures of non-core businesses. Since these businesses generated net sales of EUR 112.0 million in 2004 and, on the other hand, net sales were EUR 3.8 million higher for 2005 than in 2004 due to currency translations into euros, this represents organic growth of 7.0%.

When the organisation is broken down by region, we find that strong growth in Uponor North America continued. A slower growth of the U.S. market that has been predicted for some time did not materialise, although housing statistics showed somewhat smaller growth rates at year end. In Uponor Nordic, net sales improved over the previous year's figure, thanks in part to the favourable economic situation. While the main market driver was the good sales of housing solutions, in the infrastructure solutions business the growth stemmed mostly from price increases. In Uponor Central Europe, the low demand in Germany pushed down net sales for the entire area, although sales did grow well in Germany's neighbouring countries. In Uponor Europe – West, East, South, the comparable growth of net sales was indeed gratifying, and the strong sales of housing solutions fully offset the unprofitable infrastructure business from which Uponor withdrew in 2004–2005.

Uponor's secondary IFRS reporting segmentation is based on the intended use of the pipe systems. In housing solutions, pipe systems' net sales showed organic growth of 8.8% in 2005 (divestments excluded from the reference data), while in infrastructure solutions net sales grew by 4.4% (excluding restructuring effects). For housing solutions, the increase in net sales was a combination of growth in both volumes and prices, whereas the growth in infrastructure solutions stemmed mainly from sales price increases implemented to offset higher material costs.

Cash flow and profitability

Uponor's ability to produce strong cash flow from operations continued in 2005. In addition to the solid profit for the financial year, the cash flow was improved by the approximately EUR 22.8 million released from the net working capital by increasing the efficiency of processes and the awareness of capital costs. Investments in fixed assets increased by approximately EUR 12 million year on year. Most of this was attributable to investments that support the corporate strategy, such as the building of a pan-European ERP system, for which Uponor allocated EUR 10.6 million in 2005. Other factors increasing the cash flow included the divestments of fixed assets and subsidiaries. In addition to the sales of two property companies and the South American infrastructure business mentioned above, these included the divestment of a German machine building unit and a French infrastructure company, both of which became effective on 1 January 2005.

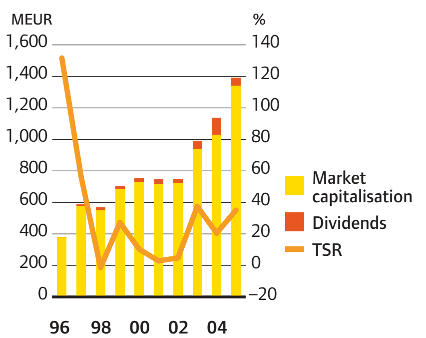
In 2004, the total operating profit of all of Uponor's businesses, under IFRS based accounting, included approximately EUR 31 million in gains from the divestment of fixed assets, the majority of which originated from the sale of the Finnish investment properties to Grouse Holding Oy on 30 November 2004. Reported operating profit from continuing operations for 2004 came to EUR 95.2 million. The figure was eroded by a provision of EUR 13.4 million for restructuring costs that did not meet formal requirements upon transition to IFRS. Thus, the operating profit from continuing operations for 2004 totalled EUR 108.6 million, which was 10.6% of net sales from continuing operations. Uponor has used these adjusted operating profit figures as reference figures in its profit guidance for 2005.

The profit and profitability improvement that materialised in 2005 was based on two factors:

- The restructuring programme implemented in 2004–2005 by consolidating and streamlining production structure, thus improving gross profit.
- Divestments and closures of non-core businesses in 2004–2005 (excluding the real estate business), which together accounted for EUR 91.5 million of the Group's net sales for 2004 but had an operating loss of about EUR 2 million.

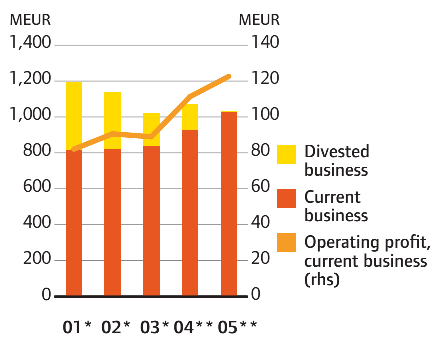
The overall increase in Uponor's fixed expenses, the majority of which consists of sales and marketing costs, was 1.3% from the previous year's level, and 2.5% when restructuring costs are excluded. This development can be regarded as reasonable, considering the inflationary trend and Uponor's major strategic investments in building a joint ERP system, harmonising brands, and integrating the sales organisations in Germany. Product and systems development costs increased by EUR 1.3 million, to EUR 17.4 million, representing 1.7% (1.5%) of net sales. Improved operational efficiency and a more streamlined Group structure were reflected in a decrease of EUR 6.2 million in administrative costs. With the Group's restructuring taken

Shareholder value development 1996–2005



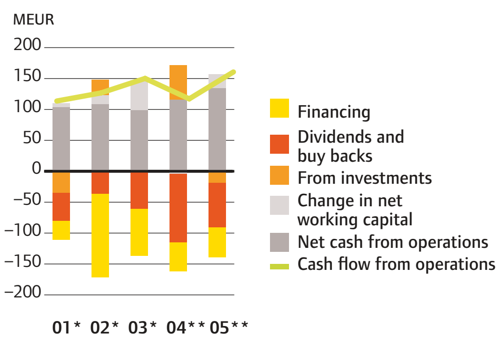
1996–2003 FAS
2004–2005 IFRS

Net sales and operating profit



* FAS
** IFRS

Cash flow



* FAS
** IFRS

into account, administrative costs decreased by EUR 1.4 million.

Uponor uses the economic value added (EVA®) as a key indicator in its internal monitoring and annual bonus schemes. For this reason, improvement of capital efficiency is an important task for all Uponor employees. The turnover rate of both the average capital employed and the net working capital improved from 2004. This, together with improved profitability, increased the return on investment from 27% to 28.1% in 2005.

Uponor's balance sheet has strengthened rapidly over the last few years due to the divestments of non-core assets and the strong cash flow from business operations. In 2005, the company paid out EUR 52.0 million in dividends to shareholders and used EUR 20.0 million to buy back its own shares. In spite of this, Uponor achieved a net cash position for the first time in its history: on 31 December 2005, the company's net liabilities were negative and gearing was –6.4.

Shareholder value

The value quoted for Uponor shares increased over the course of 2005 from the closing rate for 2004 (EUR 13.76) to EUR 18.00. With the per share dividend of EUR 0.70 paid in March 2005 taken into account, the total shareholder return (TSR) was 35.9%, in contrast to the average TSR of 34.1% for companies quoted on the main list of the Helsinki Stock Exchange.

The share trading volume was EUR 477.7 million, compared to EUR 718.2 million a year earlier. This is explained, at least in part, by the fact that the current tax environment no longer encourages such extensive trading in connection with dividend pay-out as was present in 2004 when the avoir fiscal tax credit system was still in force.

Sensitivity and risks

The following major risk factors may affect Uponor's operations and profit performance.

Cost level and raw materials

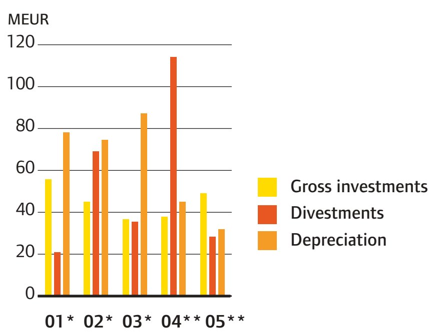
Uponor is exposed to changes in cost levels. Material and manufacturing costs represent close to 65% of Uponor's turnover, the largest single cost items being resins, metals that are used in fittings and in the manufacture of multi layer pipes, and various purchased components. In addition to these, energy and payroll form major cost items.

Uponor is usually able to pass the increased raw material costs on to sales prices but often with a certain lag, depending on local market practices. Considering the present balance sheet structure, Uponor's sensitivity to interest rate fluctuations is not essential. Nevertheless, major changes in interest rates on loans may affect general construction activity and, thereby, the demand for Uponor's products.

Commodities involve not only price risks but also availability risks, which Uponor attempts to minimise through centralised procurement of principal raw materials. Uponor typically concludes annual agreements with its main suppliers, revised for prices and quantities during the contract period. In an effort to guarantee disruption-free business, Uponor requires its main suppliers to be able to provide raw material from more than one source.

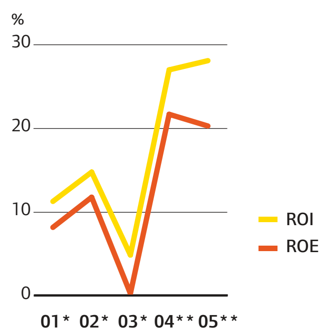
Uponor's purchases are not extensively concentrated; the 20 largest suppliers represent around 70% of all components and resins bought. The majority of plastics comprise

Investments



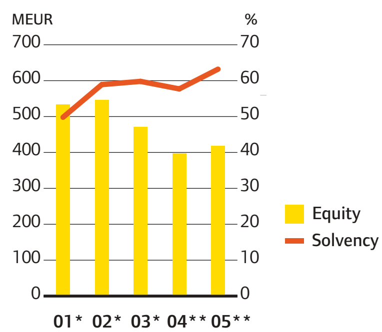
* FAS
** IFRS

Return on investment and on equity



* FAS
** IFRS

Equity and solvency



* FAS
** IFRS

polyolefins, such as polyethene and polypropylenes, while some PVC is also used. Purchases are mainly made in euros. Uponor makes use of higher value added resins, which are much less vulnerable to price swings than standard resin grades are.

Under the plan prepared in co-operation with Uponor, raw material suppliers are responsible for supplying and warehousing raw material and products, enabling Uponor to optimise its raw material stock.

Environmental risks

Uponor's production units aim to take environmental risks into account as part of their production process management and development. The manufacture of plastic products does not generate major emissions or other hazards to the environment.

In the event of a fire in a plant or warehouse, the combustion of polyolefins – the main raw materials used by Uponor – creates carbon and water. However, burning of raw material or end products containing PVC may involve a risk of toxic gas emissions. Uponor manufactures PVC based products in six out of 18 production units.

Technology risks

Since Uponor has expanded through company acquisitions, it utilises all major manufacturing technologies applied for plastic and composite piping systems. Whenever necessary, the company replaces outdated technology with a modern solution that is in line with its production strategy. Technology related to, for example, product systems management and control is purchased mainly on a subcontracting basis, enabling Uponor to protect itself against risks by way of agreements.

Customer- and country-based risks

Since Uponor's customers come from a diverse range of sectors – they include wholesalers, construction and installation firms, municipalities and other public organisations – individual customers do not represent sources of major risk. Uponor's largest individual customer accounts for clearly less than 10 per cent of the company's net sales, this proportion in turn originating from thousands of customers of the wholesaler in question.

Compliance with the Group's general payment and delivery terms as well as the instructions on the required securities is primarily the responsibility of the business units. In order to reduce its credit risks, Uponor has insured most of its unsecured receivables.

Uponor's largest single national market, the United States, accounts for slightly over 15 per cent of the Group's net sales.

Damage risks

The aim of damage risk management is to protect the Group from insurable damage risks so that it can continue to operate in exceptional situations. Such protection is based on regular risk analyses, performed in co-operation with risk management experts, for determining, surveying, and managing any non-commercial risk factors in order to prevent damage to the Group. Any development measures are based on the risk analysis.

Risk transfer by way of insurance contracts is applied to damage risks that cannot be controlled through the Group's own measures. The main Group level insurance programmes include:

- Property and business interruption insurance
- General and product liability insurance
- Directors' and officers' liability insurance
- Cargo insurance
- Crime insurance

As a general rule, insurance contracts are concluded for one year at a time. The deductibles applied in property and casualty insurance programmes have been set in accordance with Uponor's own risk bearing capacity.

Currency fluctuations

Uponor's net sales, expenses, and profit are affected by currency fluctuations, in particular between Uponor's reporting currency (the euro) and the U.S. dollar, the pound sterling, and the Swedish krona. The management of the company's currency and other financing risks is explained in more detail in the notes to the consolidated accounts.

Risk management

The ultimate goal of Uponor's risk management policy is to ensure the planned profit performance, guarantee continuous business operations in changing situations, and maintain the Group's liquidity, with the aim of identifying and recognising business related risks on a systematic, extensive basis and managing these risks in the appropriate way. Risk management forms an integral part of the Group's corporate governance system.

Key figures

		2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Key financial figures						
Net sales (continuing operations)	MEUR	1,031.4	1,026.9	1,021.0	1,137.2	1,192.4
Change in net sales	%	0.4	0.6	–10.2	–4.6	–12.0
Operating profit (continuing operations)	MEUR	123.0	95.2	30.7	114.2	91.2
Operating profit (continuing operations)	%	11.9	9.3	3.0	10.0	7.6
Profit before taxes	MEUR	120.5	89.3	20.8	100.7	75.0
Profit for the period	MEUR	82.7	63.8	1.6	64.2	36.6
Return on Equity (ROE)	%	20.3	21.7	0.3	11.8	8.2
Return on Investment (ROI)	%	28.1	27.0	4.9	14.8	11.3
Solvency	%	63.2	57.7	59.8	58.9	49.8
Gearing	%	–6.4	8.5	17.8	30.0	53.0
Net interest-bearing liabilities	MEUR	–26.9	33.6	84.0	163.9	282.8
Personnel at 31 December		4,126	4,475	4,803	5,302	5,486
Investments, MEUR	MEUR	49.0	37.8	36.7	45.0	55.7
Share-specific key figures						
Market value of share capital	MEUR	1,338.9	1,029.5	935.4	720.9	716.6
Dividend	MEUR	[2] 65.8	52.0	106.9	55.5	29.9
Dividend per share	€	[2] 0.90	0.70	[1] 1.44	0.80	0.40
Effective share yield	%	5.0	5.1	11.5	7.7	4.3
Issue-adjusted share prices						
– highest	€	19.8	15.0	13.0	12.4	9.7
– lowest	€	13.7	12.1	8.4	8.3	7.2

The definitions of key ratios are presented on page 12 of the Financial report.

Years 2004 and 2005 are reported according to IFRS, while years 2001 to 2003 are reported according to FAS.

Notes to the share-specific key figures:
[1] includes an extra dividend payment 0.44 euros per share
[2] proposal of the Board of Directors

Figures reported for 2000–2003 have been converted based on the bonus issue 2004. The bonus issue was executed by issuing one bonus share for each existing share without consideration. The average number of shares allows for the effect of treasury shares.

Stable profitability despite low demand in Central Europe

Market situation

Overall market developments were marked by a significant decrease in demand in Germany, Uponor's largest market in this region. In the first half of 2005, the number of building permits granted in Germany fell by almost one quarter, directly reflected in the demand for heating applications. While underfloor heating systems are installed mainly in new houses, a large proportion of plumbing systems sales is attributable to the renovation segment.

Despite the decreasing trend, the house connection applications showed favourable development, mainly due to growing demand for municipal district heating and the increased attractiveness of the use of biogas.

While the market situation in Austria was subdued like in Germany, demand for Uponor products developed well in the Benelux countries, Switzerland, the Czech Republic and Poland.

Over half of all new single-family houses in Germany are equipped with an underfloor heating system, at least in part. There is a clear trend towards more easy-to-handle solutions, and Uponor is keeping pace with this development by adapting its offerings in line with changing demand. Uponor's broad range of products creates excellent prerequisites for this, since the company's premium and mid-price products are clearly differentiated from one another with respect to market segment, system components and related services. Uponor aims to serve the market even better by offering a special product range for the mid-price market segment, in addition to catering for the needs of the premium segment.

Business review

In line with its brand renewal, Uponor created a new, unified sales concept for the German heating and plumbing solutions market, enabling the company to take full advantage of its market potential and improve its sales performance. A strong, integrated and committed sales organisation means better customer service and availability since customers will have access to the whole Uponor offering from one source. The synergies created by the reorganisation will be further boosted by the implementation of a common ERP system in 2006.

In 2005, Uponor developed its supply chain processes, resulting in improved delivery performance to customers. Also substantial cuts in scrap rates were achieved.

Since Uponor has decided to concentrate on multi-layer composite pipes and PEX pipe systems, it sold its polypropylene pipe business and manufacturing plant in Poland. The remaining Polish sales organisation moved to a new site in Blonie (near Warsaw).

At the beginning of 2005, Uponor's housing solutions business in the Czech Republic was integrated with Uponor Central Europe in a move to intensify market penetration in the Czech market, where much of the distribution channel is under German influence. Uponor's sales in the Czech Republic experienced healthy growth over the year.

The spring of 2005 saw Uponor's withdrawal from its non-core machine-building business through the divestment of its German subsidiary.

Region's key figures

MEUR	2005	2004
Net sales	307.9	334.0
Operating profit (EBITA)	38.1	39.6
EBITA ratio	12.4	11.9
Assets	203.1	225.0
Investments	9.0	7.0
Personnel, 31 December	1,220	1,444

Bernhard Brinkmann
Executive Vice President, Uponor Central Europe

"Situated in the Alps in the Tyrol region, Austria, the Aqua Dome thermal spa covers an area of approximately 50,000 m². Water for the pools comes from the sulphurous hot springs of Längenfeld. The spa features a 12,700 m², bio-energy-based Uponor heating panel that ensures the desired temperature in all facilities."

Profit performance

Weak market developments in Central Europe were reflected in sales in 2005. Although demand picked up during the latter part of the year, the decline in sales in the first half had a negative effect on full-year results.

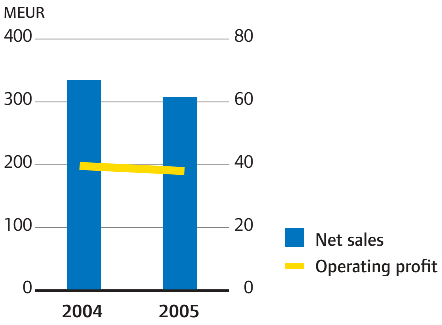
Net sales fell by EUR 26.1 million from 2004, totalling EUR 307.9 million. This decline was partly attributable to divestments of non-core businesses representing EUR 20.2 million of net sales. The comparable decrease in net sales was 0.6 per cent.

Operating profit totalled 12.4 (11.9) per cent of net sales, showing a year-on-year decrease of EUR 1.5 million. Business divestments reduced operating profit by EUR 1.6 million.

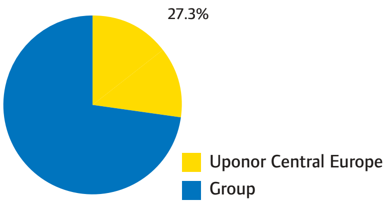
Uponor's capital expenditure totalled EUR 9.0 million, the aim of these investments being the enhancement of productivity over the following 1–2 years.

At the end of 2005, the number of personnel was 1,220, down by 224. This includes both people leaving due to divestments and reductions implemented to adapt staffing to lower sales volumes.

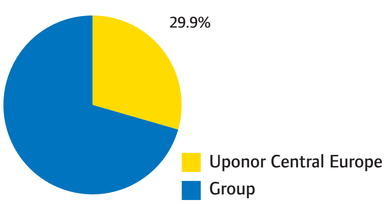
Net sales and operating profit



Net sales



Personnel



Strong demand for housing solutions boosts Nordic growth

Market situation

The Nordic construction sector was lively, particularly single-family house building which was further boosted by low interest rates. Single-family homes are Uponor's strongest market segment and the cornerstone of its housing solutions business. In this good market situation, demand for housing solutions increased considerably while in the infrastructure business growth mostly stemmed from price increases.

The major Nordic wholesalers continued to consolidate the market during 2005. On the other hand, large builders and HPAC companies attempt to bypass the wholesale sector and import building material from foreign suppliers or cluster into chains and purchasing groups. Private label products have also been launched to reduce dependence on distribution channels.

In house building as well as infrastructure construction, quality requirements have risen, increasing the demand for Uponor products. Furthermore, the easy on-wall installation of composite pipes in plumbing system renovations is boosting Uponor's sales.

The increased costs of water damage have boosted demand for reliable systems as well as the need for installer training and certification. Another trend supporting the demand for Uponor products is the growing popularity of under-floor heating systems in both Finland and particularly Norway, where new regulations require water-based heating in all public buildings over 500 square metres in area.

Business review

Uponor's water safe installation concept has been warmly welcomed by the Swedish market. By the end of 2005 as many as 700 installers had been certified after successful training. In addition to installers, Uponor's system is valued by insurance companies and the authorities, and the new regulations that became effective in Sweden at the beginning of 2006 are expected to bolster demand further.

The extensive training of installers, engineers and wholesale personnel continued in 2005, and in Denmark the construction of a new training centre was initiated.

In Finland, Uponor's sprinkler system was selected as Building Product of the Year. The system has also been welcomed in Sweden, where it was installed in the country's first six-floor wooden residential house.

The biggest individual renovation project so far, using Uponor's composite pipe, is in Korsør, Denmark, where 1,000 flats are being renovated.

Demand for on-site wastewater treatment systems has risen steadily in Finland, and a similar development is expected in Sweden due to stricter wastewater treatment regulations to be implemented in 2006.

Within the infrastructure business, Uponor completed its Nordic logistics and production network during 2005 by centralising these operations in the Fristad plant in southern Sweden. The unit will focus mainly on manufacturing sewage and storm water pipes.

In December, Uponor divested its mainly Finland-based No-Dig installation business related to water and sewer pipe renovations.

Profit performance

Uponor's net sales showed rapid growth, thanks to favourable market developments and successful market-

Region's key figures

MEUR	2005	2004
Net sales	313.6	290.6
Operating profit (EBITA)	41.8	32.0
EBITA ratio	13.3	11.0
Assets	212.8	165.6
Investments	10.5	10.5
Personnel, 31 December	1,145	1,171

ing investments as well as sales price increases implemented to offset higher material costs. In comparable terms, net sales grew by 8.0 per cent year on year, to EUR 313.6 million.

Profitability improved compared to 2004, with operating profit reaching EUR 41.8 million (up 26.3% in comparable terms), or 13.3 (11.0) per cent of net sales.

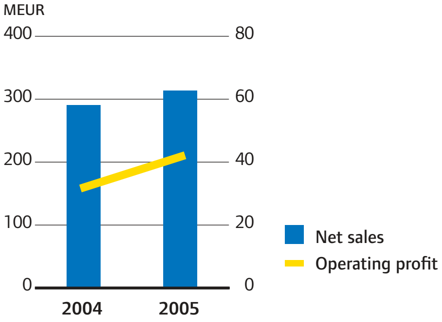
Investments were channelled mainly into manufacturing and logistics upgrades in the infrastructure business in Sweden and storm water pipe production in Finland. With respect to the housing solutions business, investments focused on production and warehousing-related environmental enhancements.

The number of personnel at year-end was 1,145, down by 26 from 2004. Staff numbers decreased considerably as a result of production restructuring carried out in Sweden and Norway, whereas in the housing solutions business new employees were recruited, mainly for marketing positions in Sweden.

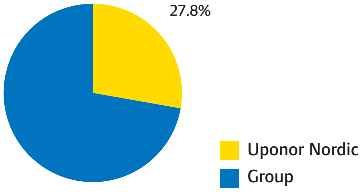
Anders Tollsten
Executive Vice President, Uponor Nordic

"Uponor sprinklers were installed in a care hotel that forms part of Sundsvall Hospital in Sweden. A total of 130 sprinklers covering a total area of approximately 2,000 m^2 were installed in 40 patient rooms. Installation was easy and cost-efficient since no specialist installers were required. The functioning of the system has been arranged ingeniously by connecting it to the toilet water pipe."

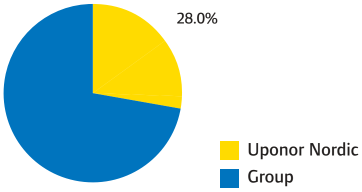
Net sales and operating profit



Net sales



Personnel



Restructuring strengthens operations in Uponor Europe – West, East, South

Market situation

In 2005, demand remained mainly unchanged in the markets covered by Uponor Europe – West, East, South. This is a very large and versatile region that consists of markets in different stages of development, the developed economies being in the west and south and the developing economies in the east. Furthermore, there are differences in trade practices and construction regulations in the north-south axis.

In the French, Italian and Spanish markets, the share of plastic pipes in plumbing and heating systems is continuously growing. Copper pipes, which have traditionally dominated the market, are losing their position in the competition against plastic pipe systems which are easy to install and provide new features at a lower lifetime cost.

In the UK plumbing market, plastic solutions already command over half of the total market. In Spain and Portugal plastic and composite-based plumbing and heating solutions also have a stable market position.

In the largest markets of this region the construction sector was rather quiet in 2005. In various European markets, the substitution of metal pipes with plastic pipe systems as well as the increasing popularity of underfloor heating increased demand for Uponor products. Uponor's greatest opportunities lie specifically in heating and plumbing systems. In Russia, for example, rapidly growing housing construction and the increasing demand for comfortable homes and clean drinking water have seen demand for modern heating and plumbing systems rise.

In Europe – West, East, South, Uponor's infrastructure activities are concentrated in the UK and Ireland where the company is the leading gas and water distribution systems supplier. In these markets, Uponor's main competitors are other plastic system providers while the majority of the municipal gas and water business is based on long-term supply contracts with large gas and water utility customers. Uponor's strong position builds on product innovations and service concepts that offer our customers tangible advantages such as safety, reliability and lower lifetime cost.

Business review

Uponor focused on expanding its housing solutions business, particularly in markets where its market share is still low, and in consolidating its leading position in the UK and Ireland's gas and water pipe markets. While the strongest growth took place in Spain, Russia and the UK, Uponor increased its market share in other countries as well. This success was largely based on new customer loyalty programmes and continuous investment in installer training as well as new product launches such as plastic fittings. In south-eastern Europe, Uponor strengthened its market presence by establishing a new sales organisation in Greece.

In the UK gas and water market, Uponor secured a major contract with United Utilities, worth approximately EUR 60 million over a three-year contract period. This contract contains a substantial share of Uponor's new, innovative products and consolidates Uponor's leading position in this business in the UK.

Region's key figures

MEUR	2005	2004
Net sales	**325.9**	330.0
Operating profit (EBITA)	**30.0**	16.4
EBITA ratio	**9.2**	5.0
Assets	**199.3**	207.3
Investments	**9.7**	7.8
Personnel, 31 December	**1,110**	1,208

Profit performance

Net sales came to EUR 325.9 million, representing a comparable annual growth of 11.9 per cent. Reported net sales decreased by EUR 4.1 million, as a result of the exit from the infrastructure business in Spain, Portugal and France. Most of the decline was offset by strong growth in the housing solutions business.

Operating profit increased by EUR 13.6 million as a result of the divestment of unprofitable infrastructure businesses, larger sales volumes and improved operational efficiency.

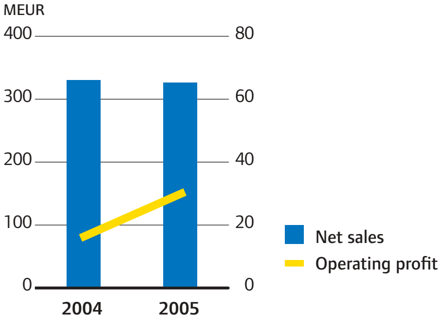
Production and distribution efficiency was increased in the Iberian Peninsula and Italy while investments were made in the UK in the manufacture of a new sewer pipe system that withstands high-pressure jetting.

The number of personnel at year-end decreased by 98 people. While the exit from non-core businesses reduced staff numbers by 189, the expansion of operations increased the number of employees in Russia and particularly in Spain where sales agents were transferred to Uponor's payroll.

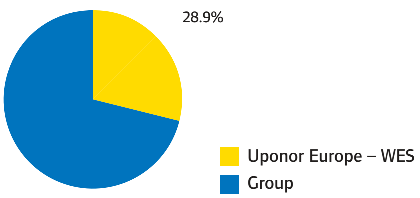
Jukka Kallioinen
Executive Vice President,
Uponor Europe – West, East, South

"In September 2005, Uponor signed a major pipe supply contract with United Utilities, the UK's largest public utility services provider, to which Uponor will deliver water and gas pipe systems, including innovative, multi-layer barrier pipes for distributing potable water through contaminated ground."

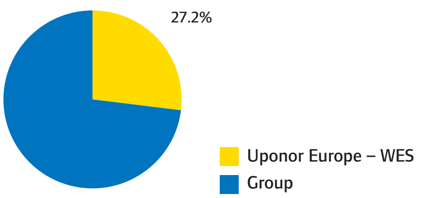
Net sales and operating profit



Net sales



Personnel



Strong market growth continues in North America

Market situation

Strong economic growth continued in North America, despite the expected decline in the market in 2005. Low interest rates boosted private spending and provided a tail wind for housing starts, renovations and modernisations.

Competition continued to intensify, with European manufacturers in particular strengthening their positions. Consolidation towards fewer and larger enterprises took place in the single-family house building sector.

Uponor initiated new measures in order to further extend its leading position in North America. The purpose of Uponor's installer training is to strengthen and expand its installer network, which is already the strongest in this field, while enhancing its ability to compete for new projects. Furthermore, Uponor introduced new, innovative products that make its systems simpler and easier to install.

The use of PEX in plumbing is expected to further increase now that Massachusetts, one of America's strongest construction markets, has amended its building code to allow the use of PEX plumbing in construction. This leaves California as the only U.S. state whose building code does not approve the use of PEX pipe for potable water purposes. Despite the lack of state approval, county and local approvals enable Uponor to supply products to California. Uponor is working actively through industry associations to remove restrictions on PEX plumbing in California.

Business review

In 2005, Uponor increased its sales by targeting its marketing efforts in key areas, focusing in particular on cultivating relationships with leading prefabricated house manufacturers and distribution partners. The company's network of trained installers was extended in both the U.S. and Canada.

The exit from the PEX-b pipe business initiated in 2004 was completed during the first half of 2005. This enables Uponor to focus its resources and investments on strengthening the Uponor brand.

In connection with the business streamlining, the management and administration of Uponor's U.S. and Canadian units were centralised in Minnesota. This unification of operations and improved coordination was enhanced with the further development of the Oracle ERP system, enabling U.S. production units to respond to demand more quickly. The system was also implemented in Canada in 2006.

In April, Uponor completed the implementation of a major warehouse management system (WMS) software package. The WMS, combined with a complete physical reconfiguration of the North American distribution centre's operations, enabled warehouse automation improving both logistics and order-fulfilment capacity.

In August, Uponor initiated the expansion of its office and production premises in Apple Valley, Minnesota. This approximately 4,000 square-metre addition, expected to be completed in June 2006, will allow the consolidation of staff under one roof as well as an expansion of production capacity, provided healthy sales growth continues.

In line with the Group-wide brand renewal, the decision to unify the company's brand architecture under a single brand was announced to North American customers in the summer of 2005. The purpose of this global change is to boost marketing and customer service and to increase recognition of the Uponor brand in North America, where Uponor products are among the best-known and trusted in their field.

Region's key figures

MEUR	2005	2004
Net sales	**179.8**	155.1
Operating profit (EBITA)	**22.7**	22.2
EBITA ratio	**12.6**	14.3
Assets	**120.8**	98.6
Investments	**9.7**	8.9
Personnel, 31 December	**611**	579

Profit performance

Uponor benefited from strong demand in the housing sector in 2005. Despite the discontinuation of part of its business, net sales came to USD 222.2 million (MEUR 179.8), up 15.1% from 2004.

Operating profit increased by 1.4%, to USD 28.1 million (MEUR 22.7), or 12.6% (14.3%) of net sales.

Towards the end of the year, improved supply chain management was reflected in higher net working capital and, in particular, improved inventory management.

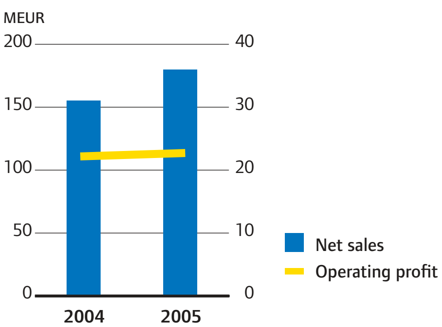
Investments focused on increasing operational efficiency by, for example, developing the ERP system and inventory management and centralising production and office facilities.

Uponor's personnel increased by 6 per cent, mainly as a result of increased volumes which necessitated the recruitment of personnel for manufacturing and warehousing positions. The sales network was also upgraded and sales and marketing resources were increased.

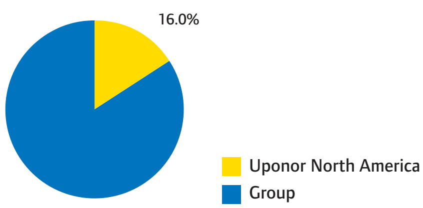
Jim Bjork
Executive Vice President, Uponor North America

"The 18-storey 240-unit condominium high-rises in Irvine, California, are the tallest structures in the city. Marquee Towers represents the ultimate in luxury and nothing but the finest materials and fixtures were chosen. Uponor's plumbing system, which is safe and easy to install, was chosen for the buildings. In condominium high-rises the system's silence is also an advantage."

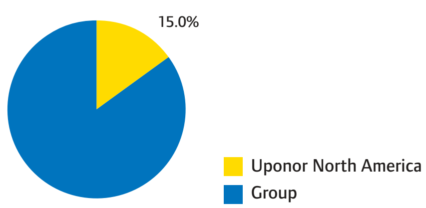
Net sales and operating profit



Net sales



Personnel



One Unified Uponor – a major strategic reform for the future

In 2003, Uponor launched a major strategic reform called One Unified Uponor. The purpose of this extensive reform was to improve the company's profitability and create a solid footing for profitable growth.

In connection with the related strategic planning, Uponor defined three focus areas in which it should invest during the first stage in order to trigger a fundamental change in the company. These three focus areas would also serve as the pillars of a bridge enabling Uponor to take the necessary measures in order to achieve its final goals. These pillars are:

- Growth
- Brand
- Operational excellence

The company launched several change projects to develop each of these pillars. At the initial stage, the emphasis was on focusing on the second and third pillar, i.e. the brand and operational excellence.

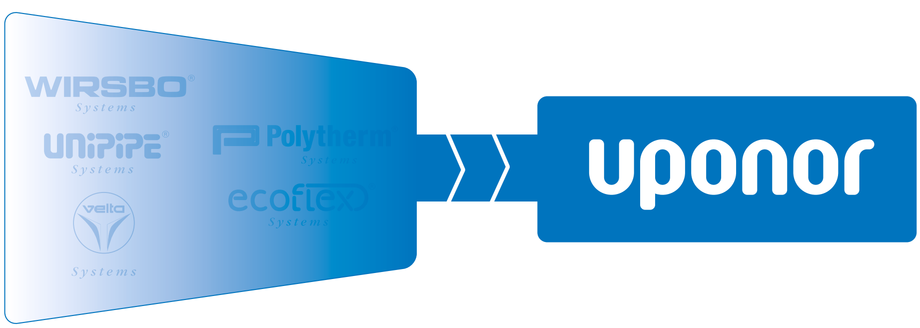
uponor

Growth	Brand	Operational excellence
Build on current platforms	**Strengthen the Uponor corporate brand**	**Integrate the company**
Grow essentially organically	Single brand strategy 2006 →	Integrated processes, incl. ERP system
Increased focus on customers	Unified culture	Competence transfer
Enhance product offering through innovation	Strengthen the image on the market	Leverage the supply chain
Strengthen position in Europe	Allows to leverage the product portfolio	

One uniform brand

Uponor's global growth has been largely based on acquisitions. In the 1990s, the company's strategy was not to integrate acquisitions into the Group by, for instance, creating common processes, organisations and operating models, except for financial administration. As a general rule, the purchased companies were allowed to retain their own brands, especially in the housing solutions business. This strategy suited the market situation at the time since it enabled strong business growth in international markets and, as a result of a relatively lean Group administration, provided satisfactory profitability levels.

At the turn of the millennium, the Group's parent company, Asko, changed its name to Uponor and implemented a strategic restructuring programme that resulted in the divestment of all industrial operations not pertaining to plastic pipe systems. This propelled the company into an entirely new situation, enabling it to develop its operations without historical restrictions. At the same time, changes in the housing solutions



and infrastructure technology businesses' markets and competitive arena required determined measures through which Uponor could ensure its success and profitability in the years to come.

While the Uponor name was introduced in all of the Group system brands' marketing communications in connection with its strategic reform of 2001, in 2004 the company initiated a separate project for the entire revision of its brand strategy. After judging the various alternatives, the company decided to manage all of its business operations, with a few local exceptions, under the Uponor brand as of the beginning of 2006. At this stage, slightly over a third of the company's business operations, mainly the infrastructure solutions business, already used the Uponor brand. The housing solutions business mainly used four other brands (Wirsbo, Velta, Unipipe and Ecoflex), but the Uponor name had already gained some recognition in this segment, too.

Through brand harmonisation, Uponor is attempting to increase its leverage in the markets and provide better support and service to its key customer groups. In addition to harmonising its visual image and brand name, one of the main goals of the project was to develop Uponor's operations in order to strengthen its customer relationships in a unified manner in all markets in which the company operates. The results of the project included the new corporate mission, Partnering with professionals to create better human environments, as well as brand values that were integrated with Uponor's corporate values. Uponor's motto was also revised to read, "Uponor...simply more", indicating that when Uponor's strengths and competitive edges are combined, the company will outstrip its competitors in service provision for partners and end users.

One brand will enable Uponor to implement a number of improvements to develop its operations further. In Germany, for example, Uponor's sales and marketing organisation was renovated by integrating the former organisations that were based on four different system brands into one new organisation. This increased the efficiency of operations both in terms of costs and customer service.

Operational excellence

Uponor's push towards operational excellence forms the required basis

We have defined our brand with these seven core ideas:

for the company to be able to comply with the new brand strategy.

In 2004, an extensive project was launched to implement a new enterprise resource planning (ERP) system in Uponor's European units, phase by phase, during 2006–2008. The project was initiated by defining its goals and planning future business processes in order to ensure the continuous development of operations while taking corporate and customer needs into account.

Assisted by external consultants, dozens of Uponor employees from the company's various European units have participated in the project on a full-time basis, and an even larger number on a part-time basis. The specification of operational models for the selected Oracle ERP system was finalised in early 2005 and test use of the system began towards the end of the year. The new system will be implemented in the summer of 2006, initially in one of Uponor's German sites, after which it will be expanded to the other German units, Uponor Nordic and Uponor Europe – West, East, South.

Although Uponor North America introduced Oracle's ERP system earlier, it has been developed in tandem with the European project. While a full convergence of systems is not the goal at this stage, they must be able to support operational integration in certain key areas, such as financial administration, sales and marketing, distribution channels, and product and systems development.

In developing operational excellence, another important project has been the reduction in the number of plants, thus concentrating production into larger, specialised units. This work has succeeded well, as highlighted by the fact that the company has been able to decrease the number of its plants worldwide, from 45 in 2000 to 18 in 2006.

An efficient and specialised production network, including subcontractors, supported by carefully planned and implemented processes and a modern ERP system will form the basis of an efficient and well-functioning supply chain management and customer service in the future.

The purpose of management training is to develop harmonised working methods and ensure their implementation throughout the organisation.

Revised values

Since all operations are based on the activities of human beings, Uponor strives to motivate its personnel to work in line with the company's goals and values. In connection with the brand development project, the company determined the Uponor brand values that were also integrated with Uponor's corporate values. In 2006, Uponor will implement these values throughout the organisation so as to ensure that each Uponor unit functions, and also develops its operations, in accordance with them. The ultimate goal is to see Uponor's brand and corporate values reflected in a consistent manner in all of its activities and market areas and both towards internal and external interest groups.

Uponor's corporate social responsibility is based on solutions that are pro-environmental and provide low life-cycle costs

Uponor provides high-quality, innovative solutions that are technologically advanced, cost-efficient in life-cycle terms, pro-environmental, and ethically sound. They enable energy-efficient solutions, constantly appropriate temperature, pure water, and fresh air in any facilities where people live, work, or spend their time.

Corporate social responsibility built on core values

The starting point of Uponor's business operations is to provide genuine added value to customers and partners while at the same time complying with the applicable rules and regulations in all operations.

Uponor works to maintain corporate social responsibility on the basis of the following principles:

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

Uponor's values were revised in the autumn of 2005 as part of the One Unified Uponor corporate strategy, and implementation of the renewed values began in early 2006.

With its extensive, long-term experience, Uponor wants to be a pacesetter. We demonstrate our values by providing our customers with solutions that enable them to succeed in business. Our ultimate goal is partnership with professionals to create better human environments. For us, the cornerstone of responsible business is to focus on long-term co-operation and be a reliable partner.

Our values reflect what we stand for and define how we should behave in relation to our business partners and each other.

Knowledge

- We are willing to learn and create new ideas
- We improve our present ways of thinking and doing
- We share information openly and co-operate to achieve business success
- We know our business and customers

Enabling

- We communicate our vision and targets
- We build trust in an ethical way
- We actively support each other
- We give and accept constructive feedback

Most rewarding

- We enjoy our work
- We ensure respect for all individuals
- We give recognition for results
- We create opportunities to develop

Improving effectiveness

- We use the Uponor strength to create new solutions
- We do the right things, in the right way, at the right time
- We find easy and simple ways of doing things
- We are willing to change

Committed

- We take responsibility for getting results
- We deliver on our promises
- We have a desire to do well
- We take initiative

Financial responsibility

For Uponor, financial responsibility means rewarding and mutual co-operation with stakeholders. It builds on the financial goals set by the Board of Directors. The starting point of responsible business is stable growth that helps to ensure the company's profitability and competitiveness. In 2004, Uponor initiated a strategic restructuring programme in order to improve its competitiveness and ensure stable growth, but also to make sure that Uponor continues to be an attractive and responsible employer. In 2005, the company completed the implementation of this restructuring programme in line with strategy.

MEUR	2005	2004
Financial dimension		
Value added to customers (net sales)	1,031.4	1,072.4
To suppliers of products and services (purchases)	727.3	741.3
To personnel (salaries and fees)	164.4	182.5
To investors (dividends paid)	52.0	106.9
To society (taxes paid)	16.8	24.6

Financial impact on stakeholders

Customers

Uponor works in close co-operation with its customers to ensure that the products and services meet their needs and enhance their business opportunities. Uponor is one of the world's leading suppliers in its sector, and aims at further strengthening its operations in order to be a reliable partner also in the future.

Uponor's main partners include:

- Installers such as HPAC and plumbing companies;
- Building and pipework designers and specifiers;
- Engineering and architects' offices;
- Land use, water supply, and sewerage engineers;
- Building firms and utilities;
- Wholesale and retail businesses;
- Suppliers of raw materials and components; and
- Research and educational institutes.

Personnel

Uponor wants to be a reliable and attractive employer that provides rewarding jobs and opportunities for professional and personal growth.

Investors

Uponor strives to be an attractive investment, with a stable and competitive shareholder return. In accordance with its dividend policy, Uponor distributes at least 50 per cent of its profit as dividends on an annual basis.

Society

Uponor wants to be a good corporate citizen and an attractive employer in the locations where it operates. We aim at open co-operation with authorities and the media in order to successfully communicate our needs and wishes.

Uponor co-operates with educational institutions and provides both student traineeships and full-time jobs for qualified graduates. The company attempts to increase awareness of its operations among students, thus also promoting the attractiveness of the industry.

Environmental responsibility

With a long tradition in the development of pro-environmental products, Uponor wishes to surpass the environmental standards set by the authorities and thus be one of the forerunners also in this field.

Almost all of Uponor's production units hold either an ISO 9000 quality certificate or an ISO 14000 environmental certificate. In 2005, both certificates were renewed in the Mostoles factory. Further, the ISO 14001 certificate was renewed in Virsbo and in Fristad. The aim is for Uponor factories to operate under a certified environmental management system. Each site is responsible for the management of its environmental work and for setting detailed goals.

Production with little environmental impact

Uponor's most significant environmental effects stem from the use of raw materials, energy consumption, and transportation. The plastics processing industry creates no major burden on the environment since such manufacturing does not involve major emissions, and raw materials are used efficiently. Raw material waste is grinded and either reused in production or sold for recycling or energy use. Water is purified and recycled in a closed system. The environmental effects of transportation are minimised through efficient delivery planning.

In 2005, in Uponor's Nordic infrastructure solutions production, the efficiency of closed-cycle water cooling was increased in Sweden and Finland, while the Danish unit invested in noise reduction of raw materials handling and storage. In Finland, production lines were modernised in order to reduce raw material and energy consumption in the manufacture of certain telecommunications and sewer products. In Sweden, cooling equipment was renovated, as were peroxide and oil storage facilities related to manufacturing of housing solutions. Furthermore, the company invested in new equipment enabling the recycling of cutting oil used in brass machining. In North America, investments included pipe waste handling, halving the space need for waste storage.

> For us, the cornerstone of responsible business is to focus on long-term co-operation while at the same time being a reliable partner for customers.

Pro-environmental, long-life products

The environmental burden of Uponor's products is small since they save on energy, costs, and harm to the environment during all stages of use, from delivery and installation to the end of the product's life cycle. The service life of plastic pipes is exceptionally long, often 50–100 years, after which the product can be recycled. One of Uponor's main products is an underfloor heating system providing two major environmental benefits. Firstly, any source of energy can be used as the system's heat source; it is ideal for renewable energy sources. Secondly, underfloor heating can save energy: when the entire floor slab is heated, the room temperature can be reduced by 2–5 °C, creating energy savings of up to 20 per cent when compared to many other heating systems.

Uponor is continuously developing new solutions that are cost-efficient and friendly to the environment. For example, new heating and cooling systems enable dramatic reduction in the energy consumption of buildings. No-leak plumbing and sewerage systems prevent damage to buildings, leakage of untreated wastewater into the ground, and entry of surface water into the sewerage system. Furthermore, the structure of the plastic pipes prevents build-up, keeping the water pure.

When it comes to product development, Uponor's barrier pipe is an interesting innovation; it enables the transportation of potable water through contaminated ground, thus eliminating the need for expensive replacement or cleaning of soil. This system is in demand in many industrialised European countries, where former industrial areas often need to be put into residential use.

Social responsibility

Development of employees' competence and well-being and of a safe working environment is a central part of Uponor's social responsibility. The strategic human resource development initiated in 2004 was continued according to plan in 2005. The aim of Uponor's HR management is to harmonise management practices and ensure business success by developing skills and expertise that are vital for the company's strategy. The creation of One Unified Uponor requires long-term work. To this end, the company continued its work toward creating a mutual corporate culture and harmonised processes, and it set forth global management principles for the Group.

In November 2005, Uponor carried out its second Group-wide survey of the work climate. It is an important management tool that the company intends to utilise on an annual basis to assess employee motivation and competence. It also provides a basis for unit-specific action plans and for monitoring progress. Furthermore, the survey provides a channel through which employees can influence the company's operations.

Uponor is the leading company in its field and strives to continuously improve its operations. For this reason, the company also wants to invest in employee training and encourage personal development. Annual performance and development discussions are held to specify personal goals for every employee and chart each individual's development needs. In the year under review, 50 employees started a training course focusing on matters like sustaining high performance in change situations and brand marketing. This training is to continue in 2006. Furthermore, Uponor employees have the opportunity to participate in Web-based learning of English.

Occupational health and safety are at a high level in Uponor, and there were no serious occupational accidents in 2005. All Uponor facilities have safety instructions that apply to everyone. Occupational accidents are reported mainly on a local basis. Further, occupational health is promoted by ensuring that jobs are meaningful, and by providing job rotation opportunities through, for example, the announcement of vacancies on the intranet before making them public. Also, Uponor assesses and enhances employee well-being by making good use of the work climate surveys.

Uponor promotes water protection

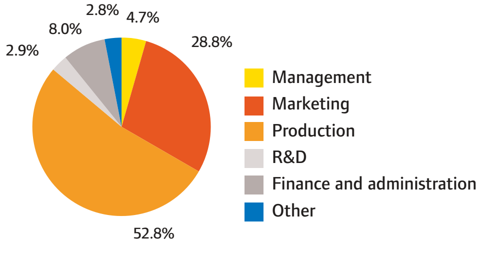
Since 1995, Uponor has been a Founder member of the Stockholm Water Foundation, which aims to encourage research and the development of the world's water environment. During World Water Week each year, the foundation awards the Stockholm Water Prize, an international environmental award, to an individual, organisation, or institution for outstanding water-related activities. HM King Carl XVI Gustaf of Sweden is the patron of the Stockholm Water Prize. In 2005, the award was granted to the Centre for Science and Environment, an India-based environmental organisation.

Training for professionals

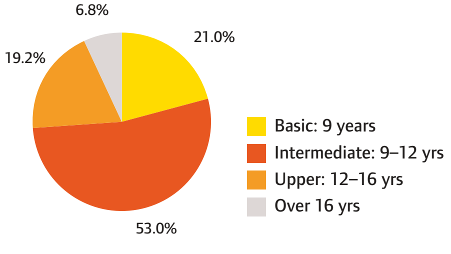
In addition to its co-operation with educational institutions, Uponor offers extensive training for contractors, engineers, and subcontractors. The company provides approximately 20,000 training days, on an annual basis, for these professionals, focusing on the installation and use of Uponor systems. The purpose of the Uponor Academy training programme is to support the achievement of Uponor's mission: partnership with professionals to create better human environments.

Social dimensions	2005	2004
Average number of personnel	4,169	4,684
Occupational accidents leading to sick days	108	131

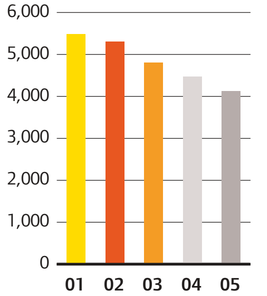
Personnel by function



Personnel by education



Personnel at year-end



Corporate governance, summary

Pursuant to the Finnish Companies Act and the Articles of Association of Uponor Corporation, the control and management of the Corporation is divided among the shareholders, the Board of Directors and the Chief Executive Officer (CEO). Uponor's corporate governance complies with the recommendations issued jointly by the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

General meetings of shareholders

Shareholders exercise their rights in general meetings of shareholders, which constitute the Corporation's highest decision-making body. Decisions made by general meetings of shareholders include among other things:

- Amendments to the Articles of Association
- Adoption of the annual accounts
- Dividend distribution
- Share issues
- Buyback and disposal of the Corporation's shares
- Share / stock option plans
- Election of members of the Board of Directors, decision on their emoluments
- Election of the Corporation's auditor, decision on audit fees

Board of Directors

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 invested capital is secured, while simultaneously taking the expectations of various stakeholders into account. Furthermore, the Board makes decisions on all other significant issues, such as Group strategy, dividend policy, budget, major investments including company acquisitions, and major restructuring plans. The Board also approves succession plans for the CEO and Executive Committee members.

Uponor's Board comprises a minimum of five and a maximum of seven members, elected for a one-year term starting at the close of the Annual General Meeting (AGM) at which they were elected and ending at the close of the following AGM. Board members may be elected or removed only by a resolution adopted by the shareholders in a general meeting. The number of terms Board members may serve is not limited, nor is there any defined retirement age applying to them.

All of the present Board members are independent of the Corporation and all of the Board members, except for Mr Paasikivi, are independent of major shareholders.

The Board members are not involved in the Corporation's share-based incentive scheme.

The Board elects from among its members a Chairman and Deputy Chairman, for one year at a time.

The Board meets on average 10 times a year. During 2005, the Board held 12 meetings, two of these at a business unit. Four non-attendances were recorded.

The Board has considered and decided that it is not expedient to nominate separate, permanent committees but that the entire Board shall perform the duties of an Audit Committee. Whenever necessary, the Board sets up ad hoc committees to deal with various issues, such as compensation and nominations.

Chief Executive Officer

Assisted by the Executive Committee, the Chief Executive Officer is in charge of the Group's day-to-day management in accordance with the orders and instructions issued by the Board. The CEO is also the Chairman of the Executive Committee.

The Board of Directors appoints and discharges the CEO.

Executive Committee

The Executive Committee (ExCom) is mainly responsible for formulating and implementing Group strategy. It also decides on significant operational issues, such as budgets, business plans and their implementation, major organisational changes and any changes in employment terms and conditions affecting a large number of employees.

In 2005, the ExCom held 12 meetings.

Board and CEO evaluation

The Board conducts an annual evaluation of the CEO's performance with respect to, for example, strategic planning, management skills and financial performance. In addition, the Board conducts a separate evaluation of its performance and that of the Chairman, while each director also assesses his/her own personal performance.

Compensation

Uponor's compensation system consists of a basic salary and fringe benefits as well as a profit- and performance-based bonus system that depends on the individual employee's position. Furthermore, members of the ExCom have a long-term share-based incentive scheme.

The Board determines the CEO's employment terms and conditions and annual compensation, and approves ExCom members' annual compensation, based on the CEO's proposal.

Internal control, risk management and internal audit

The Board and CEO determine the policies used to steer the Group's operations.

The Group's main risk areas have been identified, with each ExCom member being allocated his/her own area of responsibility with regard to the identified risks. The officer in charge of risk management co-ordinates overall risk management within the Group and is also responsible for ensuring appropriate insurance coverage and organising risk-management reporting on a Group-wide basis.

The internal audit is independent of daily business operations. The Board approves the annual internal audit plan.

In 2005, the internal audit was outsourced to PricewaterhouseCoopers Oy.

External audit

The AGM elects the external auditor that must be a corporation of authorised public accountants accredited by the Central Chamber of Commerce of Finland.

The 2005 AGM appointed KPMG Oy Ab, a corporation of authorised public accountants, as the Corporation's auditor for the year 2005.

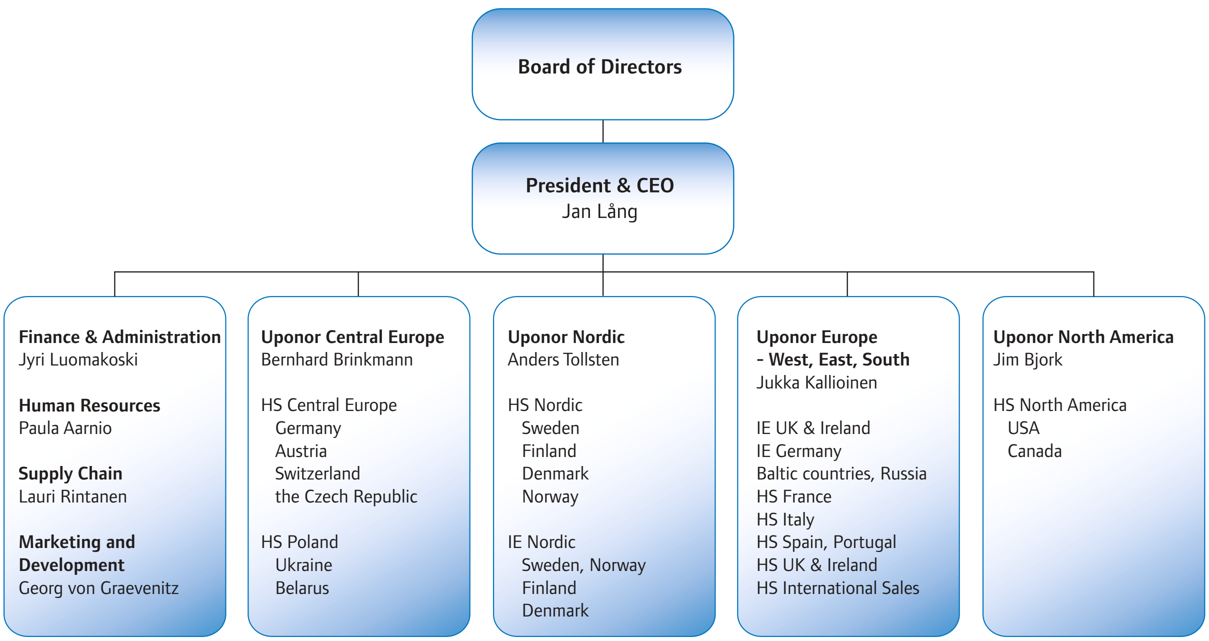
Insider guidelines

Uponor complies with the guidelines for insiders issued by the Helsinki Stock Exchange, and the standards issued by the Finnish Financial Supervision Authority as well as other regulations issued by the authorities.

Trading in the Corporation's shares and other securities is subject to prior approval by the Corporate General Counsel. The Corporation applies an absolute trading prohibition that starts at the end of each reporting period, no later than three weeks prior to the disclosure of annual accounts or interim reports. The trading prohibition ends upon the publishing of the annual accounts or interim report.

Further information on Uponor's corporate governance is available in the company's Financial Report 2005 and on the company's website at www.uponor.com.

Group structure, 1 January 2006



HS = Housing Solutions
IE = Infrastructure Solutions

Uponor Corporation Board of Directors, 1 January 2006

Pictured, from the left, Jorma Eloranta, Rainer S. Simon, Pekka Paasikivi, Aimo Rajahalme and Anne-Christine Silfverstolpe Nordin.

Pekka Paasikivi
b. 1944, Finnish citizen, B.Sc. (Eng.), Chair of the Board of Oras Invest Ltd

- Chair of the Board, Uponor Corporation from 30 September 1999
  Member of the Board from 23 September 1999

Board memberships:

- Chair of the Board, Erkki Paasikivi Foundation
- Member of the Supervisory Board, Finpro Oy (–13 Dec 2005)
- Chair of the Supervisory Board, Varma Mutual Pension Insurance Company
- Member of the Board, Okmetic Oyj
- Member of the Board, Raute Oyj
- Member of the Board, Technology Industries of Finland (–31 Dec 2005)
- Member of the Board, Foundation of Economic Education

Career history:

- Various positions at Oras companies, e.g. Managing Director and CEO

Aimo Rajahalme
b. 1949, Finnish citizen, M.Sc. (Econ.), Executive Vice President, Finance and Information Services, Kone Corporation

- Deputy Chair of the Board, Uponor Corporation from 15 March 2005, Member from 17 March 2003

Career history:

- Member of Executive Board, Kone Corporation, since 1991
- CFO, Kone Corporation, since 1991
- Employed by Kone since 1973

Jorma Eloranta
b. 1951, Finnish citizen, M.Sc. (Tech.), CEO, Metso Corporation

- Member of the Board, Uponor Corporation from 15 March 2005

Board memberships:

- Member of the Supervisory Board, Ilmarinen Mutual Pension Insurance Company
- Member of the Executive Board and Member of the Board, Technology Industries of Finland
- Chairman of the Advisory Board, Laatukeskus Excellence Finland
- Member of the Advisory Board, Helsinki University of Technology
- Member of the Council, Finnish Section of the International Chamber of Commerce (ICC Finland)
- Member of the Council, Helsinki Chamber of Commerce
- Chairman and Member of the Board, Oy Center-Inn Ab

Career history:

- President and CEO, Kvaerner Masa-Yards Inc., 2001–2004
- President and CEO, Patria Industries Group, 1997–2001
- Deputy CEO, Finvest Group and Jaakko Pöyry Group, 1996–1997
- President, Finvest Oyj, 1985–1995

Anne-Christine Silfverstolpe Nordin
b. 1950, Swedish citizen, M.A. (Soc.), Partner and Senior Consultant of Neuhauser & Falck AB

- Member of the Board, Uponor Corporation from 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, Neuhauser & Falck AB
- Member of the Board and owner, Chorda Management AB
- Member of the Board, Springtime AB

Career history:

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

Rainer S. Simon
b. 1950, German citizen, Dr.Sc. (Econ.), President, Birch Court GmbH

- Member of the Board, Uponor Corporation from 17 March 2004

Career history:

- President and CEO, Sanitec Corporation, 2002–2005
- Member of the Executive Board, Friedrich Grohe AG, 1995–2002
- Senior Vice President, Europe, Continental AG, 1993–1995
- Managing Director, Keiper-Recaro, 1991–1993
- Various national and international marketing and general management positions, Continental AG, 1979–1990

Executive Committee, 1 January 2006

Jan Lång
President and CEO
M.Sc. (Econ.)
b. 1957, Finnish citizen

Employed by Uponor since June 2003

Career history
Uponor:
- President and CEO, Uponor Corporation, 1 August 2003–

Other:
- Division President, Food Service, Europe, Huhtamäki, 2003
- Group Vice President, South & West Europe, Huhtamäki, 2001–2002
- Group Vice President, Global Sourcing, Huhtamäki, 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, Huhtamäki Group, 1982–1977

Jyri Luomakoski
Deputy CEO, CFO
MBA
b. 1967, Finnish citizen

Employed by Uponor since 1996

Career history
Uponor:
- Deputy CEO, Uponor Corporation, 2002–
- CFO, member of Executive Committee, Uponor Corporation (Asko Oyj), 1999–
- Corporate controller, Uponor, 1997–1999
- Controller, Uponor, 1996–1997

Other:
- Deputy Managing Director and CFO, Oy Lars Krogius Ab, 1991–1996
- Director and Manager positions in Germany and Finland, Datatrans, 1987–1991

Paula Aarnio
Executive Vice President, Human Resources
M.Sc. (Eng.)
b. 1958, Finnish citizen

Employed by Uponor since February 2004

Career history:
Uponor:
- Executive Vice President, Human Resources, Uponor Corporation, 2004–

Other:
- Human Resources Director, Oy Karl Fazer Ab, 2001–2004
- Vice President, Human Resources, Neste Oy/Fortum Oyj,1998–2001
- General Manager, Human Resources, Neste Oy, Chemicals Division, 1997–1998
- Technical Marketing Manager, Neste Resins Oy, 1992–1995
- Product Development Manager, Neste Resins Oy, 1987–1991

Jim Bjork
Executive Vice President, Uponor North America
B.A., MBA
b. 1959, US citizen

Employed by Uponor since 1990

Career history
Uponor:
- Executive Vice President, Uponor North America, 2003–
- President, Housing Solutions North America, 2002–2003
- Vice President, North America, Plumbing and Heating Systems, 2000–2002
- Managing Director, Wirsbo Company, 1998–2000
- Director, Wirsbo Company, 1996–1998
- CFO, Plant Director, Sales Director, Marketing Director, Wirsbo Company, 1990–1996

Bernhard Brinkmann
Executive Vice President, Uponor Central Europe
M.Sc. (Mech.Eng.)
b. 1953, German citizen

Employed by Uponor since May 2004

Career history:
Uponor:
- Executive Vice President, Uponor Central Europe, 2004–

Other:
- CEO, Zarges-Tubesca Holding GmbH, 1996–2004
- Division Head of Small Domestic Appliances, Bosch-Siemens Hausgeräte GmbH, 1992–1996
- CEO, Esselte GmbH, 1988–1991
- Director of Strategic Planning, Osram GmbH, 1985–1988
- Management Consultant, Roland Berger & Partner GmbH, 1980–1985

Georg von Graevenitz
Executive Vice President,
Marketing and Development
M.Sc.(Eng.)
b. 1947, Finnish citizen

Employed by Uponor since
March 2004

Career history:
Uponor:

- Executive Vice President, Marketing and Development, Uponor Corporation, 2004–
- Executive Vice President, Marketing, Uponor Corporation, March–October 2004

Other:

- Vice President, Marketing, Sulzer Pumps, 2000–2004
- Vice President, Marketing, Ahlstrom Pumps Oy, 1997–2000
- Regional Vice President, Foster Wheeler Energy, 1995–1997
- Managing Director, Ahlstrom CNIM, Paris, France, 1994–1995
- Director Business Development, Ahlstrom Pyropower, 1993–1994
- Various director positions at Nokia in cables and capacitor business in Finland and abroad, 1988–1993
- Various marketing and general manager positions at Tampella, Ahlström and Brown Boveri in Finland, Sweden and Switzerland,1974–1988

Jukka Kallioinen
Executive Vice President, Uponor
Europe – West, East, South
M.Sc. (Eng.), eMBA
b. 1958, Finnish citizen

Employed by Uponor since 1984

Career history
Uponor:

- Executive Vice President, Uponor Europe – West, East, South, 2003–
- 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

Lauri Rintanen
Executive Vice President,
Supply Chain
M.Sc. (Eng.)
b. 1955, Finnish citizen

Employed by Uponor since
February 2004

Career history:
Uponor:

- Executive Vice President, Supply Chain, Uponor Corporation, 2004–

Other:

- Director, 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
Executive Vice President,
Uponor Nordic
M.Sc. (Eng.)
b. 1962, Swedish citizen

Employed by Uponor since
February 2004

Career history:
Uponor:

- Executive Vice President, Uponor Nordic, 2004–

Other:

- 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

Contacts, plants and offices

Uponor Corporation

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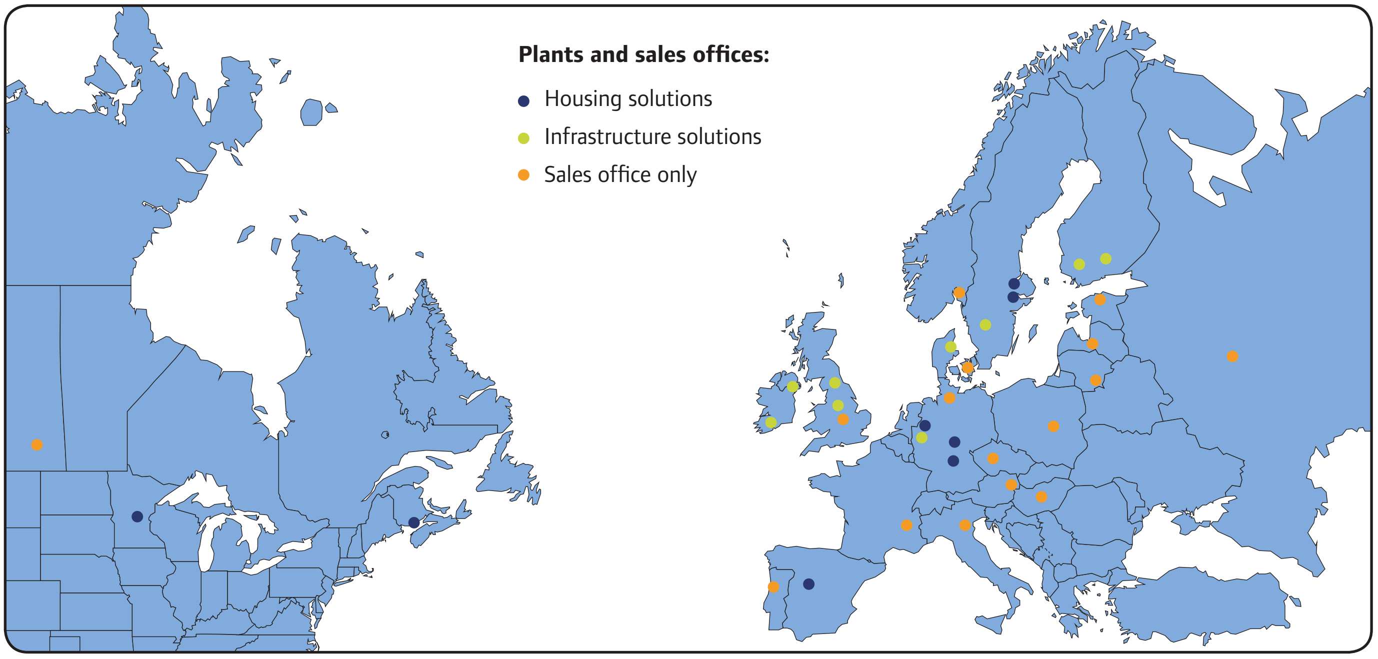
www.uponor-usa.com



Full contact details are also available on the company's website at www.uponor.com.

Vocabulary

Term (in Uponor context)	Explanation
Application	A technical entity in which Uponor products are used, such as radiant underfloor heating, a plumbing system, or a water supply and wastewater network.
Business group	A set of applications that are logically interconnected in terms of use, such as unpressurised sewers for municipal infrastructure, water supply networks, and pressurised sewers.
Chamber / inspection chamber	A pipework component (mainly in wastewater and rainwater networks) enabling pipe condition and functionality checks for a certain distance as well as repairs if needed. Sometimes referred to as a manhole.
Closed circuit	A system in which a substance, such as water, is used for an application such as cooling via circulation in the system.
Commercial construction	Construction for commercial purposes, such as shops or offices.
Component	Part of a pipeline, such as a fitting, pipe, or control device.
Composite pipe	A combination of plastic and metal designed to provide the best characteristics of both materials. Due to its stiffness, it is an excellent product for surface installations in, for example, renovation and modernisation projects.
ERP pilot	A project in which a new enterprise resource planning (ERP) system is installed and implemented in one corporate unit, enabling the management of all information related to, for example, production, sales, and distribution.
Forced air heating	A heating method in which the building is heated by blowing warm air into it.
High-rise building	A multi-storey residential, commercial, office, or public building.
Housing solutions	At Uponor, this business group covers the following applications: underfloor heating and cooling, pre-insulated house connections for heating and tap water, and plumbing and radiator pipes.
HPAC	Heating, plumbing, and air conditioning systems in buildings.
Hydronic cooling	A cooling method based on the same principle as hydronic heating.
Hydronic heating	A heating method in which heat generation and distribution are separated from each other. Any source of energy can be used to produce the heat, which is then distributed to the building through, for example, underfloor pipes circulating heated water.
Infrastructure solutions	At Uponor, this business group covers the following applications: water, sewer, and gas networks; cable protection; on-site wastewater treatment; and soil and waste systems and ventilation for buildings.
Multilayer pipe	A pipe consisting of multiple layers, each of them having a specific function, such as to protect against wear and tear or prevent oxygen from passing through the pipe wall. While the layers are typically made of plastic, a composite pipe contains a layer of aluminium.
Municipal engineering	See 'Municipal infrastructure'.
Municipal infrastructure	Water, sewerage, electricity, district heating, and other such services that are centrally produced for buildings situated in population centres.
No-Dig solution	An installation method enabling the replacement or modernisation of old piping without excavation work. Sometimes it is possible to put a new pipe in the ground by drilling a hole and sliding the pipe into it.

On-site waste water treatment	A wastewater disposal method intended for buildings that are not connected to the municipal sewerage network, aimed at burdening the environment as little as possible.
PEX pipe	PEX is an extremely strong plastic that withstands high temperatures. It is made of polyethylene through cross-linkage that forms transverse bonds between longitudinal bonds, for a net-like structure.
PEX-a, -b or -c pipe	PEX cross-linking can be done in several ways. These are denoted by the letters 'a', 'b', and 'c', the first two being chemical and 'c' denoting a radiation method. Uponor uses methods a and c.
Plastic pipe	A general term referring to various types of pipes made of plastic. Compared to other pipe types, plastic pipes offer many benefits, including easy installation, durability, and low lifetime cost.
Polyethylene pipe	Polyethylene pipes are used in municipal infrastructure and also as cold-water plumbing pipes in buildings. Their benefits include versatility and weldability.
Polypropylene pipe	Polypropylene pipes are used both for infrastructural uses and for buildings. Adavantages include, for example, weldability and, especially for building use, their low cost.
Public construction	Construction for public purposes, such as municipal buildings, schools, and hospitals.
PVC pipe / Vinyl pipe	PVC or vinyl pipes are used mainly in municipal infrastructure, for use in the ground.
Radiant heating	See Hydronic heating and Underfloor heating.
Radiator heating	A heating method in which radiators installed in a building are heated either by circulating warm water through them or via electricity. The radiators allow heat to radiate to the desired space.
Region	Uponor is divided into four geographical region organisations.
Renovation	Repair, renovation, or replacement of existing buildings, pipework, etc.
Residential construction	Construction of buildings intended for housing.
Segment	Uponor's two business segments are housing solutions and infrastructure solutions.
Single-family building	In the Uponor context, this includes single- and two-family houses, semidetached houses, and row houses (US) / terraced houses (UK).
Solution	A combination of products and services to satisfy a specific customer need.
Sprinkler system	An additional feature attached to Uponor's plumbing system to protect a dwelling against fire. A sprinkler system sprays water into the area of fire.
Surface installation	An installation method used in, for example, renovation and modernisation that involves installing new pipes on the wall rather than in the wall as is typically the case in new building. Surface installation makes the work quicker and often saves money.
System	A system is a functional whole consisting of components, such as a radiant underfloor heating system.
Underfloor heating	A heating method in which the floor's thermal storage mass is utilised for heating the space. This can be carried out as a hydronic system (cf. hydronic heating) or by use of electric cables.
Utility infrastructure	See Municipal infrastructure.

Design and layout:
Kreab Oy

Photos:
Executive Committee and Board of Directors: Dick Lindberg
P. 14–15 buildings: Anke Müllerklein
Others: Uponor

Printing:
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FINANCIAL REPORT 2005

Uponor's Annual report 2005 consists of two publications, the Annual review and the Financial report. The Annual review gives a broad picture of the business operations and the company. The Financial report, on the other hand, contains the financial statements including notes, share and shareholder information, and other relevant information on Uponor as an investment.

The entire Annual report has been mailed to registered shareholders.

Information for shareholders

The Annual General Meeting

Uponor Corporation's Annual General Meeting is to be held on Thursday, 16 March 2006 at 5.00 p.m. at the Finlandia Hall, Mannerheimintie 13 E, 00100 Helsinki, Finland.

Important dates in the year 2006

- Financial accounts bulletin for 2005, 9 February
- Financial statements for 2005, 9 February
- Annual General Meeting 16 March at 5 p.m.
- Record date for dividend payment 21 March*
- Date for dividend payment 28 March*
- Interim report: January-March on Tuesday, 25 April at 8 a.m.
- Interim report: January-June on Thursday, 3 August at 11 a.m.
- Interim report: January-September on Thursday, 26 October at 11 a.m.

* Proposal of the Board of Directors

Publications

The annual report is published in Finnish and English 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.

Ordering publications

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Insider register

The public register of Uponor Corporation's insiders may be viewed at the Legal Department at the address above, tel. +358 (0)20 129 2837. E-mail address to the Legal Department is legal@uponor.com. The shareholdings of company's permanent insiders are also available on the website at www.uponor.com.

Contents

Important stock exchange and press releases in 2005

Uponor exits from municipal infrastructure business in France	1 Feb
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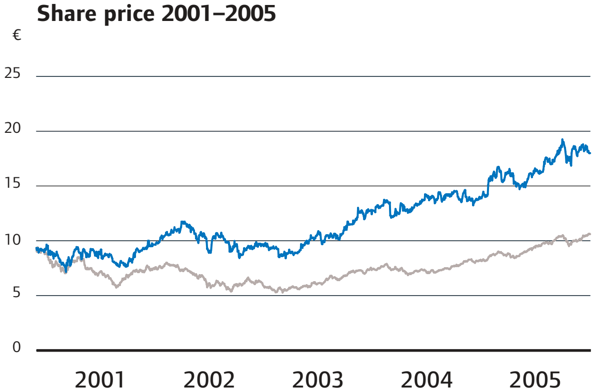
Uponor Board of Directors' proposals to the Annual General Meeting	9 Feb
Metso Corporation's CEO Jorma Eloranta proposed for Uponor's Board	9 Feb
Notice of Uponor's Annual General Meeting	16 Feb
Uponor signs a EUR 120 million syndicated loan	28 Feb
Uponor present at the ISH fair in Frankfurt	14 Mar
Uponor sells Norwegian property holding	15 Mar
Resolutions by Uponor Corporation's Annual General Meeting	15 Mar
Uponor Corporation to initiate share buyback	15 Mar
Uponor's share capital reduction entered in the Trade Register	23 Mar
Transition to international financial reporting standards (IFRS)	1 Apr
Interim report Jan-March 2005: Uponor makes steady progress in spite of fall in net sales and results	27 Apr
Uponor divests its German machinery unit	11 May
Uponor to strengthen businesses under one brand	22 Jun
Interim report Jan-June 2005: Uponor posts steady financial performance	4 Aug
Uponor's Capital Markets Day	14 Sep
Uponor's new brand focuses on co-operation with professionals in the field	16 Sep
GMO ownership in Uponor decreases to 4.95% (Sec. Markets Act 2:10)	23 Sep
Uponor awarded a large contract in the UK for municipal pipes	30 Sep
Uponor sells its last investment property	3 Oct
Interim report Jan-Sept 2005: Uponor reports solid business and improved financial performance	27 Oct
Uponor divests installation business within water and sewer pipe renovation	2 Dec

The complete releases are available on the internet at http://www.uponor.com/news/news_2.html

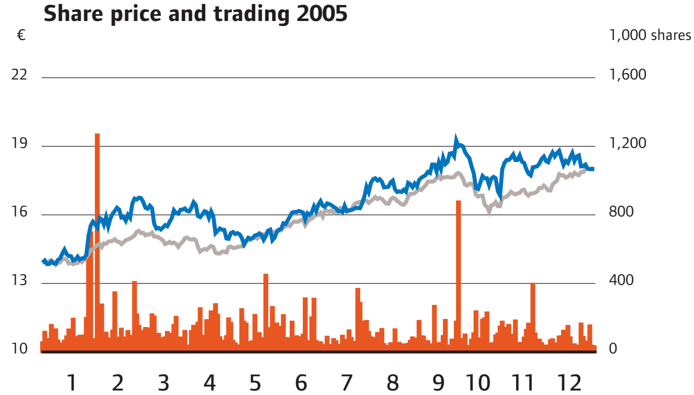
Share price 2001–2005



Uponor

OMX Helsinki CAP, relative to Uponor

Share price and trading 2005



Uponor

OMX Helsinki CAP, relative to Uponor

Trading volume

Review by the Board of Directors

Overview

The year 2005 was, overall, a strong year for Uponor. The company finalised its restructuring programme, which continued to provide benefits according to plan, in the form of improved profit performance, and accelerated the internal integration process that proceeded successfully towards the agreed goals.

Overall, there was a positive sentiment on Uponor's principal markets. In the company's largest individual market area, the United States, demand in the construction market remained brisk, and was also healthy in Canada. Europe, on the contrary, experienced larger regional fluctuations. The prolonged slump in the German economy persisted and demand in the construction market continued to fall. Elsewhere in Europe, such as the UK, Spain, Portugal, Italy, the Nordic countries, the Baltic Rim and Russia, the market demand varied from satisfactory to bright.

Net sales

In 2005, Uponor posted consolidated net sales of EUR 1,031.4 million (2004: EUR 1,072.4 million), 3.8 per cent lower than the previous year. Net sales for 2004 included net sales of EUR 45.5 million derived from divested businesses. In comparable terms, net sales from continuing operations grew 7.0 per cent, taking account of the restructuring measures and exchange-rate fluctuations.

Reported net sales increased in Uponor North America (+15.9 per cent) and Uponor Nordic (+7.9 per cent). On a like-for-like basis, Uponor Europe – WES also experienced strong growth as the brisk growth of the housing solutions business offset the decline in net sales caused by the exit from the unprofitable infrastructure solutions businesses. The prolonged slump in Uponor Central Europe's largest market, Germany, had a negative impact on net sales development in this area, but this decline was balanced by strong demand in the Benelux countries and Switzerland. Furthermore, the divestment of the machine-building business at the beginning of the year also affected the reported net sales. In Uponor Nordic, continued strong demand combined with increased sales prices due to higher material costs, particularly in the infrastructure business, boosted strong growth in net sales. In Uponor's Europe – West, East, South Region, stable growth continued in the housing solutions business, especially in Spain, Russia and the Baltic countries. In the UK, the infrastructure business grew mainly as a result of price increases. In Uponor North America, substantial growth in net sales continued, thanks to lively demand, although this favourable trend was somewhat affected by the exit of two system brands at the beginning of the year in line with Uponor's new corporate brand strategy.

Secondary segment net sales for housing solutions increased to EUR 697.5 (666.1) million, up 8.8 per cent organically (excluding divestments). Infrastructure solutions' net sales reached EUR 332.7 (386.0) million, representing an adjusted organic growth of 4.4 per cent. In housing solutions, the growth was driven by a combination of volume

Distribution of net sales from 1 Jan to 31 Dec 2005:

MEUR	2005 1–12	2004 1–12	Reported change, %	Comparable change, %
Central Europe	307.9	334.0	–7.8	–0.6
Nordic	313.6	290.6	+7.9	+8.0
Europe – West, East, South	325.9	330.0	–1.2	+11.9
North America	179.8	155.1	+15.9	+15.1
(North America, USD	222.2	193.0	+15.1	+15.1)
Others, EUR	3.9	60.2		
Eliminations	–99.7	–97.5		
Total	1 031.4	1 072.4	–3.8	7.0
Continuing operations	1 031.4	1 026.9	0.4	7.0
Discontinued operations	–	45.5	–	–

and price, while infrastructure solutions' net sales grew mostly as a result of increased sales prices as a result of higher raw material prices.

The largest geographical markets and their share of consolidated net sales in 2005 were as follows: North America 17.8 (17.3) per cent, other EU 23.4 (24.4) per cent, Scandinavia 16.9 (14.7) per cent, Germany 14.7 (15.8) per cent, UK and Ireland 12.6 (11.6) per cent, Finland 9.7 (10.4) per cent and other countries 4.9 (5.8) per cent.

Results

Consolidated operating profit reported for the period came to EUR 123.0 (95.2, and, in addition, 35.4 from discontinued operations) million, or 11.9 (12.2) per cent of net sales. In comparable terms, profit improved by 9.9 per cent. This was mainly due to the improved cost structure resulting from the restructuring programme, successful increases in sales prices to compensate increased material costs, and the leverage effect of increased sales. Operating profit was burdened by major expenditure in the further development of the company's operations, such as the new enterprise resource planning (ERP) system and the modernisation of brand strategy.

Distribution of operating profit from 1 Jan to 31 Dec 2005:

MEUR	2005 1–12	2004 1–12	Reported change, %	Comp. change, %
Central Europe	38.1	39.6	–3.8	–10.1
Nordic	41.8	32.0	30.6	26.3
Europe – West, East, South	30.0	16.4	82.9	29.3
North America	22.7	22.2	2.3	–3.8
(North America, USD	28.1	27.7	1.4	–3.8)
Others, EUR	–8.3	28.5		
Eliminations	–1.3	–8.1		
Total	123.0	130.6	–5.8	9.9
Continuing operations	123.0	95.2	29.2	9.9
Discontinued operations	–	35.4	–	–

Uponor Central Europe's profit weakened somewhat compared to 2004. In IFRS accounting, comparability is affected by the EUR 2.7 million restructuring costs that were entered in the final accounts drawn up in accordance with the Finnish Accounting Standards in 2003 and thus reduced the comparative data for 2004. Profit for 2005 was weakened by costs of EUR 4.5 million arising from the integration of sales organisations. In Uponor Central Europe, the cost structure has improved due to the restructuring projects implemented in the last few years. In Uponor Nordic, profit and profitability developed favourably, mainly as a result of increased net sales. This trend was further supported by the centralisation of the infrastructure solutions functions in Sweden and Norway. In Uponor Europe – West, East, South, the divestment of the unprofitable infrastructure business in France, Hungary and the Iberian Peninsula supported a favourable profit and profitability trend, boosted further by the growth of profitable business in these areas. In Uponor North America, marketing and production investments increased costs and weakened profit and profitability, despite healthy growth in net sales.

Consolidated profit before taxes from continuing operations grew by 34.9 per cent, to EUR 120.5 (89.3) million. At a tax rate of 31.4 (28.5) per cent, income taxes totalled EUR 37.8 (25.5) million. Profit for the financial year was EUR 82.7 (88.4) million, of which continuing operations accounted for EUR 82.7 (63.8) million.

Group net financial expenses decreased to EUR 2.5 (5.9) million as a result of the strengthened balance sheet.

Return on equity was 20.3 (21.7) per cent and return on investment reached 28.1 (27.0) per cent.

Earnings per share (diluted and undiluted) came to EUR 1.12 (1.19, of which EUR 0.86 was attributable to continuing operations and EUR 0.33 to discontinued operations). Equity per share was EUR 5.72 (5.34), also diluted.

Full year cash flow from operations totalled EUR 158.6 (115.1) million

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Investment, research and development, and financing

Investments in 2005 were mainly allocated to the development of an enterprise resource planning (ERP) system and consistent processes, as well as enhancement of the production network. The largest single investment was the pan-European ERP system, to which Uponor allocated EUR 10.6 million. Gross investments amounted to EUR 49.0 (37.8) million, showing an increase of EUR 11.2 million. Net investments totalled EUR 20.7 (-76.4) million. The Group's R&D expenditure rose slightly, totalling EUR 17.4 (16.1) million, or 1.7 (1.5) per cent of net sales.

Uponor Group achieved a very strong financial position in 2005 due to divestments of non-core assets finalised during the report year and strong cash flow from business operations. The Group's net liabilities decreased substantially; net interest-bearing liabilities dropped to EUR –26.9 (33.6) million. The solvency ratio was 63.2 (57.7) per cent and gearing came to -6.4 (8.5) per cent. In February, Uponor concluded a syndicated credit agreement with seven international financial institutions. The five-year syndicated loan amounted to EUR 120 million, replacing the 2002 credit agreement valued at EUR 130 million.

Key events

In June, Uponor announced a global reform of its brand strategy as of the beginning of 2006 in order to strengthen its business and market position by focusing on one brand and moving away from other brand names, most of which were introduced as a result of company acquisitions over the years. In Germany, Uponor launched a new sales and marketing organisation at the beginning of 2006 based on the Group's new brand strategy and integrating the previous four separate organisations.

Uponor's pan-European enterprise resource planning (ERP) system project is progressing as planned. The related planning and testing phases were finalised in 2005 and the new system will be implemented in the spring of 2006, initially in Germany. In order to guarantee continuous development of the ERP system and the related processes, an ERP competence centre was established in Vantaa, Finland.

In September, Uponor announced a major infrastructure contract in the United Kingdom. The company will supply all plastic gas and water pipes and fittings for United Utilities' three major operational areas in the UK. The contract is estimated to be worth approximately EUR 60 million over three years, with the potential for it to be extended to cover a further two years.

Uponor continued investment in the further development of its operations in North America. In the autumn, the extension of a production plant and offices was begun in Minnesota, and a new, automated warehouse management system was implemented in North America in order to enhance storage and logistics efficiency.

Restructuring programme

Uponor's extensive restructuring programme, initiated in 2003, was finalised in 2005, the key objective being to establish larger, specialised production units and streamline production and logistics across regional boundaries.

As part of this programme, Uponor finalised the exit from municipal infrastructure businesses in Spain and Portugal and enhanced its production network in Sweden and Norway. In Poland, Uponor divested its polypropylene product line in June by selling its Borplus business and the related plant. In Germany, Uponor sold Unicor GmbH Rahn Plastmaschinen, a non-core machine-building subsidiary. The deal entered into force retroactively as of the beginning of 2005. In France, Uponor abandoned its municipal infrastructure business by selling Uponor France S.A. to its local management. In Finland, Uponor divested its No-Dig installation business at the end of the year on an MBO basis. Finally, the company sold the remaining two commercial properties related to the real estate business that Uponor divested in 2004.

Personnel

The Group had a staff of 4,126 (4,475) at the end of the year, while the reported average number of employees came to 4,169 (4,684). The decrease in staff numbers largely reflects the restructuring and streamlining measures taken by the company.

The geographical breakdown of personnel was as follows: Germany 1,198 (29.0 %), Scandinavia 845 (20.5 %), North America 611 (14.8 %), the UK and Ireland 499 (12.1 %), other EU 480

(11.6 %), Finland 436 (10.6 %), and other countries 57 (1.4 %).

Administration and audit

In 2005, Uponor began the simplification of its corporate structure to support its new and streamlined brand strategy focusing on a single corporate brand. The aim is to have only one subsidiary in each country in which Uponor operates.

The 2005 Annual General Meeting (AGM) on 15 March re-elected Anne-Christine Silfverstolpe Nordin, Pekka Paasikivi, Aimo Rajahalme and Rainer S. Simon as members of the Board of Directors for a one-year term. Since Matti Niemi, a long-term member and Deputy Chairman of the Board, wished to step down, Jorma Eloranta, President and CEO of Metso Corporation, was elected as a new member. Pekka Paasikivi was elected as Chairman and Aimo Rajahalme as Deputy Chairman of the Board. The AGM appointed KPMG Oy Ab, Authorised Public Accountants, as the company's auditor, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor.

Share capital and shares

At the beginning of 2005, Uponor Corporation's share capital came to EUR 149,640,888 and the number of shares totalled 74,820,444, while the year-end share capital was worth EUR 148,766,888 with the number of shares totalling 74,383,444. The decrease resulted from the invalidation of 437,000 shares as decided by the Annual General Meeting of 15 March. With a nominal value of EUR 2, each share entitles the holder to one vote at the shareholders' meeting.

On 16 September, the funds managed by the US-based Grantham, Mayo, Van Otterloo & Co. LLC (GMO) sold Uponor shares, thus reducing their holding to below 5 per cent. GMO announced that after the transaction they held a total of 3,679,232 Uponor shares, representing 4.95 per cent of Uponor's share capital and voting rights.

Board authorisations

The AGM of 15 March 2005 authorised the Board of Directors to decide, by 15 March 2006, on the buyback of the company's own shares using distributable earnings from unrestricted equity. The combined par value of the shares to be bought back, together with the par value of own shares already held by the corporation, may not exceed the maximum lawful amount, 10 per cent, of the corporation's share capital and voting rights.

Uponor has no stock option plans in place and the Board of Directors has no valid authorisation to decide to issue new stock options.

Own shares

On 15 March 2005, Uponor Corporation's Board of Directors decided to buy back a maximum of 1.5 million of its own shares, based on the AGM's authorisation. While disclosing the annual accounts on 2 February 2005, the Board announced its plan to buy back shares for around EUR 20 million to be returned to shareholders during 2005.

During 2005, the company bought back a total of 1,160,000 own shares at an average price of EUR 17.24. At the end of the year, the company held a total of 1,248,000 treasury shares with a combined par value of EUR 2,496,000.

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.

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 456,454 Uponor shares on 31 December 2005. These shares accounted for 0.6 per cent of the share capital and total votes.

Share-based incentive programme

In April 2004, Uponor Corporation's Board of Directors decided to launch a new incentive programme aimed at Executive Committee members, who would have the opportunity to receive a share-based reward in 2007, based on the attainment of a pre-determined cumulative EBITA target set for the period of three years from 2004 to 2006, corresponding to a maximum net value of 80,000 Uponor shares. The CEO and CFO are not entitled to dispose of the shares earned under this programme during their term of employment without the consent of the Board of Directors. For other

Executive Committee members, half of the shares earned are subject to the same restriction. The Board of Directors has the possibility to raise or reduce the number of shares by ten per cent, depending on whether the company's other long-term objectives are achieved.

Outlook

While Uponor anticipates no major changes in market cycles compared to 2005, the demand for Uponor products and services is expected to remain at its present level or decline somewhat in 2006.

Uponor expects its net sales to grow organically in line with its long-term target level, and similarly to that of 2005. The growth is based on solid organic growth supported by the implemented increases in sales prices.

Uponor expects its positive profitability trend to continue in 2006. Despite the fact that the company's reported operating profit for 2005 includes approximately EUR 6 million of capital gains from the disposal of non-core assets, Uponor expects its operating profit for 2006 to reach 2005 levels. Similarly, cash flow from operations is expected to remain strong.

Group key financial figures

	2005	2004	2003	2002	2001
	IFRS	IFRS	FAS	FAS	FAS
Consolidated income statement (continuing operations), MEUR					
Net sales	**1,031.4**	1026.9	1,021.0	1,137.2	1,192.4
Operating expenses	**883.6**	894.3	910.0	984.0	1,035.3
Depreciation and impairments	**31.0**	40.9	87.1	74.7	78.2
Other operating income	**6.2**	3.5	6.8	35.7	12.3
Operating profit	**123.0**	95.2	30.7	114.2	91.2
Financial income and expenses	**–2.5**	–5.9	–9.9	–13.5	–16.2
Profit before taxes	**120.5**	89.3	20.8	100.7	75.0
Profit for the period	**82.7**	63.8	1.6	64.2	36.6
Consolidated balance sheet, MEUR					
Fixed assets	**267.5**	282.9	373.1	455.8	534.6
Goodwill	**70.2**	70.2	75.9	91.2	101.7
Inventories	**111.4**	136.5	135.5	166.5	173.0
Cash and cash equivalents	**48.9**	29.5	16.9	6.3	31.1
Other current assets	**165.3**	170.7	187.8	207.0	232.6
Shareholders' equity	**418.4**	397.0	470.0	540.1	525.6
Minority interest	**–**	–	0.9	5.4	8.4
Provisions	**14.8**	20.4	31.4	11.4	12.1
Non-current interest bearing liabilities	**19.4**	22.4	59.5	100.2	191.7
Current interest-bearing liabilities	**2.6**	40.7	41.5	70.0	122.2
Non-interest-bearing liabilities	**208.1**	209.3	185.9	199.7	213.0
Balance sheet total	**663.3**	689.8	789.2	926.8	1,073.0
Other key figures					
Operating profit (continuing operations), %	**11.9**	9.3	3.0	10.0	7.6
Profit before taxes (continuing operations), %	**11.7**	8.7	2.0	8.9	6.3
Return on Equity (ROE), %	**20.3**	21.7	0.3	11.8	8.2
Return on Investment (ROI), %	**28.1**	27.0	4.9	14.8	11.3
Solvency, %	**63.2**	57.7	59.8	58.9	49.8
Gearing, %	**–6.4**	8.5	17.8	30.0	53.0
Net interest-bearing liabilities, MEUR	**–26.9**	33.6	84.0	163.9	282.8
- % of net sales	**–2.6**	3.3	8.2	14.4	23.7
Change in net sales, %	**0.4**	0.6	–10.2	–4.6	–12.0
Exports from Finland, MEUR	**30.0**	22.7	20.4	20.6	21.0
Net sales of foreign subsidiaries, MEUR	**900.0**	959.1	900.9	1,043.4	1,070.5
Total net sales of foreign operations, MEUR	**901.0**	960.8	903.4	1,047.6	1,075.1
Share of foreign operations, %	**87.4**	89.6	88.5	92.1	90.2
Personnel at 31 December	**4,126**	4,475	4,803	5,302	5,486
Average no. of personnel	**4,169**	4,684	4,962	5,393	5,723
Investments, MEUR	**49.0**	37.8	36.7	45.0	55.7
- % of net sales	**4.8**	3.7	3.6	4.0	4.7

Years 2004 and 2005 are reported according to IFRS, while years 2001 to 2003 are reported according to FAS.

Share-specific key figures

	2005	2004	2003	2002	2001
	IFRS	IFRS	FAS	FAS	FAS
Share capital, MEUR	**148.8**	149.6	75.4	75.8	76.4
Number of shares at 31 December, in thousands	**74,383**	74,820	74,834	75,834	76,434
Number of shares adjusted for share issue					
- at end of year (in thousands)	**73,135**	74,295	74,086	74,012	74,754
- average (in thousands)	**73,941**	74,243	73,808	74,538	75,658
Nominal value of shares, EUR	**2.00**	2.00	2.00	2.00	2.00
Adjusted equity, MEUR	**418.4**	397.0	470.9	545.5	534.0
Share trading, MEUR	**477.7**	676.6	280.8	270.0	184.4
Share trading, in thousands	**29,090**	49,724	27,912	27,022	21,242
- of average number of shares, %	**39.3**	67.0	37.8	36.3	28.1
Market value of share capital, MEUR	**1,338.9**	1,029.5	935.4	720.9	716.6
Adjusted earnings per share (fully diluted), EUR	**1.12**	1.19	0.02	0.86	0.58
Equity per share, EUR	**5.72**	5.34	6.34	7.29	7.03
Dividend, MEUR	[2] **65.8**	52.0	106.9	55.5	29.9
Dividend per share, EUR	[2] **0.90**	0.70	[1] 1.44	0.75	0.40
Effective share yield, %	**5.0**	5.1	11.5	7.7	4.3
Dividend per earnings, %	**80.4**	58.8	7,200.0	87.2	69.6
P/E ratio	**16.1**	11.6	625.0	11.3	16.3
Issue-adjusted share prices, EUR					
- highest	**19.78**	15.00	13.01	12.43	9.65
- lowest	**13.72**	12.10	8.40	8.26	7.15
- average	**16.39**	13.61	10.06	9.99	8.68

The definitions of key ratios are shown on page 12.

Notes to the table:
[1] includes an extra dividend payment 0.44 euros per share
[2] Proposal of the Board of Directors
Figures reported for 2000–2003 have been converted based on the bonus issue 2004.
The bonus issue was executed by issuing one bonus share for each existing share without consideration.
The average number of shares allows for the effect of treasury shares.

Share issues	2005	2004	2003	2002	2001
Directed issues, MEUR	**–**	1.1	–	–	–
- issue premium	**–**	8.0	–	–	–
Subscription price, EUR	**–**	8.27	–	–	–

Years 2004 and 2005 are reported according to IFRS, while years 2001 to 2003 are reported according to FAS.

Definitions of key ratios

Return on Equity (ROE), % = $\frac{\text{Profit before taxes}^{1)} - \text{taxes}}{\text{Shareholders' equity + Average minority interest}} \times 100$

Return on Investment (ROI), % = $\frac{\text{Profit before taxes}^{1)} + \text{interest and other financing costs}}{\text{Balance sheet total - Average non-interest-bearing liabilities}} \times 100$

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

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

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

Earnings per share (EPS) = $\frac{\text{Profit for the period}^{2)}}{\text{Number of shares adjusted for share issue in financial period excluding treasury shares}}$

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

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

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

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

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 = $\frac{\text{Total value of shares traded (EUR)}}{\text{Total number of shares traded}}$

1) 2001–2003: Earnings before extraordinary items and taxes

2) 2001–2003: Earnings before extraordinary items – taxes ± minority interest of profit

Consolidated income statement

MEUR	Note	2005	2004
Continuing operations			
Net sales		1,031.4	1,026.9
Cost of goods sold		667.6	686.8
Gross profit		363.8	340.1
Other operating income	4	6.2	3.5
Dispatching and warehousing expenses		23.6	22.8
Sales and marketing expenses		158.2	155.2
Administration expenses		47.7	52.5
Other operating expenses	4	17.5	17.9
Expenses		247.0	248.4
Operating profit		123.0	95.2
Financial income	7	8.3	4.1
Financial expenses	7	10.8	10.0
Profit before taxes		120.5	89.3
Income taxes	8	37.8	25.5
Profit from continuing operations		82.7	63.8
Profit from discontinued operations	3	–	24.6
Profit for the period		82.7	88.4
Earnings per share, euro	9		
Continuing operations		1.12	0.86
Discontinued operations		–	0.33
Total		1.12	1.19
Fully diluted earnings per share, euro			
Continuing operations		1.12	0.86
Discontinued operations		–	0.33
Total		1.12	1.19

Consolidated balance sheet

MEUR	Note	31 Dec 2005	31 Dec 2004
Assets			
Fixed assets			
Intangible assets			
Intangible rights		**3.3**	3.6
Goodwill		**70.2**	70.2
Other capitalised long-term expenditure		**0.2**	0.3
Investment in progress		**11.4**	0.8
Total intangible assets	10	**85.1**	74.9
Tangible assets			
Land and water areas		**13.6**	13.0
Buildings and structures		**67.0**	71.1
Machinery and equipment		**117.1**	106.2
Other tangible assets		**6.4**	4.5
Investment in progress		**10.8**	13.2
Total tangible assets	11	**214.9**	208.0
Investment property			
Land and water areas		**–**	5.9
Buildings and structures		**–**	20.8
Others		**–**	0.0
Total investment property	12	**–**	26.7
Securities and long-term investments			
Shares in associated companies	13	**0.0**	0.0
Other shares and holdings	14	**0.2**	0.6
Other investments	15	**19.2**	20.4
Total securities and long-term investments		**19.4**	21.0
Deferred tax assets	20	**18.3**	22.5
Total fixed assets		**337.7**	353.1
Current assets			
Inventories	16	**111.4**	136.5
Current receivables			
Accounts receivable		**140.7**	132.6
Loan receivables		**1.1**	4.7
Current income tax receivables		**0.0**	9.1
Accruals		**15.9**	15.3
Other receivables		**7.6**	9.0
Total current assets	17,18	**165.3**	170.7
Cash and cash equivalent		**48.9**	29.5
Total current assets		**325.6**	336.7
Total assets		**663.3**	689.8

MEUR	Note	31 Dec 2005	31 Dec 2004
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital		148.8	149.6
Share premium		40.1	33.0
Other reserves		3.3	7.7
Accumulated conversion differences		–5.4	–15.5
Retained earnings		231.6	222.2
Total shareholders' equity		418.4	397.0
Liabilities			
Non-current liabilities			
Interest bearing liabilities	23	19.4	22.4
Employee benefit obligations	21	30.3	29.4
Provisions	22	7.8	10.7
Deferred tax liabilities	20	17.9	24.9
Other non-current liabilities		0.1	0.2
Total non-current liabilities		75.5	87.6
Current liabilities			
Interest bearing liabilities	23	2.6	40.7
Accounts payable		72.7	73.0
Current income tax liability		11.8	15.2
Provisions	22	7.0	9.7
Other current liabilities	24	75.3	66.6
Total current liabilities		169.4	205.2
Total liabilities		244.9	292.8
Total liabilities and shareholders' equity		663.3	689.8

Consolidated cash flow from operations

MEUR	**1 Jan–31 Dec 2005**	1 Jan–31 Dec 2004
Net cash from operations		
Profit for the period	**82.7**	88.4
Adjustments for:		
Depreciation	**31.8**	45.0
Income taxes	**37.8**	35.2
Interest income	**–3.2**	–1.7
Interest expense	**5.2**	8.3
Sales gains from the sale of fixed assets	**–4.7**	–31.2
Cash flow adjustment items	**3.9**	4.1
Net cash from operations	**153.5**	148.1
Change in net working capital		
Receivables	**1.6**	6.2
Inventories	**20.3**	–2.9
Non-interest-bearing liabilities	**0.9**	–5.8
Change in net working capital	**22.8**	–2.5
Paid income taxes	**–16.8**	–24.6
Paid interest	**–4.2**	–8.0
Received interest	**3.3**	2.1
Cash flow from operations	**158.6**	115.1
Cash flow from investments		
Share divestments	**19.9**	86.3
Investment in fixed assets	**–49.0**	–37.8
Proceeds from sale of fixed assets	**8.4**	27.9
Granted loans	**–**	–20.3
Loan repayments	**1.9**	–
Cash flow from investments	**–18.8**	56.1
Cash flow before financing	**139.8**	171.2
Cash flow from financing		
Repayments of long-term debt	**–2.7**	–26.6
Repayments of short-term debt	**–43.4**	–22.6
Share issue	**–**	4.6
Dividends paid	**–52.0**	–106.9
Purchase of own shares	**–20.0**	–4.9
Payment of finance lease liabilities	**–2.2**	–2.3
Cash flow from financing	**–120.3**	–158.7
Conversion differences for liquid assets	**–0.1**	0.1
Change in liquid assets	**19.4**	12.6
Liquid assets at 1 January	**29.5**	16.9
Liquid assets at 31 December	**48.9**	29.5
Changes according to balance sheet	**19.4**	12.6

Statement of changes in shareholders' equity

MEUR	Number of shares out-standing (1,000)	Share capital	Share premium	Revaluation reserve	Other reserves	Treasury shares	Accumulated conversion differences	Retained earnings	Total
Balance at 31 December 2003		74.8	103.2	1.9	7.0	–12.5	–13.9	309.5	470.0
Effect of transition to IFRS		–	–	–1.9	–		0.0	–50.4	–52.3
Balance at 1 January 2004	36,772	74.8	103.2	–	7.0	–12.5	–13.9	259.1	417.7
Share issue	553	1.1	3.5						4.6
Cancelling of shares		–1.1	1.1			10.7		–10.7	–
Purchase of own shares	–355					–4.9			–4.9
Dividend paid								–106.9	–106.9
Bonus issue	37,325	74.8	–74.8						–
Translation adjustments and other items					0.7		–1.6	–1.2	–2.1
Share based incentive plan								0.2	0.2
Net profit for the period								88.4	88.4
Balance at 31 December 2004	**74,295**	**149.6**	**33.0**	**–**	**7.7**	**–6.7**	**–15.5**	**228.9**	397.0
Balance at 1 January 2005 (*		149.6	33.0	–	7.7	–6.7	–15.5	228.9	397.0
Cancelling of shares		–0.8	0.8			5.5		–5.5	–
Purchase of own shares	–1,160					–20.0			–20.0
Dividend paid								–52.0	–52.0
Translation adjustments and other items			6.3		–4.4		10.1	–1.8	10.2
Share based incentive plan								0.5	0.5
Net profit for the period								82.7	82.7
Balance at 31 December 2005	**73,135**	**148.8**	**40.1**	**–**	**3.3**	**–21.2**	**–5.4**	**252.8**	418.4

*) Standards IAS 32 and 39 concerning financial instruments have been applied from 1 January 2005 (IFRS 1 exemption). Effect from the adoption of these standards was insignificant (7,000 EUR).
For further information see note 19.

Distributable funds, 31 December 2005, EUR	
Retained earnings	170,083,000
Profit for the period	82,745,000
Treasury shares	–21,210,000
Conversion differences	–5,360,000
Portion of accumulated depreciation and provision recorded in shareholders' equity	–13,473,000
Group distributable funds	212,785,000
Retained earnings in Uponor Corporation	330,490,212.66

Notes to the consolidated financial statements

1. Accounting principles

Company profile

Uponor is an international industrial Group providing housing and municipal infrastructure solutions. The Group's primary reporting segment consists of the following four geographical regions: Central Europe, Nordic, Europe – East, West, South, and North America. The secondary reporting segment comprises the housing solutions and the infrastructure solutions businesses.

Uponor Group's parent company is Uponor Corporation domiciled in Helsinki in the Republic of Finland. The registered address is:

Uponor Corporation
P.O.Box 37, Robert Huberin tie 3 B
FI-01511 Vantaa
Finland
Tel. +358 (0)20 129 211, Fax +358 (0)20 129 2841

The Annual Report will also be available on the company website at www.uponor.com and can be ordered from Uponor Corporation's Group Communications, using the above-mentioned address.

Accounting principles

Uponor Group's consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2005. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The consolidated financial statements are presented in millions of euros (EURm), and they are based on the historical cost convention unless otherwise specified in the accounting principles section below.

This is Uponor Group's first audited financial statement under IFRS. The transition date is 1 January 2004 with the exception of Financial Instruments where the transition date is 1 January 2005. Since Finnish Generally Accepted Accounting Principles (FAS) differ from IFRS in some respects, certain accounting, valuation and consolidation principles under FAS were adjusted for IFRS. Comparative data for 2004 were adjusted to reflect these changes. Comparable data concerning Financial Instruments has been presented based on the FAS. The major effects of the IFRS adoption have been presented under Transition to International Financial Reporting Standards (IFRS).

Accounting principles; necessity of management judgement

The preparation of consolidated financial statements under IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, as well as the reported amounts of income and expenses during the report period. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Estimates concern impairment tests, provisions and deferred taxes.

Group accounting

The consolidated financial statements include the parent company, Uponor Corporation, and those companies in which Uponor Corporation has direct or indirect control of over 50 per cent of the voting rights or otherwise has power to govern the financial and operating policies. Subsidiaries acquired or established during the year are included from the time when the Group has obtained control. Divested companies are included in the income statement up to the time of sale or until control ceases.

Intra-Group shareholdings are eliminated using the acquisition cost method. Accordingly, the assets and liabilities of an acquired company are measured at fair value on the date of acquisition. The excess of the acquisitions cost over fair value of the net assets has been recorded as goodwill. Based on the First-Time-Adoption of IFRS 1, any company acquisitions made prior to the IFRS transition date are not adjusted for IFRS, but goodwill amounts apply book value according to FAS. Intra-Group transactions, receivables, liabilities, unrealised gains and dividends between Group companies are eliminated in the consolidated financial statements.

Associated companies are entities over which the Group has 20–50 per cent of the voting rights, or over which the Group otherwise exercises significant influence. Holdings in associated companies are included in the consolidated financial statements using the equity method. Accordingly, the share of the post-acquisition profits and losses of associated companies is recognised in the income statement to the extent of the Group's holding in the associated companies. When the Group's share of losses of an associated company exceeds the carrying amount, it is reduced to nil and any recognition of further losses ceases, unless the Group has an obligation to satisfy the associated company's obligations.

Foreign currency translations

Each company translates their foreign currency transactions into their own functional currency using the exchange rate on the transaction date. Outstanding monetary receivables and payables in foreign currencies are stated using the exchange rates on the balance sheet date. Exchange rate gains and losses on actual business operations are treated as sales adjustment items or adjustment items to materials and services. Exchange rate gains and losses on financing are entered as exchange rate differences in financial income and expenses.

In the consolidated financial statements, the income statements of the Group's foreign subsidiaries are converted into euros using average exchange rates quoted for the reporting period. All balance sheet items are converted into euros using exchange rates quoted on the balance sheet date. The resulting conversion difference and other conversion differences resulting from the conversion of subsidiaries' equity are shown as separate item in the equity. In addition, exchange rate differences in the loans granted by the parent company to foreign subsidiaries to replace their equity are treated as conversion differences in the consolidated financial statements. Realised conversion differences in connection with the redemption of material shares in subsidiaries are recognised as income or expense in exchange-rate differences in the income statement. On the disposal by sale of foreign Group companies, income statements have been converted into euros using average exchange rates and balance sheets using exchange rates quoted on the balance sheet date. Historical conversion differences have been included in the accumulated exchange rate differences in the balance sheet. Goodwill related to the acquisition of foreign Group companies has been converted into euros using exchange rates quoted on the balance sheet date.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets related to discontinued operations are formed once the company, according to a single co-ordinated plan, decides to dispose of a separate significant business unit, whose net assets, liabilities and financial results can be separated operationally and for financial reporting purposes. Profit/loss for the period arising from non-current assets held for sale, and profit/loss from a discontinued operation and gains/losses on its disposal are shown separately in consolidated income statement. Assets related to non-current assets held for sale and discontinued operations are assessed at book value or, whether it is lower, at fair value. Depreciation from these assets has been discontinued at the date of classifying assets as non-current assets held for sale and discontinued operations.

Income recognition

Sales of products are recognised as income once the risks and benefits related to ownership of the sold products have been transferred to the buyer, according to the agreed delivery terms, and the Group no longer has possession of, or control over, the products. Sales of services are recognised as income once the service has been rendered. Net sales comprise the invoiced value for the sale of goods and services net of indirect taxes, sales rebates and exchange rate differences.

For long-term projects, income and expenses are recognised using the percentage of completion method provided that the percentage of completion and related income and expenses can be reliably estimated. When the Group is not able to meet those conditions, the policy is to recognise revenues only equal to costs incurred to date, to the extent of expected recoverable costs. This concerns only comparative data, since after divesting it's machinery building businesses the Group no longer has any long-term projects.

Research and development

Research and development costs are expensed as incurred. Development costs are capitalised as intangible assets if it is probable that the development project will be successful and certain criteria, including commercial and technical feasibility, have been met. Research and development costs are included in the consolidated income statement under other operating expenses.

Pensions

The Group's pension schemes comply with each country's local rules and regulations. Pensions are based on actuarial calculations or actual payments to insurance companies. The Group applies defined contribution and defined benefit pension plans.

Within the defined contribution plan, pension contributions are paid directly to insurance companies and once the contributions have been paid, the Group has no further payment obligations. These contributions are recognised in the income statement for the accounting period during which such contributions are made.

For defined benefit plans, the liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The pension obligation is defined using the projected unit credit method. The discount rate applied to calculate the present value of post -employment benefit obligations is determined by the market yields of long-term corporate bonds or government bonds. Costs resulting from the defined benefit pension plans are recognised as expenses for the remaining average period of employment.

The portion of actuarial gains and losses for each defined benefit plan entered in the profit and loss account is the excess that falls outside the higher of the following: 10% of the present value of the pension obligation or fair value of pension plan assets divided by the expected average remaining working lives of the employees participating in the plan.

Operating profit

Operating profit is an income statement item, which is calculated by deducting expenses related to the operating activities from the net sales.

Financing costs

Financing costs are recognised in the income statement as they accrue. Direct transaction expenses due to loans, clearly linked to a specific loan, are included in the loan's original cost on an accrual basis and recognised as interest expenses using the effective interest method. Interest costs on borrowings to finance the construction of these assets are capitalised as part of the cost during the period required to prepare and complete the property for its intended use.

Income taxes

Income taxes in the consolidated income statement comprise taxes based on taxable income recognised for the period by each Group company on an accrual basis, according to local tax regulations including tax adjustments from the previous periods and changes in deferred tax. Deferred tax assets or liabilities are calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using the tax rate effective on the balance sheet date. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the temporary differences can be utilised.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Goodwill is no longer depreciated. Goodwill is allocated to the cash generating units according to business segments' geographical locations and is tested annually for any impairment.

Other intangible assets

Other intangible assets include trademarks, patents, copyrights, capitalised development costs and software licenses. Intangible assets recognised in the balance sheet at historical costs less accumulated straight-line depreciation according to the expected useful life and any impairment losses.

Property, plant and equipment

Group companies' property, plant and equipment are stated at historical cost less accumulated straight-line depreciation according to the expected useful life and any impairment losses. Interest costs on borrowings to finance the construction of these assets are capitalised as part of the cost during the period required to prepare and complete and preparing the property for its intended use.

Ordinary repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the asset´s carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset.

Gains or losses on disposal, divestment or removal from use of property, plant and equipment are based on the difference between the net gains and the balance sheet value. Gains are shown under other operating income and losses under other operating expenses.

Investment property

Investment property is defined as property the Group holds for long-term rental yields or capital appreciation. Investment property is measured at cost, such as other tangible assets, less accumulated depreciation and any impairment losses. The balance sheet values of investment property are continuously reviewed for any impairment. Investment property's fair value is presented in the notes to the balance sheet.

Depreciations

Property, plant and equipment are shown at planned residual value in the balance sheet. Residual values are based on the acquisition cost less accumulated depreciation. Planned depreciation is calculated on a straight-line basis on the acquisition cost over the asset's expected useful life as follows:

	Years
Buildings	20–40
Production machinery and equipment	8–12
Other machinery and equipment	5–15
Office and outlet furniture and fittings	5–10
Transport equipment	5 – 7
Intangible assets	5–10

Government grants

Any grants received for the acquisition of intangible or tangible assets are deducted from the asset's acquisition cost and recorded on the income statement to reduce the asset's depreciation. Other grants are recognised as income for the periods during which the related expenses are incurred.

Impairment

The balance sheet values of assets are assessed for impairment on a regular basis. Should any indication of an impaired asset exist, the asset's recoverable amount shall be assessed. The asset's recoverable amount is the asset's net selling price less any selling expenses or it's value in use whichever is higher. The value in use is determined by reference to discounted future net cash flow expected to be generated by the asset. Interest rates correspond to the cash generating unit's average return on investment. Whenever the asset's carrying amount exceeds its recoverable amount, it is impaired, and the resulting impairment loss is recognised in the income statement. An impairment reversal of property, plant and equipment and other intangible assets, excluding goodwill, will be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Impairment is not reversed over the balance sheet value that existed before the recognition of impairment losses in the previous financial periods. Any impairment loss on goodwill is not reversed.

Impairment tests required by the transition-period standards were conducted for goodwill on the IFRS transition date of 1 January 2004. Goodwill is assessed for impairment on a yearly basis.

Leases

Lease liabilities, which expose the Group to risks and rewards inherent in holding such leased assets, are classified as finance leases. These are recognised under tangible assets on the balance sheet and measured at the lesser of the fair value of the leased property at the inception of the lease or the present value of the minimum lease payments. Similarly, lease obligations, from which financing expenses are deducted, are included in interest bearing liabilities. Financing interests are recognised in the income statement during the lease period. An asset acquired under finance lease is depreciated over its useful life or within the shorter lease term.

Leases, which expose the lessor to risks and rewards inherent in holding such leases, are classified as other leases. These rents are recognised as expenses during the lease period.

The assets leased by the Group, where the lessee bears the risks and rewards inherent in holding such leases, are treated as finance leases and recognised as receivables on the balance sheet at their present value.

Inventories

Inventories are stated at the lower of cost or net realisable value, based on the FIFO principle. The net realisable value is the price received on the date of sale, less expense. In addition to the cost of materials and direct labour, an appropriate proportion of production overheads are included in the inventory value of finished products and work in progress.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions can include warranty provisions, closure or restructuring costs and onerous contracts. Changes in provisions are included in relevant expenses on the income statement.

Financial instruments

With respect to financial instruments, the Group applies the First-time Adoption of IFRS, which permits certain exceptions and exemptions to individual rules during the transition period. IAS 32 and 39 -standards have been applied since 1 January 2005.

Financial assets and liabilities

Financial instruments are classified as loans and receivables, held-to-maturity investments, available-for-sale financial assets, financial liabilities at amortized cost and financial assets and liabilities at fair value through profit and loss. Sales and purchase of financial assets are recognised on their trading date.

Financial assets at fair value through profit and loss are measured at fair value. Financial assets at fair value through profit and loss have been acquired principally for the purpose of generating a profit from short-term fluctuations in market prices. Financial derivatives are included in financial assets and liabilities at fair value through profit and loss. Changes in the fair value of financial assets and liabilities at fair value through profit and loss, and unrealised and realised gains and losses are included in the income statement in the period in which they occur.

Available-for-sale assets consist of holdings in listed and non-listed companies and investments. Available-for-sale assets are measured at fair value based on market prices on the balance sheet date, or using the net present value method of cash flows, or another revaluation model. If an asset's fair value cannot be measured reliably, it will be measured at the lower of cost or net realisable value, if its value has been permanently impaired. Changes in the fair value of available-for-sale assets are recognised in the fair value reserve under shareholders' equity, taking tax consequences into account. Changes in the fair value will be re-entered from shareholders' equity to the income statement, when the asset is disposed of or it has lost its value to the extent that an impairment loss must be recognised for the asset.

Held-to-maturity investments are assets with fixed maturity, which the enterprise has the positive intent and ability to hold to maturity. Held-to-maturity assets are measured, on an accrual basis, at cost using the effective interest rate method. Other non-current assets are measured at cost.

Financial liabilities at fair value through profit and loss are measured at their fair value and other financial liabilities at amortised cost.

Accounts receivable are carried at expected fair value, which is the original invoice amount less the provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Liquid assets comprise cash and cash equivalents and other short-term investments, whose maturity does not exceed three months. Cheque account overdrafts are included in the short-term interest-bearing liabilities on the balance sheet.

Derivative contracts

The Group companies use derivative contracts to decrease interest rate, currency or raw-material price risks. Derivative contracts are initially recognised in the balance sheet at cost and are subsequently re-measured at fair value on each balance sheet date. The fair value of forward rate agreements, interest-rate options, interest-rate swaps and forward exchange contracts is based on their market value on the balance sheet date or the present value of estimated future cash flows. The unrealised and realised gains and losses attributable to the changes in fair value are recognised in the income statement for the period in which they occur.

Management incentive scheme

In May 2004, Uponor Corporation's Board of Directors approved a new incentive scheme, whereby the Executive Committee can receive a share-based reward in 2007. The reward is based on the fulfilment of a set cumulative operating profit target for 2004–2006. The maximum net value of the reward amounts to the value of 80,000 Uponor shares. The Board of Directors has the possibility to raise or reduce the number of shares by 10 per cent, depending on whether the company's other long-term objectives are achieved. According to IFRS 2, the portion given as shares is measured at the share price quoted on the day of granting. Fair value is recognised as a cost on an accrual basis for the expected revenue period similar to an amount paid out in cash. The part, which is paid out in cash is recognised as liability. Any changes in the value after the date of granting are recognised as income using the closing price of each calendar month.

Treasury shares

The parent company held treasury shares during the financial year and the comparative period. These are eliminated from the parent company's and the Group's shareholders' equity and hold no balance sheet value. Treasury shares are not taken into account in calculating key figures and ratios.

Earnings per share

Earnings per share are calculated by dividing the profit for the period by the average number of shares for each period. The average number of bought-back shares is deducted from the average number of outstanding shares. The weighted average number of shares used to calculate the diluted earnings per share takes into account the diluting effect of outstanding stock options and management incentive scheme during the period.

Dividends

Dividends paid by the Group are recognised for the period during which their payment is approved by the Group's shareholders.

Application of new IFRS standards

As of 2007, the Group will apply IFRS 7, the Financial Instruments: Disclosures – standard, published by IASB in 2005. The Group expects the new standard to have an impact mainly on the disclosure information. In 2006 the Group will apply IFRIC 4, Determining whether an arrangement contains a lease published in 2004 by IASB. Interpretations are not assumed to have any impact on reported figures.

2. Segment information

The Group's primary reporting segment is based on geographical segments, in accordance with the Group's organisation. The risks and profits related to products and services by geographical segment differ from segment to segment because of different economic and operating environments. The secondary segment constitutes the housing solutions and infrastructure solutions businesses, whose products and services and related risks and profitability differ from each other. Segment reporting reflects the Group's management and internal reporting structure. The accounting policies of the segments are the same as those of the Group. All inter-segment sales are based on market prices, and all inter-segment sales are eliminated in consolidation.

Geographical segments:

- Central Europe
- Nordic
- Europe – West, East, South
- North America
- Others

Central-Europe -segment is responsible for operations in Germany, the Benelux countries, Austria, Switzerland, Poland, the Ukraine, Belarus and, from early 2005, the Czech Republic.

Nordic -segment includes operations in Finland, Sweden, Norway and Denmark.

Europe – West, East, South -segment covers western, eastern and southern Europe, including Russia and Baltic countries, as well as exports to countries, which do not fall under other regional segments.

North America -segment includes businesses in US and Canada.

Others -segment includes Group functions and real estate business, from which the biggest part was sold in 2004 and the rest during 2005. The segment also includes Group's municipal infrastructure businesses in America; Uponor Aldyl Company Inc. was sold in September 2004 and Uponor Aldyl S.A. (Argentina), whose business operations were closed down in March 2005 and which was sold in December 2005.

Segment assets/liabilities are based on geographical location of assets.

Primary segments

Segment revenue	2005			2004		
MEUR	External	Internal	**Total**	External	Internal	**Total**
Central Europe	251.1	56.8	**307.9**	282.1	51.9	**334.0**
Nordic	274.3	39.3	**313.6**	254.0	36.6	**290.6**
Europe - West, East, South	322.3	3.6	**325.9**	325.5	4.5	**330.0**
North America	179.8	–	**179.8**	155.1	–	**155.1**
Others	3.9	–	**3.9**	57.3	2.9	**60.2**
Eliminations		–99.7	**–99.7**	–1.6	–95.9	**–97.5**
Uponor Group	1,031.4	–	**1,031.4**	1,072.4	–	**1,072.4**
Continuing operations			**1 031.4**			**1 026.9**
Discontinued operations *)			**–**			**45.5**

MEUR	2005	2004
Segment result		
Central Europe	38.1	39.6
Nordic	41.8	32.0
Europe - West, East, South	30.0	16.4
North America	22.7	22.2
Others	–8.3	28.5
Eliminations	–1.3	–8.1
Uponor Group	123.0	130.6
Continuing operations	123.0	95.2
Discontinued operations *)	–	35.4
Segment depreciation and impairments		
Central Europe **)	8.0	11.1
Nordic	9.0	10.4
Europe - West, East, South ***)	9.2	11.8
North America	5.0	4.4
Others	0.9	5.4
Eliminations	–1.1	2.1
Uponor Group	31.0	45.2
Continuing operations	31.0	41.2
Discontinued operations *)	–	4.0
Segment investments		
Central Europe	9.0	7.0
Nordic	10.5	10.5
Europe - West, East, South	9.7	7.8
North America	9.7	8.9
Others	10.1	3.6
Uponor Group	49.0	37.8
Segment assets		
Central Europe	203.1	225.0
Nordic	212.8	165.6
Europe - West, East, South	199.3	207.3
North America	120.8	98.6
Others	747.9	557.5
Eliminations	–820.6	–564.2
Uponor Group	663.3	689.8
Segment liabilities		
Central Europe	136.4	175.8
Nordic	311.5	84.6
Europe - West, East, South	113.0	153.0
North America	59.8	58.3
Others	465.6	392.9
Eliminations	–841.4	–571.8
Uponor Group	244.9	292.8

MEUR	2005	2004
Segment personnel at 31 December		
Central Europe	1,220	1,444
Nordic	1,145	1,171
Europe - West, East, South	1,110	1,208
North America	611	579
Others	40	73
Uponor Group	4,126	4,475

*) Discontinued operations include sale of Uponor Aldyl Company Inc. and sale of domestic real estate business. All these are related to primary segment Others.

**) Includes reversal of impairment of 0.8 MEUR in 2005.

***) Includes impairment of 0.3 MEUR in 2004.

Secondary segments

Business segments:

Housing solutions
Infrastructure solutions
Others

Others segment includes Group functions and real estate business, from which the biggest part was sold in 2004 and the rest during 2005.

Segment assets include items directly attributable to segment and items, which can be allocated on a reasonable basis. Unallocated assets consist of long-term receivables and cash.

Segment external revenue		
Housing solutions	697.5	666.1
Infrastructure solutions	332.7	386.0
Others	1.2	20.3
Uponor Group	1,031.4	1,072.4
Segment investments		
Housing solutions	26.2	21.6
Infrastructure solutions	12.2	13.5
Others	10.6	2.7
Uponor Group	49.0	37.8
Segment assets		
Housing solutions	365.3	349.1
Infrastructure solutions	192.2	196.8
Others	36.7	91.3
Unallocated assets	69.1	52.6
Uponor Group	663.3	689.8

MEUR	2005	2004

3. Discontinued operations

Divested non-core businesses are classified as discontinued operations under IFRS 5. In 2004 these included the sale of Uponor Aldyl Company Inc.'s business to PW Poly Corporation and the sale of the domestic real estate business to Grouse Holding Oy.

During 2005 incurred sales of businesses and close down operations have not been classified as discontinued operations.

Net sales	–	45.5
Expenses	–	40.7
Profit before taxes	–	4.8
Income taxes	–	1.4
Profit after taxes	–	3.4
Net profit from divestment of discontinued operations	–	29.5
Income taxes	–	8.3
Profit from divestment of discontinued operations	–	21.2
Profit for the period from discontinued operations	–	24.6
Cash flow from discontinued operations		
Cash flow from operations	–	6.4
Cash flow from investments	–	89.3
Total	–	95.7

4. Other operating income and expenses

Other operating income		
Gains from sales of fixed assets	5.7	3.5
Royalties	0.2	0.0
Other items	0.3	–
Total	6.2	3.5
Other operating expenses		
Losses from sales of fixed assets	0.9	1.8
Research and development expenses	17.4	16.1
Reversal of impairments	–0.8	–
Total	17.5	17.9

MEUR	2005	2004

5. Employee benefits

Short-term employee benefits:		
- Salaries and bonuses	164.4	182.5
- Other social costs	25.0	28.0
Post-employment benefits:		
- Pension expenses – defined contribution plans	8.9	7.8
- Pension expenses – defined benefit plans	4.2	2.8
Other long-term employee benefits	0.2	0.0
Termination benefit expenses	0.3	2.8
Share based payments	1.4	0.4
Total	204.4	224.3

Share based payments have been accrued for the expected revenue period according to IFRS 2 -standard.

6. Depreciation, amortization and impairment

Depreciation and amortisation by asset category		
Intangible rights	1.1	1.6
Other capitalised long-term expenditure	0.1	0.1
Land and water areas	0.2	0.2
Buildings and structures	5.3	9.9
Machinery and equipment	21.4	27.9
Other tangible assets	2.9	1.5
Total	31.0	41.2
Depreciation and amortisation by function		
Cost of goods sold	22.6	31.0
Dispatching and warehousing	1.0	1.2
Sales and marketing	4.3	5.1
Administration	2.7	2.9
Other	0.4	1.0
Total	31.0	41.2

In 2005 reversal of impairment 0.8 MEUR was recognised. Impairment loss recognised in the income statement during 2004 was 0.3 MEUR.

7. Financial income and expenses

Financial income		
Dividend income	0.0	0.9
Interest income	3.2	1.7
Exchange differences	4.9	1.5
Other financial income	0.2	0.0
Total	8.3	4.1
Financial expenses		
Interest expenses	5.2	8.3
Exchange differences	4.7	1.1
Other financial expenses	0.9	0.6
Total	10.8	10.0

MEUR	2005	2004

In addition to financial income and expenses, sales corrections are included totalling 0.5 million euros (0.3 million euros) exchange rate losses and operating expenses 0.1 million (0.0 million euros) exchange rate gains. Interest expenses include also the interest part of finance lease payments of 1.3 million euros (1.4 million euros). With respect to financial instruments, the Group applies the First-time Adoption of IFRS, which permits certain exceptions and exemptions to individual rules during the transition period. Due to that, financial instruments have been measured at fair value since 1 January 2005. Derivative contracts are initially recognized in the balance sheet at cost and are subsequently re-measured at fair value on each balance sheet date. In 2005 other financial income and expenses include 0.8 million euros profits and 0.6 million euros losses from recognition in fair value of financial derivatives or other changes in fair value. Profits or losses from recognition of fair value of commodity contracts are reported as part of cost of goods sold.

8. Income taxes

Current year and pervious years taxes		
For the financial period	40.6	23.4
For previous financial periods	0.2	–0.1
Change in deferred taxation	–3.0	2.2
Total	37.8	25.5

Tax reconciliation		
Profit before taxes	120.5	89.3
Computed tax at Finnish statutory rate	31.3	26.1
Difference between Finnish and foreign rates	8.4	4.4
Non-deductible expenses	0.9	2.2
Tax exempt income	–0.9	–4.7
Utilisation of previously unrecognised tax losses	–0.2	–0.6
Change in tax legislation	0.1	–0.2
Previous years taxes	0.2	0.2
Other items	–2.0	–1.9
Total	37.8	25.5
Effective tax rate, %	31.4	28.4

MEUR	2005	2004

In 2004 Finland passed new tax legislation providing for a reduction in corporate tax rates and changes in capital gain tax. In 2004 Group sold its ownership of 13.7 % in Sato Yhtymä Oyj, which was treated as tax-exempt income. The reduction in tax rate from 29 % to 26 % had only a minor effect on Group taxes on 31 December 2004 when the Group's deferred tax balances were restated to the new rate.

9. Earnings per share

Profit for the period		
Continuing operations	82.7	63.8
Discontinued operations	–	24.6
Total	82.7	88.4
Shares, in thousands		
Weighted average number of shares *)	73,941	74,243
Effect of options	–	112
Share based incentive scheme	80	80
Diluted weighted average number of shares	74,021	74,435
Basic earnings per share		
Continuing operations	1.12	0.86
Discontinued operations	–	0.33
Total	1.12	1.19
Diluted earnings per share		
Continuing operations	1.12	0.86
Discontinued operations	–	0.33
Total	1.12	1.19

*) Weighted average number of shares does not include own shares.

10. Intangible assets

2005 MEUR	Intangible rights	Goodwill	Other capitalised long term expenditure	Investiment in progress	**Intangible assets**
Acquisition costs 1 Jan	32.4	172.2	3.7	0.8	**209.1**
Structural changes	–0.5	–	–	–	**–0.5**
Conversion difference	–0.3	0.9	–	–	**0.6**
Increases	0.7	0.0	0.0	10.6	**11.3**
Decreases	1.4	10.2	2.9	–	**14.5**
Acquisition costs 31 Dec	30.9	162.9	0.8	11.4	**206.0**
Accumulated depreciations and impairments 1 Jan	28.7	102.0	3.4	–	**134.1**
Structural changes	–0.5	0.0	0.0	–	**–0.5**
Conversion difference	–0.3	0.9	–	–	**0.6**
Acc. depreciation on disposals and transfers	–1.4	–10.2	–2.9	–	**–14.5**
Depreciation for the financial period	1.2	–	0.1	–	**1.3**
Impairments	–	–	0.0	–	**0.0**
Reversal of impairments	–0.1	–	0.0	–	**–0.1**
Accumulated depreciations and impairments 31 Dec	27.6	92.7	0.6	–	**120.9**
Book value 31 December	**3.3**	**70.2**	**0.2**	**11.4**	**85.1**

2004 Milj. €	Intangible rights	Goodwill	Other capitalised long term expenditure	Investiment in progress	**Intangible assets**
Acquisition costs 1 Jan	35.8	174.3	3.7	–	**213.8**
Structural changes	–0.1	–0.1	–0.1	–	**–0.3**
Conversion difference	–	–0.1	–	–	**–0.1**
Increases	0.7	–	0.1	0.8	**1.6**
Decreases	4.0	1.9	0.0	–	**5.9**
Acquisition costs 31 Dec	32.4	172.2	3.7	0.8	**209.1**
Accumulated depreciations and impairments 1 Jan	30.8	104.1	3.4	–	**138.3**
Structural changes	0.1	–0.1	–0.1	–	**–0.1**
Conversion difference	–0.1	–0.1	–	–	**–0.2**
Acc. depreciation on disposals and transfers	–3.7	–1.9	–	–	**–5.6**
Depreciation for the financial period	1.6	–	0.1	–	**1.7**
Transfers between items	0.1	–	–	–	**0.1**
Accumulated depreciations and impairments 31 Dec	28.8	102.0	3.4	–	**134.2**
Book value 31 December	**3.6**	**70.2**	**0.3**	**0.8**	**74.9**

According to the new IFRS 3 standard valid since 2004 the group goodwill is no longer depreciated. Goodwill is tested annually for any impairment. In book value the effect of the change is expected to be 10 million euros each year assuming that there will not be any significant impairments.

In 2005 the investments in intangible assets have been mainly related to the purchasing of the ERP system, which is recorded as investment in progress.

The most part of the group goodwill (23.4 million euros) is generated by Uponor minority acquired by Asko Oyj, which due to Oy Uponor

Ab's merger into Asko Oy have been moved to present Uponor Oyj, and acquired Unicor businesses (43.2 million euros). The goodwill has been allocated to cash generating units. Impairment tests are carried out on each separate cash-generating unit and are based on the discounted cash flow valuation method. The impairment test calculation's enterprise value has been counted through 10 years cash flows; 5 years future net cash flow plus residual value comprising of 5 years. The estimated future cash flows are discounted at their present value, based on such interest rates corresponding to the cash generating unit's average return on investment. Discount rates varied between 8.9 % - 12.6 %. The Group has not recorded any impairment losses for tangible assets during 2004-2005 and it is estimated that it is highly unlikely that the recoverable amount would be higher than the book value for any cash-generating unit.

Group does not have any capitalized development costs.

11. Tangible assets

2005 MEUR	Land and water areas	Buildings and structure	Machinery and equipe-ment	Other tangible asssets	Investment in progress	**Tangible assets**
Acquisition costs 1 Jan	15.0	145.1	441.2	26.5	13.2	**641.0**
Structural changes	–0.7	–5.1	–22.5	–3.9	–0.5	**–32.7**
Conversion difference	0.3	2.1	6.3	0.9	0.6	**10.2**
Increases	1.6	4.4	26.5	5.2	0.5	**38.2**
Decreases	0.3	6.5	51.5	3.6	0.1	**62.0**
Transfers between items	0.1	–0.5	3.4	0.1	–2.9	**0.2**
Acquisition costs 31 Dec	16.0	139.5	403.4	25.2	10.8	**594.9**
Accumulated depreciations and impairments 1 Jan	2.1	74.0	335.0	22.0	–	**433.1**
Structural changes	0.0	–4.1	–25.2	–3.5	–	**–32.8**
Conversion difference	0.1	0.7	3.2	0.9	–	**4.9**
Acc. depreciation on disposals and transfers	–	–3.3	–48.1	–3.5	–	**–54.9**
Depreciation for the financial period	0.2	5.9	21.4	2.9	–	**30.4**
Transfers between items	–	0.0	0.0	–	–	**0.0**
Reversal of impairments	–	–0.7	–	–	–	**–0.7**
Accumulated depreciations and impairments 31 Dec	2.4	72.5	286.3	18.8	0.0	**380.0**
Book value 31 December	**13.6**	**67.0**	**117.1**	**6.4**	**10.8**	**214.9**
Balance sheet value of production plant and machinery			105.4			

2004 MEUR	Land and water areas	Buildings and structure	Machinery and equip-ment	Other tangible asssets	Investment in progress	**Tangible assets**
Acquisition costs 1 Jan	23.8	116.7	470.1	28.5	12.1	**651.2**
Structural changes	1.8	32.1	–0.4	0.3	–0.6	**33.2**
Conversion difference	–0.1	0.0	–1.9	–0.4	–0.2	**–2.6**
Increases	0.2	2.1	27.1	1.2	3.4	**34.0**
Decreases	4.9	11.6	54.7	3.2	0.5	**74.9**
Transfers between items	–5.8	5.8	1.0	0.1	–1.0	**0.1**
Acquisition costs 31 Dec	15.0	145.1	441.2	26.5	13.2	**641.0**
Accumulated depreciations and impairments 1 Jan	5.0	65.2	352.5	23.1	0.3	**446.1**
Structural changes	0.0	4.7	5.4	0.3	–0.3	**10.1**
Conversion difference	–0.1	0.0	–1.6	–0.4	0.0	**–2.1**
Acc. depreciation on disposals and transfers	–1.7	–7.4	–50.0	–2.6	–	**–61.7**
Depreciation for the financial period	0.2	9.9	28.8	1.6	–	**40.5**
Transfers between items	–1.4	1.3	–0.1	–	–	**–0.2**
Impairments	–	0.3	–	–	–	**0.3**
Accumulated depreciations and impairments 31 Dec	2.0	74.0	335.0	22.0	0.0	**433.0**
Book value 31 December	**13.0**	**71.1**	**106.2**	**4.5**	**13.2**	**208.0**
Balance sheet value of production plant and machinery			95.6			

In 2005 increases in tangible assets are mainly related to North-America area office and the expansion of their production plant.

In 2005 decreases in tangible assets are mainly due to sales or closing of businesses: Uponor decided to discontinue its municipal infrastructure business by closing a plant in Portugal and sales offices in Spain. In France the Group sold its municipal business Uponor Holding S.A. shares. In Poland Uponor divested its polypropylene product line by selling its BorPlus business and manufacturing plant and in Germany Uponor sold Unicor GmbH Rahn Plastmachinen, a subsidiary engaged in machine building for the pipe production. Uponor Aldyl S.A. (Argentina)´s business operations were closed down in March 2005 and was sold in December 2005.

In 2004 the largest increases in tangible assets were allocated to the enhancements in production capacity in North America.

In 2004 the decreases in tangible assets were mainly due to the restructuring program including discontinuing the manufacture of Unipipe composite pipe systems in Ahlen, Germany and Môstoles, Spain and concentrating the production to Zella-Mehlis, Germany. As a result, the Ahlen plant was closed down. In early 2004 Uponor divested its cable and tap water protection pipe businesses and certain industrial-product and metallic component businesses in Germany on an MBO basis. In northern Norway Uponor closed an MBO deal to divest its municipal infrastructure pipe production and in Northern America the Group sold Uponor Aldyl Company, Inc. businesses to a U.S company PW Poly Corporation.

In 2004 the Group recorded an impairment loss of 0.3 million euros for a finance leasing agreement in Great Britain.

Tangible asset includes property that is acquired under finance lease arrangements.

Finance lease arrangements

2005 MEUR	Land and water areas	Buildings and structures	Others	Finance lease arrangements total
Acquisition costs 1 Jan	0.9	16.4	1.1	18.4
Increases	–	–	0.1	0.1
Decreases	–	0.1	0.1	0.2
Acquisition costs 31 Dec	0.9	16.3	1.1	18.3
Accumulated depreciations and impairments 1 Jan	–	5.8	0.7	6.5
Acc. depreciation on disposals and transfers	–	–0.1	–	–0.1
Depreciation for the financial period	–	0.9	0.2	1.1
Reversal of impairments	–	–0.7	–	–0.7
Accumulated depreciations and impairments 31 Dec	0.0	5.9	0.9	6.8
Book value 31 December	**0.9**	**10.4**	**0.2**	**11.5**

2004 MEUR	Land and water areas	Buildings and structures	Others	Finance lease arrangements total
Acquisition costs 1 Jan	0.9	15.5	0.9	17.3
Increases	–	–	0.2	0.2
Transfers between items	–	0.9	–	0.9
Acquisition costs 31 Dec	0.9	16.4	1.1	18.4
Accumulated depreciations and impairments 1 Jan	–	4.4	0.4	4.8
Depreciation for the financial period	–	0.6	0.2	0.8
Transfers between items	–	0.6	–	0.6
Impairments	–	0.3	–	0.3
Accumulated depreciations and impairments 31 Dec	0.0	5.9	0.6	6.5
Book value 31 December	**0.9**	**10.5**	**0.5**	**11.9**

12. Investment property

2005 MEUR	Land and water	Buildings and structures	Others	**Total investment property**
Acquisition costs 1 Jan	5.9	42.8	2.0	**50.7**
Structural changes	–5.8	–39.9	–2.0	**–47.7**
Conversion difference	–0.1	–1.4	–	**–1.5**
Decreases	–	–1.5	–	**–1.5**
Acquisition costs 31 Dec	–	–	–	**–**
Accumulated depreciations and impairments 1 Jan	–	22.0	2.0	**24.0**
Structural changes	–	–20.9	–2.0	**–22.9**
Conversion difference	–	–0.7	–	**–0.7**
Acc. depreciation on disposals and transfers	–	–0.5	–	**–0.5**
Depreciation for the financial period	–	0.1	–	**0.1**
Accumulated depreciations and impairments 31 Dec	–	–	–	**–**
Book value 31 December	–	–	–	**–**
Fair value 31 December	–	–	–	**–**

2004 MEUR	Land and water	Buildings and structures	Others	**Total investment property**
Acquisition costs 1 Jan	16.6	152.9	8.4	**177.9**
Structural changes	–10.8	–84.7	–6.4	**–101.9**
Conversion difference	0.1	0.5	–	**0.6**
Increases	–	1.7	–	**1.7**
Decreases	–	27.6	–	**27.6**
Acquisition costs 31 Dec	5.9	42.8	2.0	**50.7**
Accumulated depreciations and impairments 1 Jan	–	58.4	6.0	**64.4**
Structural changes	–	–20.8	–4.3	**–25.1**
Conversion difference	–	0.2	–	**0.2**
Acc. depreciation on disposals and transfers	–	–18.3	–	**–18.3**
Depreciation for the financial period	–	2.5	0.3	**2.8**
Accumulated depreciations and impairments 31 Dec	–	22.0	2.0	**24.0**
Book value 31 December	5.9	20.8	–	**26.7**
Fair value 31 December	5.9	20.8	–	**26.7**

During 2005 the Group sold the rest of the real estate classified as investment property. On the transition date, 1 January 2004 the Group recognized impairment losses and reversed the revaluation for the investment property. The Group sold on 30 November 2004 most of the real estate classified as investment property to Grouse Holding Oy. Investment property is booked according to value based on the historical cost convention less depreciations and impairment losses, which corresponds to fair value of investment property on balance sheet date in 2004.

The rental income of 1.2 million euros (2.7 million euros) is included in the Group's net sales while the corresponding service and maintenance expenses of 0.6 million euros (1.0 million euros) are included in operative expenses in the income statement excluding the part related to the sale of businesses in 2004. For the businesses sold in 2004 the rental income of 17.0 million euros and the service and maintenance expenses of 13.0 million euros are included in the discontinued businesses.

MEUR	2005	2004

13. Investment in associated companies

Acquisition costs 1 Jan	**0.0**	2.0
Decreases	**–**	–2.0
Book value 31 December	**0.0**	0.0

Investment in associated companies included shares in real estate companies, which were owned by the Group's former subsidiary Renor Oy. On 30 November 2004 the Group sold the above-mentioned shares to Grouse Holding Oy

14. Other non-current investments

Other non-current investments	**0.2**	0.6

Other non-current investments include other shares, which are booked on purchase value since the fair value was not able to determine reliable.

15. Non-current receivables

Other loan receivables	**19.2**	20.4

The Group's long-term receivables are related to its exit of the domestic real estate business on 30 November 2004 and to the sale of the US-based municipal business on 2 September 2004. The debt-free sale price of real estate business amounted to around 90 million euros, the majority of which was paid at the closing of the deal while the remaining 18 million euros will be paid during the next 7 years of the closing. The group is not aware of any outside factors, which would imply that the long-term receivables related to the above mentioned transaction should be impairment tested. In the balance sheet the interest rate for non-current receivables is fixed and the receivables are in euro. The fair value of non-current receivables is based on market prices, the effective interest rate of which varies in the range of 3.08 % - 3.26 % (3.08 % - 3.26 %). By discounting the future cash flows of these receivables, the fair value is 22.3 million euros (24.2 million euros).

MEUR	2005	2004

16. Inventories

Raw materials and consumables	**19.4**	24.8
Finished products / goods	**90.9**	109.8
Advance payments	**1.1**	1.9
Book value 31 December	**111.4**	136.5

Inventory includes following obsolete items:		
Write down	**–0.8**	–0.5
Reversal of write down	**0.0**	0.0
Book value 31 December	**–0.8**	–0.5

Inventories are stated at the lower of cost or net likely realizable value, based on the FIFO principle. In 2005 the inventories were reduced with an obsolescence reduction, which was 0.8 million euros (0.5 million euros).

17. Interest-bearing current receivables

Other loan receivables	**0.0**	2.0

18. Non-interest bearing current receivables

Accounts receivable	**143.6**	136.9
Doubtful accounts receivables	**–2.9**	–4.3
Loan receivables	**1.1**	2.7
Current income tax receivables	**0.0**	9.1
Prepayments and accrued income	**15.9**	15.3
Derivatives contracts	**0.5**	0.0
Other receivables	**7.1**	9.0
Book value 31 December	**165.3**	168.7

The group has recorded 2.9 million (4.3 million euros) in doubtful accounts receivable. The Group is not aware of any factors, which would cause possible additional write –downs.

Accrued income		
Taxes	**3.9**	4.7
Discounts received	**3.9**	4.7
Interest	**1.0**	0.2
Other	**7.1**	5.7
Book value 31 December	**15.9**	15.3

19. Shareholders' equity

At the beginning of 2005, Uponor Corporation's share capital came to EUR 149,640,888 and the number of shares totalled 74,820,444, while the year-end share capital was worth EUR 148,766,888 with the number of shares totalling 74,383,444. With a nominal value of EUR 2.00, each share entitles its holder to one vote at the shareholders' meeting. All issued shares are fully paid. According to the corporation's Articles of Association the company's minimum share capital is EUR 75,000,000 and maximum share capital EUR 300,000,000, within which limits the company may increase or reduce its share capital without amending its Articles of Association.

At the beginning of 2005, the company held a total of 525,000 own shares bought back based on previous authorizations. The Annual General Meeting of 15 March 2005 decided to reduce the share capital through invalidation of 437,000 own shares. During 2005, based on the authorisation of the Annual General Meeting, the company bought back a total of 1,160,000 own shares, traded on the Helsinki Stock Exchange, for EUR 20.0 million. At the end of 2005 it held 1,248,000 treasury shares. Treasury shares are presented as reduction in retained earnings. Treasury shares carry no balance sheet value in the financial statements.

Other reserves include at the moment legal reserves required by statutes.

20. Deferred income taxes

MEUR	2005	2004
Deferred tax assets		
Profit in Inventory	1.3	2.1
Provisions	3.3	2.0
Unrecognised tax losses	0.4	1.3
Tangible assets	1.5	5.2
Employee benefits	4.7	4.7
Other temporary differences	7.1	7.2
Total	18.3	22.5
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	5.4	11.2
Tangible assets	10.8	9.7
Fair valuation of available-for-sale investments and financial instruments	0.1	–
Other temporary differences	1.6	4.0
Total	17.9	24.9

The Group has recognized a deferred tax asset for its net operating loss carry-forwards, which probably can be utilized against future profits in the relevant tax jurisdictions. On 31 December 2005 the Group had losses carried forward of 8.9 million euros (6.5 million euros), of which the Group has recognized deferred tax receivables. With respect to confirmed losses, 0.5 million euros (12.9 million euros) had no expiry date, while 9.5 million euros expire during 2006-2010 and the remainder thereafter. The operating loss carry-forwards for which no deferred tax asset is recognized due the uncertainty of the utilization of these loss carry-forwards amounted to 3.9 million euros (16.8 million euros).

No deferred tax liability has been recognized for the undistributed earnings of Finnish subsidiaries as such earnings may be transferred to the Parent Company without any tax consequences. The Group does not provide for deferred taxes on undistributed earnings of non-Finnish subsidiaries to the extent that such earnings are intended to be permanently reinvested in those operations and repatriation would cause tax expenses.

21. Employee benefit obligations

The Group has a number of pension plans for its operations. The Group's pension schemes comply with each country's local rules and regulations. The Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorized actuaries prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high quality corporate bonds or government bonds. Pension benefits are based on the number of working years and the salary. Most of the defined benefit plans are in Germany and the UK, constituting 65 % of the defined benefit pension liability in the Group's balance sheet. In Finland pensions are handled according to the TEL –system, which is a defined contribution pension plan. The Group defined earlier the pension plans in Alecta, Sweden as a defined benefit pension plan. Since Alecta has not been able to provide reliable information on which the actuarial calculations could be based on, the Group has in year 2005 changed the definition of Alecta's pension plan to be a defined contribution plan.

MEUR	2005	2004
Pension obligations	29.5	28.8
Other long-term employee benefit liability	0.8	0.6
Total	30.3	29.4

Pension obligations

MEUR	2005	2004
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	61.9	50.4
Present value of unfunded obligations	22.2	20.6
Fair value of plan assets	–48.0	–40.6
Unrecognised actuarial gains (–) and losses (+)	–6.6	–1.6
Net liability in the balance sheet	29.5	28.8

MEUR	2005	2004
Expenses recognised in the income statement		
Current service costs	3.1	2.7
Interest costs	3.7	3.5
Expected return on plan assets	–2.5	–3.4
Actuarial gains (–) and losses (+)	–0.1	0.0
Effect of any curtailments and settlements	0.0	0.0
Total	4.2	2.8

MEUR	2005	2004
Movements of defined benefit net liabilites recognised in the balance sheet		
Net liability at 1 January	28.8	29.6
Structural changes	–0.2	–
Conversion differences	0.1	0.0
Expenses recognised in the income statement	4.2	2.8
Contributions to the fund	–3.4	–3.6
Net liability at 31 December	29.5	28.8

Principal actuarial assumptions

	Nordic countries		Germany		UK and Ireland		Other countries	
	2005	2004	2005	2004	2005	2004	2005	2004
Discount rate (%)	3.75–4.25	5.25	4.00	5.25	4.00–5.50	5.25–5.50	4.00	5.0
Expected rates return on plan assets (%)	4.50–4.75	5.75	n/a	n/a	5.00–5.70	6.10–6.25	n/a	n/a
Expected rates of salary increase (%)	3.00	3.50	2.50	2.75	3.50–4.00	3.50–4.25	3.25	3.5
Expected rates of pension increase (%)	1.75	2.00	1.75	1.50	1.75–2.80	2.00–2.75	1.75	2.0

22. Provisions

2005

MEUR	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	Total
Provisions at January 1, 2005	4.6	9.1	4.3	2.4	20.4
Structural changes	–0.3	–	0.0	0.0	–0.3
Conversion difference	0.1	–	–	–	0.1
Additional provisions	1.0	–	0.1	0.6	1.7
Utilised provisions	–0.5	–2.5	–3.1	–0.7	–6.8
Unused amounts reversed	–0.2	–	–	–0.1	–0.3
Provisions at December 31, 2005	**4.7**	**6.6**	**1.3**	**2.2**	14.8
Current provisions	2.1	2.8	1.1	1.0	7.0
Non-current provisions	2.6	3.8	0.2	1.2	7.8

2004 MEUR	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	**Total**
Provisions at January 1, 2004	0.4	2.6	0.8	0.2	**4.0**
Structural changes	2.9	7.0	1.3	0.8	**12.0**
Conversion difference	–0.1	–	0.0	0.0	**–0.1**
Additional provisions	1.8	–	2.7	1.5	**6.0**
Utilised provisions	–0.3	–0.5	–0.5	–0.1	**–1.4**
Unused amounts reversed	–0.1	–	–	–	**–0.1**
Provisions at December 31, 2004	4.6	9.1	4.3	2.4	**20.4**
Current provisions	1.7	2.8	3.2	2.0	**9.7**
Non-current provisions	2.9	6.3	1.1	0.4	**10.7**

Warranty provisions were 4.7 million euros (4.6 million euros) at the end of the period. Warranty provisions are based on previous years' experience of defective goods.

Restructuring program published in year 2003 was finalized in 2005, and all the provisions related to it have been used.

The environmental provision that related to the divested domestic real estate business was 6.6 million euros (9.1 million euros) at the end of the period.

23. Interest-bearing liabilities

MEUR	2005	2004
Non-current interest bearing liabilities		
Loans from financial institutions	**4.1**	6.6
Loans from pension funds	**0.3**	0.3
Finance lease liability	**15.5**	15.5
Total	**19.4**	22.4
Current interest-bearing liabilities		
Bonds	**–**	22.0
Loans from financial institutions	**2.0**	17.9
Finance lease liability	**0.6**	0.8
Total	**2.6**	40.7

Maturity of non-current interest bearing liabilities

MEUR	2007	2008	2009	2010	2011–
Loans from financial institutions	2.8	1.1	0.2	–	–
Loans from pension funds	–	–	–	–	0.3
Finance lease agreements	0.6	0.5	0.5	0.6	12.8
Total	3.4	1.6	0.7	0.6	13.1

The interest rate ranges of interest-bearing liabilities

% pa	2005	2004
Loans from financial institutions	**3.5–5.95**	3.5–5.95
Pension loans	**3.7**	3.7

Carrying value of the rest interest-bearing liabilities of the Group is considered to approximate their fair value. In the end of 2004 the fair value of bond, which has been repaid during 2005, was approximately 22.8 million euros (discount rate 2.77 %).

Finance lease liability

The Group's finance lease agreements are mainly focused on office, factory and warehouse premises. On 31 December 2005 the total amount of activated costs for finance lease agreements in the Group was 11.5 million euros (11.9 million euros), which was included in tangible assets in the balance sheet. The corresponding depreciations in 2005 were 1.1 million euros (0.8 million euros). The total amount of finance lease payments in 2005 was 1.9 million euros (2.8 million euros), which included 1.3 million euros (1.4 million euros) in interest expenses.

The most significant leasing liability is the finance lease agreement, which was made in 1999 in connection with the purchase of the Unicor business. In 2005 no significant new leasing agreements were made.

MEUR	2005	2004

24. Accounts payable and other liabilities

Accounts payable	72.7	73.0
Current income tax liability	11.8	15.2
Accrued liabilities	69.6	61.0
Advances received	1.1	2.5
Other current liabilities	4.4	3.1
Total	159.6	154.8

Accrued liabilities

Personnel expenses	22.7	23.7
Bonuses	8.0	7.6
Taxes	6.1	5.2
Interest	0.2	0.5
Others	32.6	24.0
Total	69.6	61.0

25. Contingent liabilities

On own behalf		
Pledges at book value	–	0.6
Mortgages issued	2.6	3.4
On behalf of others		
Guarantees issued	13.0	13.1
Operating lease commitments	22.2	15.0
Total	37.8	32.1

Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.

Pledges at book value	–	0.6
Mortgages issued	2.6	3.4
Guarantees issued	13.0	13.1
Operating lease commitments	22.2	15.0
Total	37.8	32.1

Operating lease commitments

In less than one year	6.8	3.8
1-5 years	11.7	8.4
Over 5 years	3.7	2.8
Total	22.2	15.0

Contingent liabilities are recorded with the best estimate. The Group has entered into agreements with third parties (former group or associated companies) to provide them with financial or performance assurance services. The Group has no collateral or other recourse provisions related to these guarantees. The maximum amounts of future payments on behalf of others under these guarantees are disclosed under "Guarantees issued -on behalf of others".

MEUR	2005	2004

Operating lease commitments

The Group has rented office and warehouse premises with various agreements. In addition, rental agreements, which are not finance lease agreements are classified as other rental agreements. The rents of operative leasing commitments are booked as expenses during the maturity.

Finance lease liability

Minimum lease payments		
In less than one year	1.9	2.1
1–5 years	6.9	7.8
Over 5 years	19.4	20.3
Total	28.2	30.2
Future finance charges	12.6	13.9
Finance lease liabilities – the present value of minimum lease payments	15.6	16.3
The present value of minimum lease payments		
In less than one year	0.6	0.8
1–5 years	2.2	3.1
Over 5 years	12.8	12.4
Total	15.6	16.3

26. Financial risk management

Financial risk management aims to minimise the adverse effects caused by the uncertainties in financial markets to the Group's financial performance and to ensure sufficient liquidity in a cost-efficient manner. The general operating principles of financial risk management are defined in the Group's financing policy approved by the Board of Directors. Chaired by the Group's President and CEO, the Treasury Committee is responsible for steering and supervising practical financial risk management. For risk management, Uponor employs only financial instruments whose market value and risk profile it can monitor reliably and continuously. Hedging transactions related to, for instance, currency, interest rate, liquidity and counterparty risks are carried out in accordance with the written risk management principles approved by the Group management.

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 financing risks. The internal bank is also responsible for external market transactions related to asset and risk management, and providing Group subsidiaries with consultation and services within financing.

Currency risk

Due to its international operations, the Group is exposed to currency risks arising from, for instance, currency-denominated accounts receivable and payable, intra-Group transactions and the financing of foreign subsidiaries. Furthermore, the currency-denominated shareholder's equity of subsidiaries located outside the euro area is exposed to currency fluctuations when the equity is translated into the parent company's reporting currency. Group Treasury is responsible for hedging Group-level net currency flows in external currency markets.

Since a significant proportion of the Group's production and sales functions is situated outside the euro area, currency risks are managed with respect to various local currencies. In addition to the euro, the main invoicing currencies are the US dollar (USD), the pound sterling (GBP) and the Swedish krona (SEK). The Group's own production and the costs arising from it in the United States, the United Kingdom and Sweden balance the open risk positions denominated in the said currencies.

Currency positions are continuously assessed by currency for the following 12-month periods. Pursuant to the Group's hedging policy, all substantial open currency positions are hedged against adverse currency fluctuations, largely through currency forward agreements, options or swap agreements. Such currency derivative agreements are generally of less than six months in maturity.

Group subsidiaries are responsible for hedging their own net currency flows, primarily with the Group's internal bank. Subsidiaries are financed mainly in local currencies, enabling the Group to avoid major translation risks. The currency risk related to non-euro subsidiaries' shareholders' equity is not hedged. The changes in shareholders' equity arising from currency fluctuations are shown as translation differences in consolidated financial statements.

Interest rate risk

The Group is exposed to interest rate risks in the form of, on the one hand, changes in the value of balance sheet items (i.e. price risks) and, on the other hand, risks related to the restructuring of interest income and expenses necessitated by changes in interest rates. Group Treasury is responsible for managing interest rate risks within the framework specified by corporate financial policy with the aim of balancing the interest rate position and minimising interest rate risks.

In order to manage interest rate risks, Uponor spreads Group funding 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 also responsible for matching external financial items and the duration of balance sheet items funded by such items. Short-term money market investments expose the Group to cash flow interest rate risks, but the overall impact of the said investments is insignificant.

The Group had no open interest rate swaps or other interest rate derivatives on the balance sheet date.

Liquidity and refinancing risk

The Group's liquidity is managed through efficient cash management and by investing solely in low-risk objects that can be liquidated rapidly and at a clear market price.

Uponor seeks to ensure the availability and flexibility of financing through a balanced distribution of loan maturities as well as adequate credit limit reserves and by acquiring financing from several banks and using various types of financing.

Group Treasury is responsible for the co-ordination of Group funding 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.

The most significant existing funding programmes on 31 December 2005 included:

- Revolving Credit Facility of 120 million euros, maturing in 2010
- Finnish commercial paper program totalling 100 million euros

Counterparty risk

The counterparty risk related to financial instruments has been defined as a risk that the counterparty is unable to fulfil its contractual obligations.

In order to minimise counterparty risks, the Group invests its cash reserves and makes derivative contracts only with parties who meet the Group's criteria for creditworthiness. The Group did not suffer any credit losses in its operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2005.

Credit risk

Potential concentrations of credit risk with respect to trade and other receivables are limited due to the large number and geographic dispersion of companies that comprise the Group's customer base. Customer credit limits are established and monitored, and on-going evaluation of customer's financial conditions are performed. Trade receivables are credit insured when it is applicable. In 2005 Group has recorded 2.9 million euros doubtful accounts receivables as expenses.

Electricity Derivatives

The Group is exposed to electricity price risk in its business operations. Group Treasury is responsible for taking the actions to manage the electricity price fluctuations on Nordic level within the frame defined in the Electricity Hedging Policy of Uponor Group.

27. Financial instruments

With respect to financial instruments, the Group applies IFRS 1, The First-time Adoption of IFRS -standard, which permits certain exceptions and exemptions to individual rules during the transition period. Financial instruments have been measured at fair value since 1 January 2005 and there has not been recognized any adjustments in the comparable year.

Derivative contracts are initially recognized in the balance sheet at cost and are subsequently re-measured at fair value on each balance sheet date. The fair value of forward rate agreements, interest-rate options, interest-rate swaps and forward exchange contracts is based on their market value on the balance sheet date or the present value of estimated future cash flows. Fair values for commodity derivatives (electricity contracts) have been measured by using publicly rated market prices. Fair value has been defined to match with the price the Group would get or would have to pay if the derivative contract was terminated. The Group did not have any embedded derivatives on 31 December 2005.

The Group does not have available-for-sale assets for which the changes in fair value could be included in the fair value reserve which form part of shareholders´ equity. With respect to derivatives, the Group does not apply hedging accounting, but the unrealised and realised gains and losses attributable to the changes in fair value are recognized in the income statement for the period in which they occur.

MEUR	2005	2004
Nominal value		
Interest derivatives:		
Interest rate options, bought	–	45.0
Interest rate options, sold	–	45.0
Foreign currency derivatives		
Forward agreements	26.9	7.7
Commodity derivatives		
Forward agreements	3.2	2.1

Fair value	2005 Positive fair value	2005 Negative fair value	2005 Net fair value	2004 Net fair value
Forward agreements	0.1	0.2	–0.1	0.0
Commodity derivatives	0.5	–	0.5	0.0

28. Related-party disclosures

Uponor Group has related-party relationships with Board members, the CEO and Executive Committee members.

TEUR	2005	2004
Executive Committee remuneration		
Remuneration	2,253.5	1,632.7
Post-employment benefit expenses	30.2	79.4
Share based payments	–	151.5
Total	2,283.7	1,863.6
Executive Committee remuneration: CEO and his Deputy		
Lång Jan, CEO	454.3	344.4
Luomakoski Jyri, Deputy CEO	244.7	196.4

CEO and Deputy CEO are entitled to retire at the age of 63.

Board remuneration		
Paasikivi Pekka, Chairman	66.2	46.0
Rajahalme Aimo, Deputy Chairman	46.2	29.6
Eloranta Jorma (selected 15 March 2005)	40.0	–
Silfverstolpe Nordin Anne-Christine	41.2	30.0
Simon Rainer S.	41.2	28.2
Former board members		
Niemi Matti, Deputy Chairman (period ended 15 March 2005)	1.2	33.0
Total	236.0	166.8

Board remuneration 2004 includes annual emoluments and meeting fees.

No loans have been issued to management and Board members in 31 December 2005.

Stock option held by management and Board members have been presented in Corporate governance.

29. Management incentive scheme and share based payments

In May 2004, Uponor Corporation's Board of Directors approved a new incentive scheme, whereby the Executive Committee can receive a share-based reward in 2007. The reward is based on the fulfilment of a set cumulative operating profit target for 2004-2006. The maximum net value of the reward amounts to the value of 80,000 Uponor shares. The Board of Directors has the possibility to raise or reduce the number of shares by 10 per cent, depending on whether the company's other long-term objectives are achieved. According to IFRS 2, the portion given as shares is measured at the share price quoted on the day of granting. Fair value is recognized as a cost on an accrual basis for the expected revenue period similar to an amount paid in cash. The part, which is paid out in cash is recognised as liability. Any changes in the value after the date of granting are recognized as income using the closing price of each calendar month.

In IFRS reporting assumption is that incentives will be settled as shares, in which case counter item is own equity. Board is not at the moment (31 December 2005) authorized to transfer own shares.

The former management incentive plan, stock option plan 1999/2002 came to an end on 31 August 2004. Under this stock option plan, a total of 553,000 Uponor Corporation shares were subscribed.

30. Shares and holdings

Subsidiaries

Name	Domicile and country	
130167 Canada Inc.	Montreal	CA
Uponor Beteiligungs GmbH	Hassfurt	DE
Uponor Polska Sp. z o.o.	Sochaczew	PL
Uponor Resiplast, S.A.	Barcelona	ES
Uponor Hispania, S.A.	Môstoles	ES
Uponor Czech s.r.o.	Prague	CS
Uponor (Deutschland) GmbH	Hassfurt	DE
Uponor Anger GmbH	Marl	DE
Uponor Abwassertechnik GmbH i.L.*	Emstek	DE
Uponor Klärtechnik GmbH	Marl	DE
Hewing GmbH	Ochtrup	DE
Cronatherm Verwaltungsgesellschaft mbH	Buchholz-Mendt	DE
Cronatherm GmbH & Co. KG	Buchholz-Mendt	DE
Polytherm Vertriebsgesellschaft haustechnischer Artikel mbH	Ochtrup	DE
Uponor S.A.R.L.	St. Etienne de St. Geoirs	FR
Uponor Rohrsysteme GmbH	Hassfurt	DE
Uponor-Velta Verwaltungs GmbH	Norderstedt	DE
Uponor-Velta GmbH & Co. KG	Norderstedt	DE
Karhu Deutschland GmbH i.L.	Germany	DE
Trak GmbH i.L.	Kiefersfelden	DE
Uponor A/S	Hadsund	DK
Uponor Wirsbo A/S	Glostrup	DK
Uponor Eesti Oü	Tallinn	EE
Jita Oy	Virrat	FI
Nereus Oy	Uusikaupunki	FI
Uponor Business Solutions Oy	Vantaa	FI
Uponor Suomi Oy	Nastola	FI
Uponor Magyarország Kft.	Budapest	HU
Uponor Limited	Bishopstown	IE
Uponor (Cork) Limited	Bishopstown	IE
Uponor S.r.l.	Badia Polesine	IT
SIA Uponor Latvia	Riga	LV
UAB Uponor	Vilnius	LT
Uponor B.V.	Amsterdam	NL
Uponor AS	Vestby	NO
Uponor Wirsbo AS	Vestby	NO
Uponor Bor Sp. z o.o.	Sochaczew	PL
Uponor Portugal - Sistemas para Fluidos, Lda.	V.N. Gaia	PT
Uponor Construcãoe Ambiente - Sistemas de Tubagens, S.A.	V.N. Gaia	PT
AO Asko-Upo (RUS)	Moscow	RU
AO Asko-Upo (Spb)	St. Petersburg	RU
ZAO Uponor Rus	St. Petersburg	RU
Asko i Fristad AB	Borås	SE
Uponor Innovation AB	Borås	SE
Uponor Sweden AB	Wirsbo	SE
Sörberg Produktion AB	Kungsör	SE
Uponor AB	Borås	SE
Uponor Wirsbo AB	Surahammar	SE
WA Vertriebs GmbH	Guntramsdorf	AT
Uponor Limited	England	UK
nrg2 Limited	England	UK
Uponor Aldyl Limited	England	UK
Uponor Housing Solutions Limited	England and Wales	UK
Radius Plastics Limited	Northern Ireland	UK
Uponor North America, Inc.	Delaware	US
Hot Water Systems North America, Inc.	Delaware	US
Uponor Wirsbo, Inc.	Illinois	US
Uponor Canada Inc.	Saskatchewan	CA
Radiant Technology, Inc.	Delaware	US
Unicor Pipe Systems Ltd.	Toronto	CA
Tulsa Pipe Plant, Inc. (former Uponor Aldyl Company, Inc.)	Delaware	US

* Group's ownership 75,5%. All others companies are owned 100% by the Group.

Associated companies

Name	Domicile and country	
Punitec GmbH & Co. KG	Gochsheim	DE
Punitec Verwaltungs GmbH	Gochsheim	DE

Transition to International Financial Reporting Standards (IFRS)

Since 1 January 2005, Uponor Group has applied the International Financial Reporting Standards (IFRS). Before adopting IFRS, Uponor used the Finnish Accounting Standards (FAS) in its annual and interim reports.

The company prepared the opening IFRS balance sheet on the date of the transition to IFRS, 1 January 2004. 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 standards during the transition period.

The company has prepared its 2005 interim reports using IFRS and has released its first IFRS-compliant interim report for the first quarter of 2005 on 27 April 2005.

Major impacts of IFRS transition

Uponor has classified divested non-core businesses as discontinued operations under IFRS 5. On the transition date, 1 January 2004, the company recognised impairment losses on, and reversed revaluations for the investment property. On 30 November 2004 Uponor divested most of its assets classified as investment property to Grouse Holding Oy that had significant effect to the reported earnings for discontinued operations.

IFRS adjustments recognised under shareholders' equity on the transition date affected the company's equity and restated profit for 2004, decreasing consolidated shareholders' equity at the end of 2004 by EUR 24,7 million euros as follows:

- Revaluation reversal: –4.9 MEUR,
- Impairment losses on property, plant and equipment and investment property: –21.1 MEUR,
- Provisions: –7.3 MEUR
- Pension obligations: –14.2 MEUR
- Cancellation of goodwill amortisation: +10.9 MEUR
- Deferred taxes: +10.4 MEUR.

Other adjustments had only minor effects on equity.

Consolidated income statement		IFRS	IFRS	IFRS	IFRS	**IFRS**	FAS	Change
		2004	2004	2004	2004	**2004**	2004	2004
MEUR	Note	1–3	4–6	7–9	10–12	**1–12**	1–12	1–12
Continuing operations								
Net sales	1	234.7	274.9	276.5	240.8	**1,026.9**	1,027.3	–0.4
Cost of goods sold	2	157.6	180.4	184.9	163.9	**686.8**	695.4	–8.6
Gross profit		77.1	94.5	91.6	76.9	**340.1**	331.9	8.2
Other operating income		–0.3	–0.6	2.0	–2.8	**–1.7**	–1.9	0.2
Expenses		61.6	64.4	54.9	65.7	**246.6**	233.9	12.7
Goodwill amortisation	3	–	–	–	–	**–**	10.9	–10.9
Operating profit		15.8	30.7	34.7	14.0	**95.2**	89.0	6.2
Financial expenses, net		1.9	1.2	2.7	0.1	**5.9**	2.8	3.1
Profit before taxes		13.9	29.5	32.0	13.9	**89.3**	86.2	3.1
Income taxes	4	3.8	8.9	11.5	1.3	**25.5**	29.8	–4.3
Profit for the period from continuing operations		10.1	20.6	20.5	12.6	**63.8**	56.4	7.4
Profit for the period from discontinued operations	5	1.2	2.2	3.6	17.6	**24.6**	4.5	20.1
Profit for the period		**11.3**	**22.8**	**24.1**	**30.2**	**88.4**	**60.9**	**27.5**
Earnings per share, EUR								
Continuing operations		0.14	0.28	0.27	0.17	**0.86**	0.76	0.10
Discontinued operations		0.01	0.03	0.05	0.24	**0.33**	0.06	0.27
Total		**0.15**	**0.31**	**0.32**	**0.41**	**1.19**	**0.82**	**0.37**
Fully diluted earnings per share, EUR								
Continuing operations		0.14	0.28	0.27	0.17	**0.86**	0.76	0.10
Discontinued operations		0.01	0.03	0.05	0.24	**0.33**	0.06	0.27
Total		**0.15**	**0.31**	**0.32**	**0.41**	**1.19**	**0.82**	**0.37**

Consolidated balance sheet

MEUR	Note	IFRS 2004 31 March	IFRS 2004 30 June	IFRS 2004 30 Sept	**IFRS 2004 31 Dec**	FAS 2004 31 Dec	Change 2004 31 Dec
ASSETS							
Fixed assets							
Intangible assets	6	74.7	74.7	74.4	**74.9**	72.6	2.3
Tangible assets	7	212.1	209.9	200.7	**208.0**	235.7	–27.7
Investment property	8	102.6	101.9	101.8	**26.7**	0.0	26.7
Securities and long-term investments		14.8	14.5	13.7	**21.0**	21.0	0.0
Deferred tax assets	9	29.4	29.0	27.0	**22.5**	13.1	9.4
Total		**433.6**	**430.0**	**417.6**	**353.1**	**342.4**	**10.7**
Current assets							
Inventories	10	146.9	155.5	151.1	**136.5**	138.0	–1.5
Trade and other receivables	11	214.6	245.5	234.2	**170.7**	168.5	2.2
Cash and cash equivalents		13.1	7.5	10.6	**29.5**	29.5	0.0
Total		**374.6**	**408.5**	**395.9**	**336.7**	**336.0**	**0.7**
Total assets		**808.2**	**838.5**	**813.5**	**689.8**	**678.4**	**11.4**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Shareholders' equity		**359.5**	**385.5**	**411.1**	**397.0**	**421.7**	**–24.7**
Minority interest		**0.9**	**0.9**	**0.9**	**0.0**	**0.0**	**0.0**
Non-current liabilities							
Loans		16.4	14.9	15.0	**6.6**	6.6	0.0
Deferred tax liability	12	31.8	31.2	29.1	**24.9**	26.0	–1.1
Employee benefits and other liabilities	13	81.5	81.9	78.0	**45.4**	15.9	29.5
Total		**129.7**	**128.0**	**122.1**	**76.9**	**48.5**	**28.4**
Provisions	14	**18.6**	**19.2**	**20.2**	**20.4**	**11.9**	**8.5**
Current liabilities							
Interest-bearing liabilities	15	126.0	106.7	67.8	**40.7**	40.0	0.7
Accounts payables and other liabilities		173.5	198.2	191.4	**154.8**	156.3	–1.5
Total		**299.5**	**304.9**	**259.2**	**195.5**	**196.3**	**–0.8**
Total equity and liabilities		**808.2**	**838.5**	**813.5**	**689.8**	**678.4**	**11.4**

Segment information

MEUR	IFRS 2004 1–3	IFRS 2004 4–6	IFRS 2004 7–9	IFRS 2004 10–12	**IFRS 2004 1–12**	FAS 2004 1–12	Change 2004 1–12
Segment revenue							
Central Europe	86.0	86.1	87.8	74.1	**334.0**	334.4	–0.4
Nordic	56.5	84.4	79.9	69.8	**290.6**	290.6	0.0
Europe – West, East, South	77.6	86.3	87.7	78.4	**330.0**	330.0	0.0
North America	33.9	40.3	41.5	39.4	**155.1**	155.1	0.0
Real Estate	5.3	5.4	5.2	3.9	**19.8**	19.8	0.0
Others	9.9	14.8	14.3	1.4	**40.4**	40.4	0.0
Eliminations	–22.5	–26.3	–25.1	–23.6	**–97.5**	–97.5	0.0
Total	**246.7**	**291.0**	**291.3**	**243.4**	**1,072.4**	**1,072.8**	**–0.4**
Continuing operations	234.7	274.9	276.5	240.8	**1,026.9**	1,027.3	–0.4
Discontinued operations	12.0	16.1	14.8	2.6	**45.5**	45.5	0.0
Segment result							
Central Europe	9.4	10.9	10.4	8.9	**39.6**	34.3	5.3
Nordic	2.1	12.6	13.3	4.0	**32.0**	31.3	0.7
Europe – West, East, South	3.4	5.1	6.8	1.1	**16.4**	16.7	–0.3
North America	3.9	5.4	7.1	5.8	**22.2**	22.1	0.1
Real Estate *)	2.4	2.8	2.5	26.9	**34.6**	6.3	28.3
Others	–2.5	–1.4	0.3	–2.5	**–6.1**	–6.2	0.1
Eliminations	–1.1	–1.7	–0.3	–5.0	**–8.1**	–6.6	–1.5
Total	**17.6**	**33.7**	**40.1**	**39.2**	**130.6**	**97.9**	**32.7**
Continuing operations	15.8	30.7	34.7	14.0	**95.2**	89.0	6.2
Discontinued operations	1.8	3.0	5.4	25.2	**35.4**	8.9	26.5

*) includes the profit from the divestment of the Finnish real estate business

Reconciliation of profit for the period

MEUR		2004 1–3	2004 1–6	2004 1–9	2004 1–12
Profit for the period according to FAS		8.2	28.5	52.6	60.9
Effects of transition to IFRS:					
Goodwill amortisation	3	2.7	5.5	8.2	10.9
Revaluations	7	–	–	–	17.7
Impairment of fixed assets	6, 7	0.2	0.4	0.6	12.0
Finance lease	7	0.0	–0.1	–0.1	0.2
Inventory valuation	10	0.1	0.0	–0.1	0.0
Change in provisions	14	0.1	–0.7	–2.8	–13.2
Change in employee benefits	13	–0.5	–1.1	–1.9	1.3
Change in deferred taxes	9, 12	–0.1	–0.3	–0.1	–3.8
Revenue recognition	1	–0.2	0.5	–0.2	0.1
Other IFRS adjustments		0.8	1.4	2.0	2.3
Total IFRS restatement		3.1	5.6	5.6	27.5
Profit for the period according to IFRS		**11.3**	**34.1**	**58.2**	**88.4**

Reconciliation of equity

MEUR	Note	2003 31 Dec	2004 31 Mar	2004 30 Jun	2004 30 Sep	2004 31 Dec
Equity according to FAS		**470.0**	**409.0**	**432.5**	**458.0**	**421.7**
Effects of transition to IFRS:						
Goodwill amortisation	3	–	2.7	5.5	8.2	10.9
Revaluations	7	–22.7	–22.7	–22.7	–22.7	–4.9
Impairment of fixed assets	7	–33.1	–32.9	–32.7	–32.5	–21.1
Finance lease	7	–1.7	–1.7	–1.8	–1.8	–1.6
Inventory valuation	10	0.0	0.1	0.0	–0.1	–0.1
Provisions	14	5.9	6.0	5.2	3.1	–7.3
Employee benefits	13	–15.6	–16.1	–16.7	–17.5	–14.2
Deferred taxes	9, 12	14.2	14.1	13.9	14.1	10.4
Revenue recognition	1	0.7	0.5	1.2	0.5	0.8
Other IFRS adjustments		0.0	0.5	1.1	1.8	2.4
Total IFRS restatement		–52.3	–49.5	–47.0	–46.9	–24.7
Equity according to IFRS		**417.7**	**359.5**	**385.5**	**411.1**	**397.0**

Statement of changes in shareholder´s equity

MEUR	Share capital	Share Premium	Re-valuation reserve	Other reserves	Retained earnigs	Total
Balance at 31 December 2003, FAS	**74.8**	**103.2**	**1.9**	**7.0**	**283.1**	**470.0**
Effect of transition to IFRS	–	–	–1.9	–	–50.4	–52.3
Balance at 1 January 2004, IFRS	**74.8**	**103.2**	**–**	**7.0**	**232.7**	**417.7**
Share issue	1.1	3.5	–	–	–	4.6
Cancelling of shares	–1.1	1.1	–	–	–	–
Purchase of own shares	–	–	–	–	–4.9	–4.9
Dividend paid (EUR 1.44 per share)	–	–	–	–	–106.9	–106.9
Options exercised	0.0	0.0	–	–	0.0	0.0
Bonus issue	74.8	–74.8	–	–	–	–
Translation adjustments and other items	–	–	–	0.7	–2.6	–1.9
Net profit for the period	–	–	–	–	88.4	88.4
Balance at 31 December 2004, IFRS	**149.6**	**33.0**	**–**	**7.7**	**206.7**	**397.0**

Notes to the comparative data and reconciliation

1. Sales

Construction contracts for Uponor's machinery business apply the percentage-of-completion revenue recognition method.

2. Cost of goods sold

Under FAS, dispatching and warehousing costs have been recognised as cost of goods sold and correspondingly some factory management and administration expenses were not included in cost of goods sold. During the transition to IFRS dispatching and warehousing costs have been treated as other operating expenses under the gross profit and factory management and administration costs as cost of goods sold.

3. Depreciation, amortisation and impairment charge

According to IFRS Goodwill is not amortised, but tested for impairment.

4. Income taxes

Deferred tax includes the impact resulting from several IFRS adjustments.

5. Discontinued operations

Divested non-core businesses are classified as discontinued operations under IFRS 5. These include the sale of Uponor Aldyl Company, Inc.'s business to PW Poly Corporation and the sale of the domestic real estate business (Renor Oy) to Grouse Holding Oy. On the transition date, the Uponor recognised impairment losses on, and reversed revaluations for, the investment property. On 30 November 2004, the Uponor divested most of its assets, classified as investment property to Grouse Holding Oy. Uponor recognised significant IFRS compliant capital gains on the divestment in the fourth quarter.

6. Intangible assets

The Group assesses its assets' carrying amounts regularly to find out whether there is any indication of an impaired asset. Should any such indication exist, the asset's carrying amount is compared with its recoverable amount, which is higher of the asset's net selling price and its value in use. Whenever the asset's carrying amount exceeds its recoverable amount, it is impaired. As a result of impairment tests, the opening IFRS balance sheet shows impairment losses on certain Goodwill items and trademarks.

7. Property, plant and equipment

The main change in property, plant and equipment under tangible assets results from the re-classification of real property as investment property. Revaluations recognised under FAS have been reversed as required by IFRS on the date of transition. Other changes come from the re-classification of leases as finance leases and impairment losses on property, plant and equipment and finance leases. Uponor divested most of its investment property to Grouse Holding Oy that caused significant IFRS compliant capital gains based on the reversal of revaluations and recognised impairment losses on the date of transition.

8. Investment property

Under FAS, real property investments, which serve the purpose of obtaining rental income or capital appreciation, are classified as plant, property and equipment. Under IFRS, such property is re-classified as investment property in accordance with IAS 40.

9. Deferred tax assets

The change in deferred tax assets arise from IFRS adjustments, such as changes in the carrying amount of plant, property and equipment and defined benefit pension plans. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

10. Inventories

The change in inventories is due to the change of determination the costs included in the inventory value.

11. Trade and other receivables

The increase in trade and other receivables is primarily due to the adoption of the percentage of completion revenue recognition method applied to construction projects.

12. Deferred tax liabilities

The change in deferred tax liabilities is due to IFRS adjustments.

13. Employee benefit and other liabilities

Under FAS, pension obligations are generally recognised in accordance with local accounting practices in each country. During the transition to IFRS, Uponor recognised additional pension obligations for certain defined benefit plans. Enabled by IFRS 1, the Uponor recognised all cumulative actuarial gains and losses for all pension in the equity of the IFRS transition date. Other changes come from finance lease liability.

14. Provisions

In December 2003, Uponor announced a restructuring plan aimed at streamlining production by integrating operations, closing and divesting plants, and discontinuing a few non-strategic businesses. IFRS sets strict formal criteria for recognising restructuring provisions. Some restructuring provisions announced in December 2003 did not meet these criteria at the date of the transition, and Uponor had to reverse some of these provisions on the transition date. During 2004, these restructuring provisions were, however, recognised in full, which had an effect on the quarterly comparative data for 2004.

As a result of the adoption of IFRS, an environmental provision of 8.4 MEUR has been recognised at the date of transition that relates to divested domestic real estate business.

15. Interest bearing and other liabilities

Under IFRS, finance leases are recognised on the opening IFRS balance sheet, increasing interest-bearing liabilities.

Shares and shareholders

The volume of Uponor shares traded on the Helsinki Exchanges in 2005 totalled 27,259,257, valued at EUR 477.7 million. The share closed at EUR 18.00 and the market capitalisation came to EUR 1,338.9 million.

The year-end number of shareholders totalled 6,766, of which foreign shareholders accounted for 31.5 per cent (31.9 per cent).

Major shareholders on 31 December 2005

Shareholder	Shares	% of shares	% of votes
Oras Invest Ltd	15,354,980	20.6	21.0
Oraset Ltd	2,116,800	2.9	2.9
Sampo Life Insurance Company	4,609,970	6.2	6.3
Varma Mutual Pension Insurance Company	3,963,104	5.3	5.4
Ilmarinen Mutual Pension Insurance Company	1,779,676	2.4	2.4
Tapiola Mutual Pension Insurance Company	1,436,800	1.9	2.0
Tapiola General Mutual Insurance Company	574,450	0.8	0.8
Tapiola Mutual Life Insurance Company	341,600	0.5	0.5
Tapiola Corporate Life Insurance Company Ltd	149,250	0.2	0.2
State Pension Fund	680,000	0.9	0.9
Odin Norden	700,950	0.9	1.0
Odin Forvaltning AS	181,900	0.2	0.2
Odin Norden II	33,350	0.0	0.0
Nordea Life Insurance Finland Ltd	364,524	0.5	0.5
Fennia Life Insurance Company	490,000	0.7	0.7
Fennia Mutual Pension Insurance Company	255,706	0.3	0.3
Finnish Cultural Foundation	500,670	0.7	0.7
Kaleva Mutual Insurance Company	320,000	0.4	0.4
Others	39,281,714	52.9	53.7
Total	73,135,444	98.3	100.0
Own shares held by the company	1,248,000	1.7	–
Grand total	74,383,444	100.0	100.0
Nominee registered shares on 31 December 2005			
Nordea Bank Finland Plc	8,033,271	10.8	11.0
Svenska Handelsbanken AB (publ.)	6,745,775	9.1	9.2
HSS/Skandinaviska Enskilda Banken AB (publ.)	7,206,268	9.7	9.9
Others	285,304	0.4	0.4
Total	22,270,618	29.9	30.5

Currently valid foreign notifications

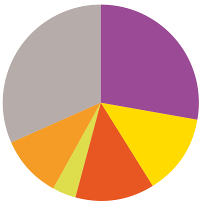
5 Feb 2002 The Capital Group Companies, Inc., holding exceeded 5 %.

The maximum number of votes which may be cast at the Annual General Meeting is 73,135,444 (status on 31 December 2005). At the end of the financial period the company held a total of 1,248,000 own shares corresponding to the same number of votes. These shares do not entitle to vote in the Annual General Meeting.

Share capital development 1999–2005

Year	Date	Reason	Change euro	Share capital euro	Number of shares
2005	31 Dec			148,766,888	74,383,444
	23 Mar	Reduction (invalidation of own shares)	874,000	148,766,888	74,383,444
2004	31 Dec			149,640,888	74,820,444
	19 Nov	Increase (bonus issue 1:1)	74,820,444	149,640,888	74,820,444
	23 Sep	Increase (stock option rights)	348,000	74,820,444	37,410,222
	28 Apr	Increase (stock option rights)	216,000	74,472,444	37,236,222
	22 Mar	Reduction (invalidation of own shares)	1,120,000	74,256,444	37,128,222
	19 Jan	Increase (stock option rights)	542,000	75,376,444	37,688,222
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

Shareholders by category on 31 December 2005



Category	No. of shares	% of shares
Private non-financial corporations	20,702,011	27.8
Public non-financial corporations	5,400	0.0
Financial and insurance corporations	10,028,166	13.5
General government	9,685,456	13.0
Non-profit institutions	2,935,878	4.0
Households	7,565,839	10.2
Foreign (including nominee registrations)	23,459,776	31.5
Other (joint account)	918	0.0
Total	74,383,444	100.0

Shareholders by size of holding on 31 December 2005

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1–100	87,674	0.1	1,031	15.2
101–1,000	1,843,928	2.5	4,080	60.3
1,001–10,000	4,171,601	5.6	1,413	20.9
10,001–100,000	5,052,449	6.8	192	2.8
100,001–1,000,000	10,713,148	14.4	40	0.6
1,000,001–	52,514,644	70.6	10	0.2
	74,383,444	100.0	6,766	100.0

Parent company (FAS)

Income statement

MEUR	Note	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004
Net sales		7.0	1.9
Other operating income	3	143.4	5,5
Personnel expenses	4	5.6	4.4
Depreciation and impairments	5	0.2	0.8
Other operating expenses	3	30.1	10.8
Operating profit		114.4	–8.7
Financial income and expenses	6	33.7	32.2
Profit before extraordinary items		148.1	23.6
Extraordinary items	7	12.2	13.5
Profit before appropriation and taxes		160.3	37.1
Increase (–) or decrease (+) in accumulated depreciation difference		0.1	2.8
Income taxes	8	4.1	1.1
Profit for the period		156.3	38.8

Balance sheet

MEUR	Note	31 Dec 2005	31 Dec 2004
Assets			
Fixed assets			
Intangible assets			
Other capitalised long-term expenditure	9	0.3	0.5
Tangible assets			
Machinery and equipment	9	0.2	0.3
Securities and long-term investments			
Shares in subsidiaries		150.4	206.8
Other shares and holdings		0.1	0.5
Other investments	10	419.7	191.3
Securities and long-term investments		570.7	398.6
Total fixed assets		495.6	399.4
Current assets			
Current receivables			
Accounts receivable		2.2	2.2
Loan receivables		14.9	53.8
Accruals		1.4	1.2
Deferred tax assets		0.3	0.4
Other receivables		37.1	41.0
Current receivables	11	55.8	98.5
Liquid assets			
Cash and cash equivalent		44.0	17.1
Total current assets		99.8	115.6
Total assets		670.5	514.9

MEUR	Note	31 Dec 2005	31 Dec 2004

Liabilities and shareholders' equity

Shareholders' equity

Share capital		148.8	149.6
Share premium		47.8	46.9
Retained earnings		174.2	207.4
Profit for the period		156.3	38.8
Total shareholders' equity	12	527.1	442.7
Accumulated appropriations	13	0.2	0.3
Obligatory provisions	14	1.1	1.5

Liabilities

Current liabilities			
Annual loan instalments		–	22.0
Accounts payable		1.4	2.0
Accruals		5.1	3.2
Other current liabilities		135.7	43.2
Total liabilities	15	142.1	70.4
Total liabilities		142.1	70.4
Total liabilities and shareholders' equity		670.5	514.9

MEUR	1 Jan–31 Dec 2005	1 Jan–31 Dec 2004

Cash flow statement

Cash flow from operations		
Net cash from operations		
Profit for the period	156.3	38.8
Depreciation	0.2	0.8
Sales gains from the sale of fixed assets	–123.4	–3.6
Cash flow adjustment items	–0.5	–1.8
Group contributions	–12.2	–13.5
Net cash from operations	20.4	20.7
Change in net working capital		
Receivables	42.7	–18.7
Non-interest-bearing liabilities	1.3	1.2
Change in net working capital	44.0	–17.5
Cash flow from operations	64.4	3.2
Cash flow from investments		
Share acquisitions	–14.3	–11.9
Share divestments	194.6	84.9
Investment in fixed assets	–	–0.2
Proceeds from sale of fixed assets	–	16.7
Granted loans	–288.9	–30.1
Loan repayments	60.5	64.1
Cash flow from investments	–48.1	123.5
Cash flow before financing	16.3	126.7
Cash flow from financing		
Borrowings of short-term debt	92.4	36.2
Repayments of short-term debt	–22.0	–26.3
Repayments of long-term debt	–	–33.8
Share issue	–	4.6
Dividends paid	–52.0	–106.9
Purchase of own shares	–20.0	–4.9
Group contributions	12.2	13.5
Cash flow from financing	10.6	–117.6
Change in liquid assets	26.9	9.1
Liquid assets at 1 January	17.1	8.0
Liquid assets at 31 December	44.0	17.1
Changes according to balance sheet	26.9	9.1

Notes to the parent company financial statements (FAS)

MEUR	2005	2004

1. Accounting Principles

The Parent Company's Financial Statements have been prepared in accordance with Finnish Generally Accepted Accounting Principals. Uponor Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company observes the Group's accounting policies whenever this is possible. Presented below are principally the accounting policies in which the practice differs from the Group's accounting policies. In other respects, the Group's accounting policies are applied.

Pension arrangements
The Company's pension liabilities are handled through a pension insurance company. All expenses incurred in pension benefits are recorded as expenses in the period during which the corresponding work was performed.

Extraordinary income and expenses
Extraordinary income and expenses consist of Group contributions received and given, which are eliminated at Group level.

Income taxes
The Group's accounting policies are applied to income taxes and deferred tax assets and liabilities to the extent permitted under Finnish Accounting Standards.

Financial assets, financial liabilities and derivative contracts
Financial assets and liabilities are booked at acquisition cost or value less write-downs, except for derivatives, which are measured at fair value. Changes in the value of financial assets and liabilities, including derivatives, are booked as credit or charged to income under financial income and expenses. The methods of measuring derivative contracts are discussed in the Group's accounting principles.

Leases
All leasing payments have been treated as rental expenses.

Management incentive scheme
The costs of the management incentive scheme have been recognised as costs on accrual basis for the years 2004-2006 according to Finnish Generally Accepted Accounting Principals.

2. Parent Company's operations

The Parent Company's business consists of Group functions. In 2004 the parent company's business included also real estate business. In 2005 the turnover of the parent company consist of the service charges from the Group companies.

MEUR	2005	2004

3. Other operating income and expenses

MEUR	2005	2004
Other operating income		
Gains from sales of fixed assets	143.4	5.4
Other income	–	0.1
Total	143.4	5.5
Other operating expenses		
Losses from sales of fixed assets	20.1	-
Environmental expenses	2.1	1.7
Other income	8.0	9.1
Total	30.2	10.8

Other operating income includes mainly capital gains from the reorganisation of the Group's legal structure.

Other operating expenses include capital losses, environmental expenses relating to the domestic real estate business divested in 2004 as well as normal other operating expenses.

4. Personnel expenses

MEUR	2005	2004
Salaries and bonuses	4.8	3.7
Pension expenses	0.5	0.3
Other personnel expenses	0.3	0.3
Total	5.6	4.3

Salaries and emoluments paid to the Managing Directors and Board Members (*, TEUR	2005	2004
Managing Director and his Deputy	699.0	540.8
Board of Directors	236.0	166.8
Total	935.0	707.6

*) specification per persons has been reported in the notes of the consolidated income statement

Loans to company directors
At 31 December 2005, the company´s Managing Director and members of the Board of directors had no loans outstanding from the company or its subsidiaries.

The retirement age for the parent company CEO has been agreed as 63 years.

5. Depreciations and impairments

MEUR	2005	2004
Other capitalised long-term expenditure	0.1	0.2
Buildings and structures	–	0.4
Machinery and equipment	0.1	0.2
Total	0.2	0.8

MEUR	2005	2004

6. Financial income and expenses

Interest income	1.5	0.6
Interest income from subsidiaries	10.9	11.5
Dividend income	–	1.3
Dividend income from subsidiaries	22.7	25.4
Other financial income	0.1	0.3
Total	35.2	39.1
Impairment of investment under non-current assets	1.1	–
Interest expenses	1.8	4.5
Intercompany interest expenses	1.9	1.6
Other financial expenses	0.7	0.8
Exchange differences		
- Realised	–2.1	0.6
- Unrealised	–1.9	–0.6
Total	0.4	6.9
Financial income and expenses	33.7	32.2

MEUR	2005	2004

Financial income and expenses include 1.1 million euros impairment of non-current investments related to loan receivables.

7. Extraordinary income

Received group contributions	12.2	13.5

8. Taxes

For the financial period	4.0	1.4
Change in deferred taxation	0.1	–0.3
Total	4.1	1.1

9. Intangible and tangible assets

2005 MEUR	Intangible rights	Other capitalised long-term expenditure	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Intangible and tangible assets
Acquisition costs 1 Jan	0.2	4.4	–	18.3	8.1	2.0	33.0
Increases	–	–	–	–	0.0	–	0.0
Decreases	–	–	–	–	0.0	–	0.0
Acquisition costs 31 Dec	0.2	4.4	–	18.3	8.1	2.0	33.0
Accumulated depreciations and impairments 1 Jan	0.2	3.9	–	18.3	7.9	2.0	32.3
Depreciation for the financial period	–	0.1	–	–	0.1	–	0.2
Accumulated depreciations and impairments 31 Dec	0.2	4.0	–	18.3	8.0	2.0	32.5
Book value 31 December	–	0.4	–	–	0.1	–	0.5

2004 MEUR	Intangible rights	Other capitalised long-term expenditure	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	**Intangible and tangible assets**
Acquisition costs 1 Jan	0.2	4.4	1.7	27.7	8.3	2.0	**44.3**
Increases	–	0.1	–	–	0.1	–	**0.2**
Decreases	–	0.1	1.7	9.4	0.3	–	**11.5**
Acquisition costs 31 Dec	0.2	4.4	–	18.3	8.1	2.0	**33.0**
Accumulated depreciations and impairments 1 Jan	0.2	3.7	–	17.9	7.7	2.0	**31.5**
Depreciation for the financial period	–	0.2	–	0.4	0.2	–	**0.8**
Accumulated depreciations and impairments 1 Dec	0.2	3.9	–	18.3	7.9	2.0	**32.3**
Book value 31 December	–	0.5	–	–	0.2	–	**0.7**

MEUR	2005	2004

10. Non-current investments

Loans receivables		
- Subsidiaries	401.2	172.8
- Others	18.5	18.5
Total	419.7	191.3

11. Current receivables

Accounts receivable		
- from subsidiaries	2.2	2.1
Loan receivables		
- from subsidiaries	14.9	53.8
Accruals		
- from subsidiaries	1.0	0.1
- from others	0.4	1.1
Deferred tax assets	0.3	0.4
Other receivables		
- from subsidiaries	37.1	41.0
Total	55.9	98.5

Deferred tax assets are recognised from obligatory provisions in the balance sheet.

Accruals

Interest income	1.0	0.1
Other financial income	0.0	0.3
Taxes	0.3	0.6
Others	0.1	0.1
Total	1.4	1.1

12. Changes in equity

Share capital on 1 January	149.6	74.8
Subscription issue	–	1.1
Bonus issue	–	74.8
Cancelling of shares	–0.8	–1.1
Share capital on 31 December	148.8	149.6
Capital reserve on 1 January	46.9	112.6
Issue premium	–	8.0
Bonus issue	–	–74.8
Cancelling of shares	0.8	1.1
Premium on shares issued, 31 December	47.8	46.9
Retained earnings 1 Jan	246.2	319.7
Dividend payments	–52.0	–106.9
Cancellation of revaluations	–	–0.5
Treasury shares	–20.0	–4.9
Profit for financial period	156.3	38.8
Retained earnings 31 Dec	330.5	246.2
Shareholders' equity 31 December	527.1	442.7

MEUR	2005	2004

13. Accumulated depreciation

- Intangible assets	0.1	0.1
- Plant and machinery	0.1	0.2
Total	0.2	0.3

Accumulated depreciation differences include deferred tax liabilities, which is not recognised in the financial statements of parent company.

14. Obligatory provisions

Pension obligation	0.3	0.3
Environmental provision	0.8	1.2
Total	1.1	1.5

15. Current liabilities

Bonds	–	22.0
Accounts payable		
- from subsidiaries	0.4	0.3
- from others	1.0	1.7
Accruals		
- from others	5.1	3.2
Other current liabilities		
- from subsidiaries	134.2	41.4
- from others	1.4	1.8
Total	142.1	70.4

Accrued liabilities

Personnel expenses	0.6	0.6
Taxes	1.5	0.7
Interest	0.2	0.5
Others	2.8	1.4
Total	5.1	3.2

16. Contingent liabilities

Guarantees issued on behalf of a subsidiary	10.1	23.9
Guarantees issued on behalf of others	10.2	10.6
Other contingent liabilities		
Operating lease commitments		
for next 12 months	0.5	0.4
Operating lease commitments		
over next 12 months	2.1	2.2
Guarantees issued	20.3	34.5
Leasing commitments	2.6	2.6
Total	22.9	37.1

Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.

17. Exchange and interest rate risk management

	Nominal value		Fair value	
	2005	2004	**2005**	2004
Interest derivatives:				
Interest rate options, bought	–	45.0	–	45.0
Interest rate options, sold	–	45.0	–	45.0
Foreign currency derivatives:				
Forward agreements	**26.9**	7.7	**26.8**	7.7

Distributable funds, 31 December 2005, EUR

Retained earnings	174,156,079.51
Profit for the period	156,334,133.15
Distributable funds, 31 December 2005	330,490,212.66

Proposal of the Board of Directors

According to the balance sheet as of 31 December 2005, Group profits amount to EUR 231,618,000, of which EUR 212,785,000 may be distributed. The distributable profit of Uponor Corporation is EUR 330,490,212.66.

The Board of Directors proposes that a dividend of EUR 0.90 per share be paid on the 2005 accounting period.

Vantaa, 9 February 2006

Pekka Paasikivi
Chairman

Aimo Rajahalme

Jorma Eloranta

Anne-Christine Silfverstolpe Nordin

Rainer S. Simon

Jan Lång
Managing director

Auditor's report

To the shareholders of Uponor Corporation

We have audited the accounting records, the financial statements and the administration of Uponor Coproration for the period 1 January to 31 December 2005. The Board of Directors and the Managing Director have prepared the Report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that includes parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An 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 administration is to examine that the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish 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 Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. 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 by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies Act.

Vantaa, 9 February 2006

KPMG Oy Ab

Sixten Nyman
Authorized Public Accountant

Corporate governance

Pursuant to 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 (CEO). Uponor Corporation follows the recommendation on corporate governance for listed companies issued by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (TT).

General meetings of shareholders

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

– Amendments to the Articles of Association
– Adoption of the annual accounts
– Dividend distribution
– Share issues
– Buyback and disposal of the Corporation's shares
– Share and stock-option plans
– Election of members of the Board of Directors and decision on their emoluments
– Election of the Corporation's auditor and decision on audit fees

Under the Finnish Companies Act, a shareholder has the right to require discussion on a matter at the general meeting of shareholders if (s)he submits his/her demand in writing to the Board of Directors well in advance so that the matter can be included in the notice of meeting.

Shareholders, who alone or jointly with others hold a minimum of 10 per cent of company shares, have the right to demand in writing that an extraordinary general meeting (EGM) of shareholders be convened for the purpose of discussing a specified matter.

Shareholders wishing to participate in and exercise their voting rights at the general meeting of shareholders must notify the Corporation of their intention to attend the meeting by the date mentioned in the notice of meeting.

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 takes decisions on all other significant issues, such as Group strategy, dividend policy, budget, major investments including company acquisitions, as well as major restructuring plans. The Board also approves succession plans for the CEO and the Executive Committee members.

Election and membership

Pursuant to the Articles of Association, the Board comprises a minimum of five and a maximum of seven members, elected for a one-year term starting at closing of the Annual General Meeting (AGM) at which they were elected and expiring at closing of the following AGM. Board members may be elected or removed only by a resolution adopted by the shareholders in a general meeting. The number of terms Board members may serve is not limited, nor is there any defined retirement age applying to them.

The AGM held in March 2005 elected the following five members to the Board: Mr Jorma Eloranta, Mr Pekka Paasikivi, Mr Aimo Rajahalme, Ms Anne-Christine Silfverstolpe Nordin, and Mr Rainer S. Simon. (For more detailed information on Uponor's Board members, please see page 56 or visit www.uponor.com.)

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

All of the current Board members are independent of the Corporation and all of the Board members, except for Mr Paasikivi, are independent of major shareholders.

It is in the interests of the Corporation and stakeholders that the elected Board members represent expertise in various fields, such as the Corporation's industry, relevant technologies, financing, human resources management, risk management and international sales and marketing.

The AGM determines Board emoluments and fees. Based on the 2005 AGM's decision, the annual Board emoluments are as follows: Chairman EUR 65,000, Deputy Chairman EUR 45,000, and ordinary Board members EUR 40,000.

Additionally, the AGM decided that approximately 40 per cent of the annual emoluments be paid in company shares acquired on behalf and in the name of the Board members, and approximately 60 per cent in cash.

The table below shows annual emoluments and fees paid to the current Board members during 2005:

Board member	Annual emoluments, €
Paasikivi Pekka, Chairman	65,000
Rajahalme Aimo, Deputy Chairman	45,000
Eloranta, Jorma	40,000
Silfverstolpe Nordin, Anne-Christine	40,000
Simon Rainer S.	40,000
Total	230,000

The Board members are not involved in the Corporation's share-based incentive scheme.

The Board elects from among its members a Chairman and Deputy Chairman, for one year at a time.

Meetings and decision-making

The Board meets on average 10 times a year. Some meetings may be held as teleconferences. Two of the meetings should take place at a business unit, a different one at each time. The Board of Directors may also meet at any time without the presence of the corporate management.

During 2005, the Board held 12 meetings, two of these at a business unit. Four non-attendances were recorded.

Board Committees

The Board of Directors has decided that the Corporation shall not have a separate Audit Committee but the Board shall perform the duties otherwise vested with such a committee. The Board meets with the external auditor at least twice a year, once without the presence of the corporate management. In addition to monitoring internal and external audits, the Board's duties as Audit Committee include examining the contents of the Corporation's annual accounts and interim reports, and monitoring its internal control and risk management systems.

Whenever necessary, the Board sets up ad hoc committees to deal with various issues, such as compensation and nominations.

Chief Executive Officer

Assisted by the Executive Committee, the Chief Executive Officer is in charge of the Group's day-to-day management in accordance with the orders and instructions issued by the Board. It is the CEO's duty to ensure that the Corporation's accounting procedures comply with the applicable legislation and that the financial management is conducted in a reliable manner. The CEO is also the Chairman of the Executive Committee.

The annual remuneration paid to the CEO, Mr. Jan Lång, totalled EUR 336,080 in 2005, including fringe benefits. He is also entitled to a bonus of a maximum of 50 per cent of his annual remuneration. In 2005, he received EUR 118,233 in bonuses.

Under 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 remuneration paid to the CEO for 12 months preceding the termination. The Corporation may also terminate the agreement with immediate effect by paying an indemnification equivalent to his 18-month remuneration. The CEO is entitled to retire at the age of 63, with a 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) is mainly responsible for formulating and implementing the Group's strategy. It also discusses and decides on significant operational issues, while each of its members is responsible for the Group's day-to-day management with respect to his/her field of responsibility.

In addition, the ExCom deals with budgets, business plans and their implementation, major organisational changes and any changes in employment terms and conditions affecting a large number of employees.

Membership

The ExCom comprises the CEO and the number of executives determined by the Board, with the CEO acting as the Chairman. (For more information on ExCom members and their responsibilities, please refer to pages 57-58.)

Meetings and decision-making

The ExCom meets 10–12 times a year, with informal records being kept of its meetings. In 2005, the ExCom held 12 meetings.

Board and CEO evaluation

The Board conducts an annual evaluation of the CEO's performance with respect to, for example, strategic planning, management skills and financial performance, based on a special evaluation form. In addition, the Board conducts a separate evaluation of its own performance and that of the Chairman, while each director also assesses his/her personal performance.

Compensation

The Group's compensation system consists of the basic salary, fringe benefits and, subject to an individual employee's position, a profit and performance-based bonus. The superior of an employee's immediate supervisor is responsible for approving an individual employee's compensation. The compensation of the Executive Committee members consists of an additional long-term share based incentive programme.

A Group employee is not entitled to a separate fee for a board membership within a Group company.

The Board determines the CEO's employment terms and conditions and his annual compensation, and approves the ExCom members' annual compensation, based on the CEO's proposal.

Internal control, risk management and internal audit

The Board and the CEO determine the policies used to steer the Group's operations. As part of internal control, the management is responsible for monitoring compliance with the said policies within the Group.

The Group's main risk areas have been identified, with each ExCom member being allocated his/her own area of responsibility with regard to the identified risks. These responsibilities include the management and proper organisation of such areas throughout the Group. The officer in charge of risk management co-ordinates overall risk management within the Group and is also responsible for ensuring appropriate insurance coverage and organising risk-management reporting on a Group-wide basis.

Internal audit is independent of daily business operations in order to provide a solid basis for an unbiased business evaluation. The Board approves the annual internal audit plan.

In 2005, the Corporation outsourced its internal audit to PricewaterhouseCoopers Oy

External audit

The AGM elects the external auditor on the basis of the Board's proposal. The external auditor must be a corporation of authorised public accountants accredited by the Central Chamber of Commerce of Finland. In co-operation with the auditor, the corporate management organises the audit of the Group's subsidiary companies, as required by applicable local legislation. Auditors of these subsidiary companies report directly to the legal unit they have audited, submitting a copy of each report to the Group's financial administration for inclusion in the Corporation's audit log.

The 2005 AGM appointed KPMG Oy Ab, a corporation of authorised public accountants, as the Corporation's auditor for the financial year 2005, with Mr Sixten Nyman, Authorised Public Accountant, acting as the principal auditor. Audit fees paid in 2005 to the external auditor for statutory audit services totalled EUR 637,000, for audit related services EUR 10,000 and for non-audit services EUR 344,000.

Insider guidelines

The Corporation complies with the guidelines for insiders issued by the Helsinki Stock Exchange, the standards issued by the Financial Supervision Authority of Finland as well as other authorities.

The Corporation's public insiders comprise Board members, the CEO, Executive Committee members and the auditor. The Corporation maintains its primary insider register in Finnish Central Securities Depository Ltd's SIRE system.

The Corporation also maintains a company specific, non-public register of its permanent insiders including employees within the Group's administration. Those involved in the development and preparation of a project, such as mergers and acquisitions, are considered project-specific insiders. Whenever appropriate, the Corporation maintains a special project-specific insider register. 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 in the Corporation's shares and other securities is subject to prior approval by the Corporation's General Counsel. The Corporation applies an absolute trading prohibition that starts at end of the reporting period, however, not later than three weeks prior to the disclosure of annual accounts and interim reports, and last until the disclosure of the annual accounts or an interim report.

The table below shows the shares owned by the public insiders in 2005 (including any holdings of corporations controlled by them and any holdings of their immediate circle).

Shares held by permanent insiders in 2005

Name	Position	Date	Shares
Aarnio Paula	Executive Committee member	1 Jan. 31 Dec.	- -
Bjork Jim	Executive Committee member	1 Jan. 31 Dec.	- -
Brinkmann Bernhard	Executive Committee member	1 Jan. 31 Dec.	- -
Eloranta Jorma	Board member as of 15 March 2005	15 Mar. 31 Dec.	1,000 2,052
Graevenitz von Georg	Executive Committee member	1 Jan. 31 Dec.	- -
Holopainen Pekka	Board secretary, public insider until 1 July 2005	1 Jan. 31 Dec.	- -
Kallioinen Jukka	Executive Committee member	1 Jan. 31 Dec.	440 440
Luomakoski Jyri	Deputy CEO and CFO	1 Jan. 31 Dec.	1,600 1,800
Lång Jan	President and CEO	1 Jan. 31 Dec.	9,400 10,400
Niemi Matti	Board member until 15 March	1 Jan. 31 Dec.	2,494 2,494
Nyman Sixten	Auditor	1 Jan. 31 Dec.	- -
Paasikivi Pekka	Board Chairman	1 Jan. 31 Dec.	356,890 428,700
Rajahalme Aimo	Board member	1 Jan. 31 Dec.	4,000 5,184
Rintanen Lauri	Executive Committee member	1 Jan. 31 Dec.	400 400
Silfverstolpe Nordin Anne-Christine	Board Member	1 Jan. 31 Dec.	3,448 4,680
Simon Rainer S.	Board Member	1 Jan. 31 Dec.	746 1,798
Tollsten Anders	Executive Committee member	1 Jan. 31 Dec.	- -

Uponor Corporation Board of Directors, 1 January 2006

Pekka Paasikivi

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

Board memberships

Chair of the Board, Erkki Paasikivi Foundation
Member of the Supervisory Board, Finpro Oy (–13 Dec 2005)
Chair of the Supervisory Board, Varma Mutual Pension Insurance Company
Member of the Board, Okmetic Oyj
Member of the Board, Raute Oyj
Member of the Board, Technology Industries of Finland (–31 Dec 2005)
Member of the Board, Foundation of Economic Education

Career history

Various positions at Oras companies, e.g. Managing Director and CEO

Aimo Rajahalme

b. 1949, Finnish citizen, M.Sc. (Econ.), Executive Vice President, Finance and Information Services, Kone Corporation
Deputy Chair of the Board, Uponor Corporation from 15 March 2005,
Member from 17 March 2003

Career history

Member of Executive Board, Kone Corporation, since 1991
CFO, Kone Corporation, since 1991
Employed by Kone since 1973

Jorma Eloranta

b. 1951, Finnish citizen,M.Sc. (Tech.) , CEO, Metso Corporation
Member of the Board, Uponor Corporation from 15 March 2005

Board memberships

Member of the Supervisory Board, Ilmarinen Mutual Pension Insurance Company
Member of the Executive Board and Member of the Board, Technology Industries of Finland
Chairman of the Advisory Board, Laatukeskus Excellence Finland
Member of the Advisory Board, Helsinki University of Technology
Member of the Council, Finnish Section of the International Chamber of Commerce (ICC Finland)
Member of the Council, Helsinki Chamber of Commerce
Chairman and Member of the Board, Oy Center-Inn Ab

Career history

President and CEO, Kvaerner Masa-Yards Inc., 2001–2004
President and CEO, Patria Industries Group, 1997–2001
Deputy CEO, Finvest Group and Jaakko Pöyry Group, 1996–1997
President, Finvest Oyj, 1985–1995

Anne-Christine Silfverstolpe Nordin

b. 1950, Swedish citizen, M.A. (Soc.), Partner and Senior Consultant of Neuhauser & Falck AB
Member of the Board, Uponor Corporation from 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, Neuhauser & Falck AB
Member of the Board and owner, Chorda Management AB
Member of the Board, Springtime AB

Career history

Senior Vice President, Swedish Post (Posten AB), 1997–2002
Various positions in Human Resources in different companies, 1984–1997

Rainer S. Simon

b. 1950, German citizen, Dr.Sc.(Econ.), President, Birch Court GmbH
Member of the Board, Uponor Corporation from 17 March 2004

Career history

President and CEO, Sanitec Corporation, 2002–2005
Member of the Executive Board, Friedrich Grohe AG, 1995–2002
Senior Vice President, Europe, Continental AG, 1993–1995
Managing Director, Keiper-Recaro, 1991–1993
Various national and international marketing and general management positions, Continental AG, 1979–1990

Executive Committee, 1 January 2006

Jan Lång
President and CEO
M.Sc. (Econ.)
b. 1957, Finnish citizen
Employed by Uponor since June 2003
Career history
Uponor:
President and CEO, Uponor Corporation, 1 August 2003–
Other:
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
Deputy CEO, CFO
MBA
b. 1967, Finnish citizen
Employed by Uponor since 1996
Career history
Uponor:
Deputy CEO, Uponor Corporation, 2002–
CFO, member of Executive Committee, Uponor Corporation (Asko Oyj), 1999–
Corporate controller, Uponor, 1997–1999
Controller, Uponor, 1996–1997
Other:
Deputy Managing Director and CFO, Oy Lars Krogius Ab, 1991–1996
Director and Manager positions in Germany and Finland, Datatrans, 1987–1991

Paula Aarnio
Executive Vice President, Human Resources
M.Sc. (Eng.)
b. 1958, Finnish citizen
Employed by Uponor since February 2004
Career history
Uponor:
Executive Vice President, Human Resources, 2004–
Other:
Human Resources Director, Oy Karl Fazer Ab, 2001-2004
Vice President, Human Resources, Neste Oy/Fortum Oyj,1998–2001
General Manager, Human Resources, Neste Oy, Chemicals Division, 1997–1998
Technical Marketing Manager, Neste Resins Oy, 1992–1995
Product Development Manager, Neste Resins Oy, 1987–1991

Jim Bjork
Executive Vice President, Uponor North America
B.A., MBA
b. 1959, US citizen
Employed by Uponor since 1990
Career history
Uponor:
Executive Vice President, Uponor North America, 2003–
President, Housing Solutions North America, 2002–2003
Vice President, North America, Plumbing and Heating Systems, 2000–2002
Managing Director, Wirsbo Company, 1998–2000
Director, Wirsbo Company, 1996–1998
CFO, Plant Director, Sales Director, Marketing Director, Wirsbo Company, 1990–1996

Bernhard Brinkmann
Executive Vice President, Uponor Central Europe
M.Sc. (Mech.Eng.)
b. 1953, German citizen
Employed by Uponor since May 2004
Career history
Uponor:
Executive Vice President, Uponor Central Europe, 2004–
Other:
CEO, Zarges-Tubesca Holding GmbH, 1996–2004
Division Head of Small Domestic Appliances, Bosch-Siemens Hausgeräte GmbH, 1992–1996
CEO, Esselte GmbH, 1988–1991
Director of Strategic Planning, Osram GmbH, 1985–1988
Management Consultant, Roland Berger & Partner GmbH, 1980–1985

Georg von Graevenitz
Executive Vice President, Marketing and Development
M.Sc.(Eng.)
b. 1947, Finnish citizen
Employed by Uponor since March 2004
Career history
Uponor:
Executive Vice President, Marketing and Development, 2004–
Other:
Executive Vice President, Marketing, Uponor Corporation, March–October 2004
Vice President, Marketing, Sulzer Pumps, 2000–2004
Vice President, Marketing, Ahlstrom Pumps Oy, 1997–2000
Regional Vice President, Foster Wheeler Energy, 1995–1997
Managing Director, Ahlstrom CNIM, Paris, France, 1994–1995
Director Business Development, Ahlstrom Pyropower, 1993–1994
Various director positions at Nokia in cables and capacitor business in Finland and abroad, 1988–1993
Various marketing and general manager positions at Tampella, Ahlström and Brown Boveri in Finland, Sweden and Switzerland,1974–1988

Jukka Kallioinen

Executive Vice President, Uponor Europe – West, East, South, 2003–
M.Sc. (Eng.), eMBA
b. 1958, Finnish citizen
Employed by Uponor since 1984

Career history

Uponor:
Executive Vice President, Uponor Europe – West, East, South, 2003–
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

Other:
Various positions at Nokia Group during 1989–2003:
Director, 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

Lauri Rintanen

Executive Vice President, Supply Chain, 2004–
M.Sc. (Eng.)
b. 1955, Finnish citizen
Employed by Uponor since February 2004

Career history

Uponor:
Executive Vice President, Supply Chain, 2004–

Anders Tollsten

Executive Vice President, Uponor Nordic, 2004–
M.Sc. (Eng.)
b. 1962, Swedish citizen
Employed by Uponor since February 2004

Career history

Uponor:
Executive Vice President, Uponor Nordic, 2004–
Other:
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

Group structure, 1 January 2006

Board of Directors

President & CEO
Jan Lång

Finance & Administration
Jyri Luomakoski

Human Resources
Paula Aarnio

Supply Chain
Lauri Rintanen

Marketing and Development
Georg von Graevenitz

Uponor Central Europe
Bernhard Brinkmann

HS Central Europe
Germany
Austria
Switzerland
the Czech Republic

HS Poland
Ukraine
Belarus

Uponor Nordic
Anders Tollsten

HS Nordic
Sweden
Finland
Denmark
Norway

IE Nordic
Sweden, Norway
Finland
Denmark

Uponor Europe – West, East, South
Jukka Kallioinen

IE UK & Ireland
IE Germany
Baltic countries, Russia
HS France
HS Italy
HS Spain, Portugal
HS UK & Ireland
HS International Sales

Uponor North America
Jim Bjork

HS North America
USA
Canada

HS = Housing Solutions
IE = Infrastructure Solutions

Investor relations at Uponor

"Silent period"

Uponor applies the principle of a silent period in its IR communications. During a silent period, Uponor does not comment on market prospects or factors affecting business and performance, nor does the company engage in discussion on events or trends related to the reporting period or the current fiscal period. Uponor will not pay visits to, or receive them from, investors or representatives of media in which these matters are discussed.

A silent period starts at the end of each reporting period, and not later than three weeks prior to the disclosure of annual accounts or interim reports, and lasts until the release of the annual accounts or an interim report.

Questions and enquiries

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Changes of address

Shareholders are requested to notify their bank, their brokerage firm, or any other financial institution responsible for maintaining their book-entry securities account of any changes in their mailing address. By keeping your contact details updated, you ensure correct delivery of any shareholder information from Uponor.

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Uponor assumes no responsibility for the presented analyses.

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