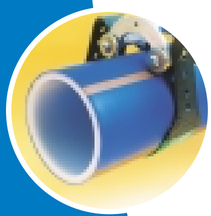
Annual report 1999



uponor

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Important dates at Uponor Oyj in the year 2000

• Final statements bulletin for 1999	16 February
• Annual report for 1999	13 March
• Annual General Meeting	21 March
• Record date for dividend payment *	24 March
• Dividend payment day *	31 March
• Interim report: January - March	27 April
• Interim report: January - June	1 August
• Interim report: January - September	31 October

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

Publications

To order financial publications or the English-language corporate magazine, please contact:

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Website: www.uponor.com

Insider register

The public register of Uponor Oyj insiders may be viewed at the Legal Affairs Department at the Corporate Head Office: Kimmeltie 3, FIN-02110 Espoo, Finland, tel. +358 (0)9 4789 6325.

Uponor

Uponor is one of the world's leading suppliers of pipe systems for the construction industry and for public utilities. Uponor products are used in a wide range of applications, including heating, water and gas distribution, data communications and sewer systems. Our high standard, environmentally friendly products promote human welfare and improve quality of life.

Uponor operates in 26 countries and its products are sold in some 100 countries around the globe.

Objectives

Uponor aims to become the leading brand in its sector, to increase the value of the company in the long term and to generate added value for its owners. Following a phase of heavy investment and rapid growth, Uponor is focusing on consolidating its position in its chosen geographical and business segments.

Strategy

Uponor seeks to realise its objectives by working with its customers to develop innovative plastic pipe systems and associated services. The continually evolving technical expertise of the company provides a firm foundation for developing products, services and industry networks and for establishing long term partnerships.

Values

The business operations of Uponor are based on respect for life, which is manifest in consideration for people, society and the environment. The company seeks to set an example in all of its undertakings both at enterprise and individual level.

Uponor is characterised by respect for individual expertise, enterprise and flexibility and encourages everyone to work for common objectives.

1999 in brief

• Group net sales grew by 16 per cent compared with the preceding year. Uponor Plastic Pipe Systems accounted for more than 75 per cent of total net sales.

• The operating profit of Uponor Plastic Pipe Systems increased by 67 per cent compared with the preceding year. Most of this growth derived from telecommunications and from heating and plumbing systems, together with the incorporation within the Group of the German Unicor Holding AG.

• Asko Furniture Ltd. was divested on 31 March 1999.

• On 31 December 1999 Oy Uponor Ab merged with its parent company, Asko Oyj and the name of the new Group became Uponor Oyj. The company head offices were combined.

• In April Uponor concluded a five-year supply agreement with Severn Trent Water Ltd., the total annual value of which is some EUR 10 million. Severn Trent Water Ltd. is one of the largest water companies in the United Kingdom.

• A new Wirsbo hot water systems factory was opened in September in St. John, New Brunswick, Canada.

• At the end of the year Uponor set up a joint venture with Gaz de France in Hungary to manufacture and market electrofusion fitting systems for gas and water pipes.

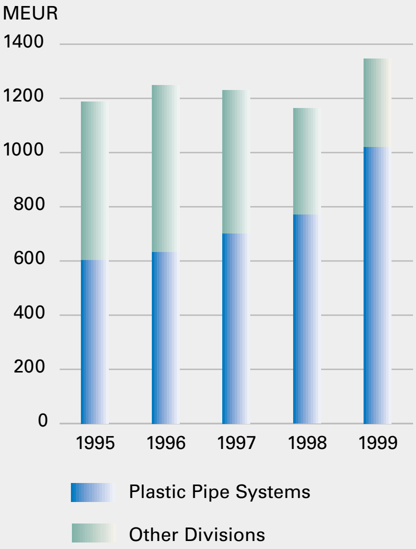
• A plastic pipe factory under construction at Sochaczew in Poland was completed in February 2000.

Key figures

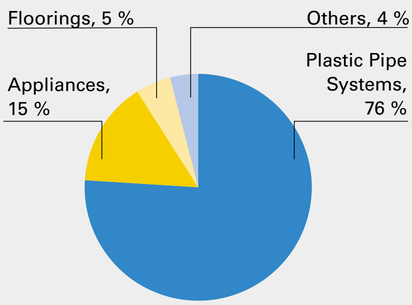
	1999	1998	Change, %
Net sales, MEUR	1,346.8	1,165.5	15.6
Operating profit, MEUR	107.4	91.0	18.0
Profit before appropriations and taxes, MEUR	111.0	100.9	10.0
Investments, MEUR	154.3	128.9	19.7
Return on Equity, %	13.3	10.3	29.1
Return on Investment, %	12.4	11.7	6.0
Solvency, %	39.9	40.1	-0.5
Gearing, %	84	85	-0.2
Personnel at 31 Dec.	7,307	6,756	8.2
Dividend, EUR/share *	0.67	0.59	13.6

* Proposal of the Board of Directors

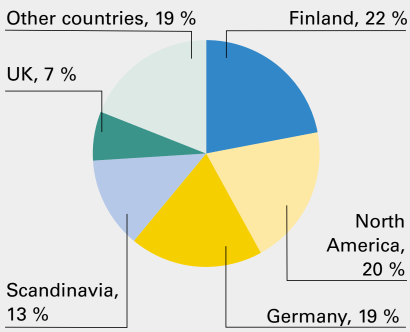
Net sales



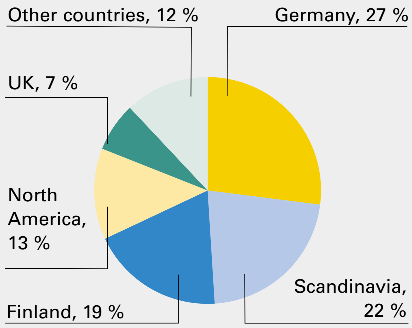
Net sales by Division



Net sales by market area



Staff by country



Review by the CEO

1999 was a successful year for Uponor. We exceeded our targets and achieved our best ever result.

We are particularly pleased that our core business operation, Uponor Plastic Pipe Systems, increased its net sales by 32 per cent and its operating profit by 67 per cent. Some of this growth in net sales came from the German Unicor Group which is now fully owned by Uponor. The acquisition of Unicor significantly reinforces Uponor's market position and its technological expertise in plumbing systems. The organic growth achieved at Uponor Plastic Pipe Systems was 12 per cent, and a similar rate of growth is expected to continue.

In line with our strategy, we continued measures to consolidate the Group by selling the Asko furniture business at the end of March to a consortium comprising the management of the company and venture capital investors. We also initiated measures with a view to focusing exclusively on plastic pipe systems in the near future. This Division already comprised nearly 80 per cent of overall Group net sales last year.

The change in the name of the Group to Uponor Oyj as of 1 January 2000 may be viewed as a natural consequence of our chosen strategy. In this way we are strengthening the unity and visibility of the Group and of its global operations.

We have recently launched a major reorganisation. The Plastic Pipe Systems business has been divided into four Divisions: Plumbing and Heating, Utilities, Building and Environment, and Technology. Each of these Divisions has an internal Board of its own which supervises the work of the Division according to the strategies and the rules of corporate governance approved by the Group Board of Directors. The aim of this reorganisation is to achieve a firmer grip on core business operations and to bring about a management system which is both flexible and participatory.

In line with our strategy, we are focusing more on high quality, innovative plastic pipe systems which provide our customers with tangible added value over the long term. We anticipate rapid growth in plumbing systems and in the telecommunications sector. Use of advanced plastic pipe systems has not yet become common in plumbing. Market growth in fibre optic cable installation systems is strong, even in Europe alone, as trunk networks are constructed. We also expect faster than average growth in under-floor heating systems, in which we are market leaders both in Europe and in North America.

Our strategy seeks to shift the focus of our business operations to advanced added-value product systems, for which Uponor manufactures products requiring the most advanced technology. Uponor is a technological leader in its sector with several innovative solutions currently under development to meet the changing needs of our customers.

The company has now passed through a three-year period of exceptionally heavy investment in growth. It is now time to focus on consolidating the investments which have been made. Any enterprise acquisitions made will seek chiefly to improve our market position still further and to reinforce our technological lead.

Last autumn we welcomed a new major industrial owner when Oras became the largest shareholder in our company after Fortum divested its shares. Fortum, formerly Neste, was highly important in the initial phases of Uponor's globalisation. We are very pleased that the Oras Group in particular has chosen to become a major shareholder in Uponor, as Oras is renowned as an innovative and well-established enterprise with wide ranging expertise in the field of building technology.

The economic outlook for the year 2000 appears to be rather favourable. Economic growth in Europe is gathering pace while the long-sustained growth in North America looks set to continue. I believe that the current year will be even more successful for us than last year.

The personnel are our most valuable resource. I would like to thank everyone for a job well done in a year when the change in the calendar added an extra dimension to our work. I would also like to thank our customers and shareholders for their confidence and valued partnership. We shall continue to do our utmost to generate added value through our products.

Jarmo Rytilahti

Uponor Plastic Pipe Systems

- **Uponor Plastic Pipe Systems comprises the Uponor Plumbing and Heating Systems, Uponor Utilities, and Uponor Building and Environment divisions.**
- **The operating profit of Plastic Pipe Systems increased by 67 per cent.**
- **Enterprise acquisitions strengthened market position.**
- **The fastest growth was in telecommunications and plumbing systems.**
- **Demand in the main markets continues to be good.**

Net sales

The net sales of Uponor Plastic Pipe Systems amounted to EUR 1,020.9 million, which was 32 per cent higher than in 1998. Sales were boosted in particular by the inclusion of the German Unicor Holding AG and Cronatherm GmbH within the Group at the start of the year. The rate of organic growth was also rapid at over 12 per cent. Demand was healthy due to a good market situation, particularly in North America, the Nordic countries and the United Kingdom.

Under the 1999 organisation, sales of the Plastic Pipe Systems Division were divided as follows: Hot Water Systems 46 per cent, Utilities 27 per cent, Building and Construction 11 per cent, Gas and Telecommunications 13 per cent and others 3 per cent.

Result

The operating profit of the Plastic Pipe Systems Division was EUR 79 (47) million. The return on investment was 15.5 per cent.

This favourable development in earnings was due to successful enterprise acquisitions and a good market situation in several of the countries in which Uponor operates. Following the heavy investments of recent years Uponor products have been readily available and it was also possible to increase sales by launching new products. Both of these factors had a favourable impact on the result.

Investment and product development

The main investment in the Plastic Pipe Systems Division, 44 per cent, was allocated to enterprise purchases. Other investments were mainly directed to expanding the sales and production network and to supplementing and developing product systems to meet the needs of customers.

Personnel

The Plastic Pipe Systems Division had a total staff of 5,688 (4,218) at the end of the year.

Market situation

Business operations grew most rapidly in the telecommunications sector due to major international trunk network installations. Demand for hot water systems was also strong, particularly in North America. This was due to an increase in the popularity of radiant under-floor heating and increased use of PEX piping in plumbing and other installations.

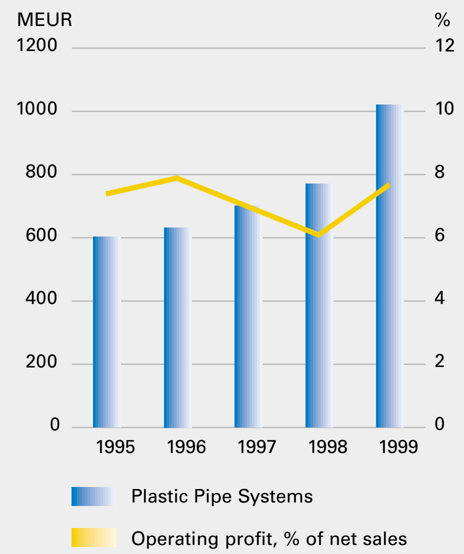
The use of plastic pipe systems continued to grow globally more rapidly than the average for the pipe market, especially in hot water and building technology installations. Largely on account of their competitive use and installation properties, plastic pipes are displacing traditional materials. Product system development work is continuing at a rapid rate and so it is believed that demand for plastic pipe systems will continue to be good for the foreseeable future.

Competition in the international market continues to centralise. Various large companies have emerged in the public utilities sector, for example, seeking high volume benefits as manufacturers of commodity pipe products. While the hot water systems market differs from the public utilities market, competition has increased as new enterprises have entered the market.

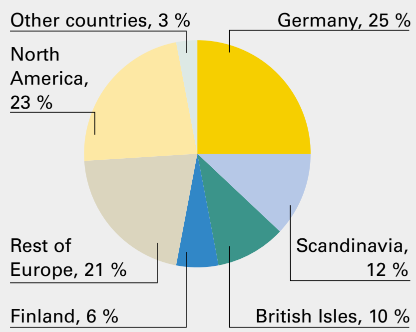
Concentration of the technical wholesale trade continued. The trend which began in the British Isles – whereby the water, sewerage, electricity and telecommunications sectors have combined and become multiple suppliers of public utilities – is now familiar at almost all major markets. Private competition in the utilities market has continued to grow. These enterprises now form a new kind of clientele with a wide range of new requirements.

The high level of demand for plastic pipe systems is expected to continue. It is also believed that sales of polyethylene and polypropylene products will increase as some customers are seeking alternatives to PVC products. The transparency of various market areas in Europe is increasing with the introduction of a single European currency and growing internationalisation of both competitors and customers. Environmental requirements are becoming more strict, for example with respect to improving the management of waste water and rainwater and the availability of clear water while reducing the lead content of drinking water, especially in the United Kingdom and France. This is increasing the need to replace pipe systems, thereby generating growth in demand for plastic pipes.

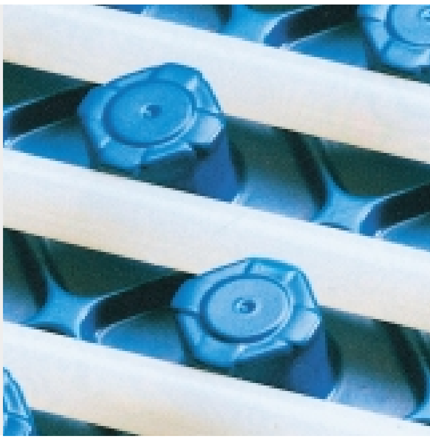
Net sales and operating profit



Net sales by market area



Uponor Plumbing and Heating Systems



- **Uponor reinforced its position as a global leader in radiant under-floor heating systems.**
- **Plumbing systems were a growth area for PEX pipe systems.**
- **Investments helped to strengthen sales channels and production capacity.**

Demand comes from life

Everyone is fundamentally concerned with questions of individual health and quality of life. People also seek control over their own lives and the environment in which they live, over how they live and over the kind of food which they eat.

Comfort and freedom from anxiety are important aspects of residence. It matters to some people that they can select a form of heating which does not limit their choices in interior design. Others consider it important that they choose a form of heat generation, for example, which imposes the least possible burden on the environment.

Health means a lot to everyone and so the products used in building construction must not engender health risks.

Uponor serves people

One of the objectives of Uponor's Plumbing and Heating Division is to provide people with durable, healthy and comfortable solutions for both the residential and working environment. Uponor is a globally leading supplier of radiant under-floor heating and cooling systems. The company manufactures various pipe systems for conducting hot and cold water both in residential and industrial buildings. These systems are characterised by comfort, durability, respect and environmental friendliness combined with low operating costs, long life spans, safety and technical support.

Uponor supplies comprehensive solutions for various water distribution and heating systems for both indoor and outdoor use. Under-floor heating systems are the largest product group, with several designs manufactured for a range of uses and installation environments. Other product groups include systems for radiator heating and plumbing in buildings, featuring a high standard of leak-resistance and safety. Systems used outside buildings include district heating systems and antifreeze systems for transporting water and heat between buildings.

Uponor aims to develop value-added installation systems for the changing needs of the market. This is facilitated by the status of the company as a technical leader in the industry and a close relationship with its customers. Several Uponor systems are globally renowned brand names.

Water-borne heating is increasingly used in outdoor locations such as this football club pitch in the Netherlands. Many of the world's leading sports fields now use Uponor ground heating systems to extend the sporting season and improve playing conditions.

Power from scope

1999 was a year when Uponor considerably reinforced its lead in the international market. At the start of the year the hot water operations of the German Unicor were merged with the Division. This merger increased the net sales of the Group by EUR 122 million. Unicor is a leading manufacturer of plastic-metal composite pipes, which brought new, important expertise to Uponor. The combination of organisations enabled significant synergy benefits to be secured in almost all operating areas, e.g. marketing, product development, purchasing and distribution.

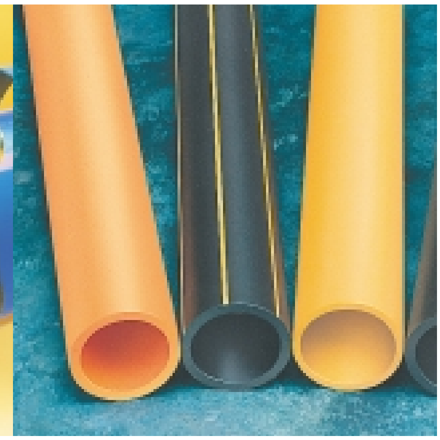
Uponor has recently made several investments seeking to ensure both adequate production capacity and effective sales channels. Acquisition of the Austrian sales company for Wirsbo products and the German Meroblock sanitary tank system business were important marketing investments in 1999. The opening of a factory in Poland in early 2000 and an extension to a German factory will ensure the adequacy of European production capacity until well into the 21st century. Uponor's position in North America was reinforced with the opening of a new factory in St. John, New Brunswick, Canada and by extensions to the Wirsbo factory in the USA over the last couple of years.

Stable growth continues

Demand for Uponor hot water products is increasing steadily. The company aims to strengthen its market position in hot water systems still further by improving their competitiveness and extending the operation to new markets.

The benefits of advanced plastic pipe systems are obvious; the products are conquering the market for traditional pipe systems both in residential and office buildings.

Under-floor heating systems are Uponor's largest single product group. These products are very popular, for example in Germany and Switzerland. The benefits of radiant under-floor heating and other plumbing systems using plastic pipes are still little known in several countries, however. This means that there are considerable growth opportunities in this sector.



- **Expertise and services in the public utilities sector is concentrated on specialised companies.**
- **The new Uponor Utilities Division is investing in services to major international customers.**
- **Telecommunications network installations are the most rapidly growing market area.**

Demand comes from people

Demand for natural gas is increasing steadily, gas reserves are plentiful and still more are being discovered in various parts of the world. Increasing the use of natural gas in urban areas and industry is one of the fastest and easiest ways to improve the environment and the quality of the air. As built-up areas increase in size and become more concentrated, the need to obtain clean water and process waste water increases in communities. Rapid information interchange and effective connections with various parts of the world are also important both in business and private life.

Uponor serves in the community

The Uponor Utilities Division serves international public and private sector facilities providing public utilities such as water management, sewerage, gas distribution, and electricity and data communication networks to cities and municipalities.

The work of the Division seeks to serve major customers operating in several countries or continents with operations which are undergoing a period of rapid change due to privatisation, expansion or changes in ownership base. As competition increases, customers are seeking reliable and capable partners. Uponor seeks to build close, long-term partnerships enabling development of individually customised forms of service and product systems and allowing for the special requirements of each customer.

Uponor has a comprehensive range of products and services to meet the needs of customers across the globe. While Uponor's operations focus on Europe and North and South America, its network also extends to other continents. The geographical scope of its operations forms a firm foundation for serving customers in a rapidly changing market.

Development work meets the needs of customers

The development work of the Utilities Division is progressing on three main fronts: materials and products, quality and efficiency of production, and lowest lifetime installed costs. Uponor seeks to develop systems which meet the quality and price expectations of customers and provide new solutions, for example in installation or operability.

New products and installation methods for new construction, renewal and renovation are generally developed in partnership with the customer. The aim is to find effective solutions to the customer's problems rapidly and in a manner which saves expenses and resources for all involved.

During 1999 Uponor implemented extensive projects to increase manufacturing capacity and to be able to meet demand. Production of electrofusion fittings in the United Kingdom was expanded and entirely new production units were set up in North and South America due to rapidly growing sales of this product. In addition to this, a joint venture was established at the end of the year with Gaz de France, one of the world's leading gas companies, to begin production of electrofusion fittings in Hungary. The new enterprise is the first of its kind in the sector in eastern Europe.

Sales of the ServiFlex pipe developed for no-dig renovation and the ProFuse pipe equipped with a protective skin developed favourably and production capacity for these products was increased in both Uponor factories in the United Kingdom. Preparations to launch production in other markets were also begun.

One of the key objectives when developing systems is to make installations more efficient in practice. Uponor provides various joining methods depending on the type of pipe and circumstances of use.

Investment in the North American gas pipe market focused on developing production of metal pipe rises and enlarging the product family. The popularity of the metal MetFit fitting is increasing and this product is gradually becoming the standard for compression fittings in small diameter pipe systems.

The telecommunications sector has grown and diversified rather quickly in recent years. Construction of major continental and intercontinental trunk networks has also increased the need for the plastic pipe systems used in telecommunication network installations. This high level of demand is expected to continue due to widespread construction of trunk networks and associated local networks.

Uponor Building and Environment



- **Demands on clean and used water management are becoming more strict.**
- **Uponor is bringing new solutions to the growing market for environmental products.**

Demand comes from nature

Global population growth and urbanisation are imposing increasing demands on community technology. Managing environmental loads, restoring sites which have been damaged by human activity and especially maintaining a healthy and agreeable residential environment are growing challenges throughout the globe.

Only a tiny fraction of the world's water is fit to drink. This means that preserving this potable water, reducing losses of clean water and processing soiled water in a controlled and efficient manner are becoming increasingly important challenges.

Increasing international attention is now being paid to these issues. The European Union Directives on waste water and rainwater, for example, impose strict requirements on water quality and waste water treatment.

Uponor serves builders

Uponor's Building and Environment Division is a leading manufacturer in northern Europe. The Division manufactures and markets products and services for water treatment, waste water and rainwater sewerage, and electrical and data communications cabling both in public and private sector sites and buildings. Environmental products such as waste water treatment units for sparsely populated regions and oil and solvent separation are a growing product group.

The business idea of the Division is to create environmentally friendly, innovative pipe systems which are leakproof, reliable and give good value for money in installation and use. Above all, they must provide added value to the user.

Uponor markets its products to wholesalers, local utilities, construction companies, road

As environmental requirements have increased, greater attention has been paid to ensuring leakproof arrangements for transporting clean and used water. Collecting rainwater and using it for irrigation also helps to conserve the world's valuable groundwater supplies.

construction authorities and subcontractors.

New alternatives for customers

1999 was a year of rapid progress for Uponor's Building and Environment Division. New product choices were brought onto the market to meet increasing demand from customers. For example Ultra-Rib2, a new generation sewer system with an estimated useable life span of one hundred years, was officially approved by public authorities in Germany as a leading product in plastic systems. Product sales also rose rapidly in the Nordic countries. KG2000, an innovation in building drainage referred to in Germany as "das Grüne Rohr", reinforced the reputation of Uponor in Germany as a leader in product innovation.

Another significant aspect of the year was rapid growth in sales of cable conduit systems, particularly in the Nordic countries. The background to this growth in demand is the renovation and extension of trunk networks and a rapid increase in capacity.

The Building and Environment Division seeks to develop comprehensive systems which give particular attention to ease of installation. Examples of this include products for no-dig renovation such as OmegaLiner. One of the most important ongoing development projects is a new generation of plastic chambers. The chambers coming onto the market during the current year represent a new way of thinking and the methods used in manufacturing them have been entirely revised.

Uponor is embarking on the year 2000 on a sound footing, comprising a strong customer base, leading expertise in the sector and a versatile selection of products and systems. A significant proportion of Uponor's business operations are based on special expertise and various products. These will provide a firm springboard for growth in the new millennium.

Other Divisions

- **The new washing line models of Asko Appliances have done well in the market.**
- **Upofloor's major parquet factory investment began production.**
- **A high level of demand prevailed in the real estate market.**

Asko Appliances

Net sales at Asko Appliances amounted to EUR 198.8 (186.0) million, which was 6.8 per cent higher than in the preceding year. The market share of Asko Appliances in the Nordic countries remained at the level of the preceding year. The new washing line products which came on the market in the summer increased sales, particularly in the Nordic countries, the USA and Australia. The volume of sales remained unchanged in Central Europe and the Baltic countries but fell in Russia.

The operating profit of Asko Appliances was EUR 9.4 (9.5) million, representing a satisfactory return on investment. The poor start to the year in terms of earnings was due to the costs involved in starting production and launching of the new products. Earnings at the end of the year outperformed the corresponding period in preceding year, as production and sales of the new products ran smoothly.

At the end of the year Asko Appliances had a total staff of 1,088 (1,105).

Overall investment at Asko Appliances was EUR 3.0 (11.4) million. The investment programme in new washing line products which began in 1997 was concluded during the year. A modernisation programme for cookers and top loading washing machines was also implemented during the year. When modernising the product range, production processes were also made more efficient and flexible in order to be able to accommodate changing customer needs more effectively.

The market in the Nordic countries grew for the third year running. This growth was most rapid in dishwashers, tumble dryers and built-in products. Imports of machines made in southern and eastern Europe increased in particular. Slight growth also continued in the important North American market. Demand increased especially for products in the European-style washing line. This also boosted sales of Asko's new washing line products.

Demand in the Nordic countries for appliances in the large white goods line continues to improve. It is forecast that demand in Norway will remain at last year's level, while a slight fall is expected in Denmark.

The new range at Asko Appliances and the complementing trading products range will together enable favourable business development to continue in all of the Nordic countries. A continued good level of demand is also forecast for the USA and Australian markets.

Upofloor Flooring

Net sales at Upofloor were EUR 62.2 (68.3) million, which is 9 per cent lower than in the preceding year. Despite the rapid rate of new construction, there was a slight fall in the overall domestic market for flooring. Exports to Central Europe and Russia fell from the level achieved in the preceding year. While sales in the Nordic countries continued at the level of the preceding year, there was a clear increase in sales to the USA and Australia. Demand increased in the latter half of the year in all main markets and overall sales slightly exceeded those for the corresponding period in 1998.

The operating profit of the Division was EUR 3.5 (4.5) million, which was 5.6 per cent of net sales. The result was depressed by the low level of net sales at the beginning of the year, extraordinary non-recurrent expenses for factory investments and a rapid rise in polymer resin prices after the summer. The development of earnings improved towards the end of the year and exceeded the preceding year's level.

Upofloor investments totalled EUR 2.5 (4.3) million. The first stage of the renovation and extension project at the Heinola parquet factory, which began in 1998, was completed at the start of 1999.

A new domestic floor covering range was put on the market in the spring. This meets the new regulations for sound insulation, and a more environmentally friendly pigment is used in its manufacture. A new vinyl floor covering line for public building interiors was released in the autumn. This is better suited to the special needs of this market segment, both in respect of appearance and overall properties.

The Lappeenranta parquet factory closed according to plan in June and parquet production was concentrated in Heinola. A subsidiary was set up in the United Kingdom to manage sales in the growing British parquet flooring market. Operations began in the summer with construction of a distribution network.

A great deal of new construction work is going on in growth centres in Finland. The volume of renovation construction is predicted to remain at the level of the preceding year. Parquet flooring sales are forecast to grow and sales of domestic floor coverings are expected to fall. Market growth in other product groups will follow the average domestic growth rate in the sector.

Exports to Central Europe, North America and Australia of parquet, contract vinyl floor covering and static dissipative products are forecast to rise. The development of exports to Russia will depend on the general economic situation in this country. Growth forecasts for the Nordic countries are moderate.

The investments made in the Heinola parquet factory, structural modifications in the company and new floor covering lines have established a firm foundation for profitable operations by Upofloor in the new millennium.

Asko Real Estate

Net sales at Asko Real Estate amounted to EUR 26.6 (27.7) million, representing a fall of 4 per cent from the level of the previous accounting period. The operating profit was EUR 10.4 (11.4) million, which is a fall of 9 per cent from the level of the preceding year. This fall in net sales and operating profit was due to property sales.

Division investment totalled EUR 7.6 (4.5) million. This arose largely through renovations to leased premises. The Division had a staff of 45 (48) at the end of the year.

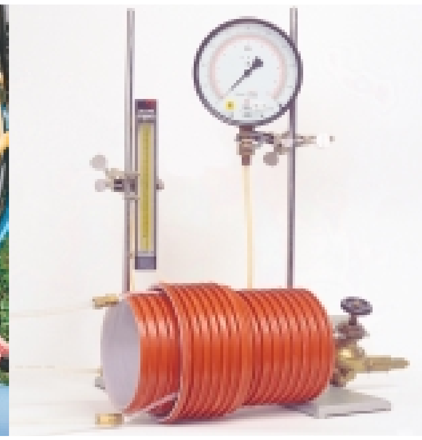
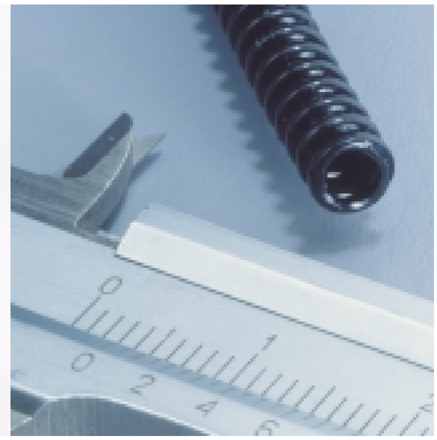
Asko Real Estate is an important property developer, administering some 226,874 m^2 of property under development. The aim of property development is to improve revenues and increase the value of property.

Favourable economic development in Finland has led to increasing demand for business premises. Rents and sale prices of commercial and office real estate increased clearly and occupancy rates have risen. Asko Real Estate continued to sell properties according to its assigned objectives. The total volume of real estate sales in 1999 was EUR 8.2 million. The total value of existing pre-agreements for property sales was EUR 9.3 million. Sales of properties not needed for the industrial operations of the Group are continuing.

The average occupancy rate for real estate was 81 per cent, while the occupancy rate for development real estate was 69 per cent.

Demand for business premises continues to be good in the most important districts in which the Division operates. This high level of demand enables continued active sales and development of properties. While net sales and operating profit will probably fall as a result of property sales, the overall profitability of the Division will improve as rents and occupancy rates continue to rise.

Research and Development

- **Research and development investment rose to the highest level of the 1990s.**
- **Unicor's technological expertise provided added strength.**
- **Decentralised development work focuses more clearly on customer needs.**

Demand stimulates the desire to improve

Way back in the days of ancient Rome, people used hot water to heat their buildings. While basic human needs have remained almost unchanged, global progress has ensured that the old solutions are no longer enough.

Uponor seeks solutions, not only for new needs, but also to improve the products which are already on the market. The use of plastics as material for pipes has provided quite new opportunities in this sphere of work.

Development work always begins with the needs of customers, contractors and end-users. The most important objective is to create products which are even better suited to their purpose, more durable, more friendly both to people and the environment, and better value for money. Products must also be easy to install and maintenance must be trouble-free.

R & D serves the customer

Research and development plays a fundamental role in seeking to create market-leading, added-value plastic and composite pipe systems. The Uponor Technology Division provides central direction for the Group's R & D expertise, which is exceptionally extensive in the plastic pipe industry. While centralised operations enable adequate resources to be allocated to projects which are important from the point of view of the Group, the actual R & D work is decentralised throughout the Group, taking place largely within Divisional skill centres. This brings the work nearer to the customer.

The Technology Division is also responsible for Group technological services, standardisation and environmental issues in product development, machine and component manufacturing, and technological partnering within the industry. Issues pertaining to intellectual property rights also fall within the Division's terms of reference.

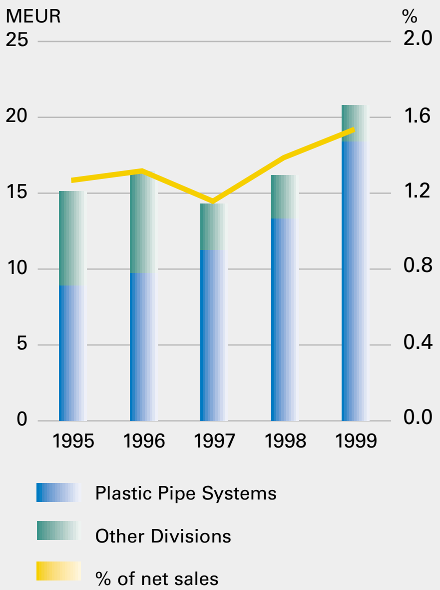
Expertise in depth and in scope

The strengths of Uponor's R & D work lie in the company's wide ranging and in-depth expertise in plastic pipe systems. Uponor possesses what is probably the most comprehensive know-how in the industry, ranging from large diameter pressure pipe systems for public utilities to small PEX pipes or composite pipes made of aluminium and plastic. Uponor is also familiar with the use of a wide range of plastic materials.

This technical expertise is supplemented by feedback from customers concerning product use on a range of sites for diverse purposes in various parts of the world.

The R & D expertise of Uponor was enlarged considerably in 1999 when Unicor's expertise in machine and fittings manufacturing joined the Group. This enables Uponor to develop new solutions, e.g. for rationalising production and for manufacturing existing products in an entirely new way.

R & D investment



Skill Centres

Centre	Field of expertise
Fristad, Sweden	pipe extrusion, rotational moulding, Group Innovation Centre
Virsbo, Sweden	chemical cross-linking
Nastola, Finland	injection moulding, rotational moulding
Hilcote, United Kingdom	electrofusion, PE pipe extrusion, MOPVC, telecommunications
Ochtrup, Germany	physical cross-linking, composite pipes, insulation panels
Hassfurt, Germany	composite pipes, metal fittings
Marl, Germany	waste water treatment and sewerage

The Environment

Uponor gives serious consideration to the environment in everything it does. The environmental load caused by the company's operations and by its products over their life span is relatively minor. On the other hand, its products and systems bring about considerable environmental benefits such as conserving clean water, reducing pollution of groundwater, conserving heating energy, cleaning waterways and regulating the natural water balance.

Environmental work in the companies

Three companies in the Uponor Group were approved under the ISO 14001 standard in 1999: Uponor Finland Oy in Nastola and Forssa, Wirsbo Pex GmbH in Germany and Asko Cylinda AB in Sweden. The combined net sales of all of the Group companies which have received environmental approval is some 40 per cent of the total net sales of the Group.

Environmental work in the factories for which an environmental system has been approved focuses mainly on making local production processes more environmentally friendly, minimising the amount of waste which is produced and making use of recycled plastic. As a rule, all of the waste generated by local production is recycled and some waste produced elsewhere is also purchased for use in manufacturing certain specialised products.

Uponor seeks to minimise the amount of waste produced throughout the chain of operations, from initial manufacturing to the point at which the product is installed for ultimate use. The long-term objective in production is to achieve one hundred per cent throughput of raw materials to end products wherever this is technically feasible. Not all plastics (e.g. cross-linked polyethylene) can be used again as raw material for pipe manufacturing. In these cases other uses, such as heat generation, are actively sought. The experience gained in this area has been very encouraging.

Other key production objectives include reducing energy consumption and minimising discharges, even though the plastics processing industry is already a low-emission sector.

Consumer choice decisive

Uponor has developed several product solutions which promote environmental conservation or prevent environmental damage.

Significant environmental benefits are provided, for example, by fluid circulation heating systems. With under-floor heating room temperatures may be lower than usual and research indicates that energy savings of 10 to 20 per cent are possible by comparison with other forms of heating. Fluid circulation heating systems may also use renewable energy sources such as ground

Environmental certificates granted to Uponor

1995	1997	1998	1999
Uponor A/S, Denmark BS 7750	Wirsbo Bruks AB, Sweden ISO 14001	Hewing GmbH, Germany ISO 14001	Oy Uponor Ab, Finland ISO 14001
	Wirsbo Bruks AB, Sweden EMAS	Uponor A/S, Denmark ISO 14001	Asko Cylinda AB, Sweden ISO 14001
		Uponor A/S, Denmark EMAS	Wirsbo Pex GmbH, Germany ISO 14001
		Asko Appliances, Finland ISO 14001	
		Uponor AB, Sweden ISO 14001	

heating, solar energy, hydropower and combustion heating. The selection may be made entirely on the terms of the user and the environment. Such systems may be linked to solar energy collection systems where desired, enabling the solar energy heating period to be extended. Such approaches have become popular in Sweden, for example.

Uponor has developed several new systems in recent years for processing used water in buildings and sparsely populated areas. These include infiltration systems in which waters are absorbed into the soil following sedimentation. Various solvent and oil separation systems have been developed for enterprises.

Environmental products are an important new market area to which Uponor has much to contribute and in which the company is investing an increasing proportion of its development expenditure.

A closed cycle

Joint voluntary collection and recycling of used pipe waste by the plastic pipe industry and wholesalers began in Finland in the year 2000. The aim is to collect and recycle the plastic pipe waste, chiefly from construction sites, which otherwise goes to landfills. This waste arises in the form of excess construction materials, in products damaged in work or transportation and in the pipes which are decommissioned in the course of demolition work. The objective is to collect all plastic pipe waste.

Similar projects have been implemented in recent years in many European countries. This activity began in Germany in the early 1990s and then spread to the Nordic countries. It has been used in Sweden since 1996 and Denmark since 1998. Experiences of voluntary collection work by the industry have been favourable.

Several environmentally friendly polypropylene (PP) products came onto the market during 1999. For example as a raw material for pipes this is an excellent choice: the material is durable and withstands handling, while pipe joints may be welded. PP pipes may also be recycled and do not release toxic substances when burned. The ecological value of the polypropylene Ultra-Rib2 sewer system, for example, is also enhanced by the fact that the system has a calculated usable life span of one hundred years.

Case: A five-year environmental system

Uponor A/S, Denmark, started to work on its combined quality and environmental system in the early 1990s. The experiences of the company have been favourable. The system is well-suited to enterprise operations and achieves results. It focuses on the working environment and success is measured in terms of the motivation and involvement of the staff.

Energy

Reducing the energy consumed in manufacturing pipes has been one of the prime objectives of environmental operations. In 1994 the company introduced new energy measuring equipment which collates data from every pipe production line on the use of electricity, water and heating. A reduction in energy consumption of 65.2 kWh was achieved over the years 1995 to 1999, representing a saving of some 8 per cent per tonne of pipe manufactured.

Solid waste

Solid waste processing is a fundamental aspect of any quality and environmental system. For example staff are required to sort solid waste. Even before it received environmental approval, the company set up a special "solid waste team" to oversee and improve the entire solid waste cycle, register solid waste and see to its recycling.

The oily and chemical waste produced by the company, including unused PVC mixes and remnants from the mixing plant filters are sent to the local authority chemical waste unit. The volume of this solid waste has become established at the 1996 level of 1 kg per tonne of used PVC.

Organic solvents

Uponor A/S uses methylene chloride as a solvent in its production process. This solvent is harmful to the environment. Its use causes no problems in the working environment as the solvent is contained in sealed vessels and in facilities ventilated according to regulations.

The company is endeavouring to reduce the use of methylene chloride. Over a two year period it has managed to reduce use of the solvent by 81 per cent. While 247 g. of solvent were needed for every tonne of PVC produced in 1997, the corresponding figure in 1999 was only 53 g.

The working environment

The staff of Uponor A/S are very interested in improving the working environment. This has placed Uponor among the leading enterprises in Denmark in such matters. A task force of employee representatives was set up in 1998 to evaluate the working environment and atmosphere and to make proposals for implementing measures within the framework imposed by an annual budget. This task force has worked actively to achieve excellent results.

In February 1999 the Danish centre for business promotion, Nordjyllands Erhvervsservice, made Uponor A/S its "company of the month". The basis for this award, which was made for the first time, included the observation that this was "an interesting company which is developing and investing in 'soft' values".

Recycling

The environmental work of Uponor A/S has won the company a high profile in Denmark. The company has, for example, begun marketing its 'U•reform' pipe, which is made up of three layers and comprises 80 per cent recycled PVC. This pipe is the company's most successful environmental product and, as an example of PVC recycling, provides a response to a local debate launched by Greenpeace and other concerned parties.

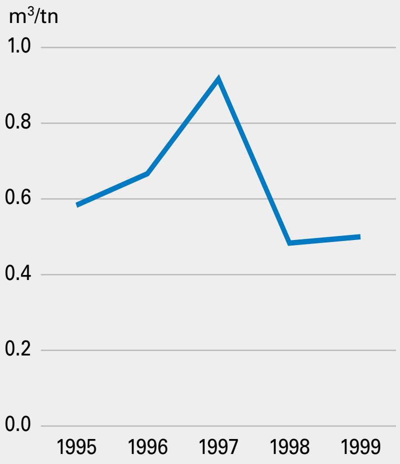
In 1999 the Danish Parliament conducted an extensive debate on an environmental tax surcharge for PVC. The basis for such a surcharge was to compensate for the social costs of plastic products, for example in solid waste collection. The result of the vote discharged PVC pipes, pipe fittings, doors and windows from liability for the tax surcharge.

One reason for this discharge was the consideration that the industry itself had taken an active lead in environmental affairs, for example by setting up a joint venture to see to the collection of plastic construction waste for recycling.

The future

Uponor A/S will continue to emphasise the importance of quality and the environment in everything it does. The company seeks to establish a reputation as a green enterprise which is willing to engage in open debate both within the company and with society at large.

Water consumption 1995 – 1999



Water consumption fell by 150 litres per tonne of pipe manufactured.

Development of the environmental system at the Danish Uponor A/S

1992
Company granted ISO 9002 quality approval.

1995
Company granted BS 7750 environmental approval covering all factory operations.

1997
The first "Green accounts 1996" were compiled for the Danish Commerce and Companies Agency.
First repeat approval secured for the quality system.

1998
First repeat approval secured for the environmental system and system modified to comply with ISO 14001.

Environmental accounts compiled for 1997 and registered with the EEC environmental system, EMAS (Eco Management and Audit Scheme).

Environmental approval extended to cover use of raw materials.

Personnel

Maintaining and improving the skills of the staff and ensuring their welfare and motivation are among the principal values of Uponor.

Uponor has grown to its present size largely through enterprise acquisitions. The companies in the Group have differing historical, cultural and linguistic backgrounds in various countries. These also have an impact on personnel policies.

Staff development goes on at both Group and company level. The most important aspects of this work are developing skills and improving motivation, disseminating skills throughout the Group and building networks between various organisations and countries. The benefits of effective co-operation are considerable.

Developing skills

Uponor uses leading experts in the sector for both in-house and out-of-house management training. Since as long ago as the mid-1980s, Uponor has worked in close partnership with the Swiss management development institute IMD. Uponor is a Business Associate of IMD, which is one of the world's leading schools in the sector.

Uponor has invested vigorously in training its middle managers in international business management since the Uponor International Management Training Programme was launched in 1990. Some 150 key staff of the Group have already successfully completed this five-week programme. The programme seeks to improve the abilities of the participants to deal with the challenges of international business, to create and reinforce consistent management practices within the Group and to educate the participants to understand the company's operations in various countries and in various business divisions.

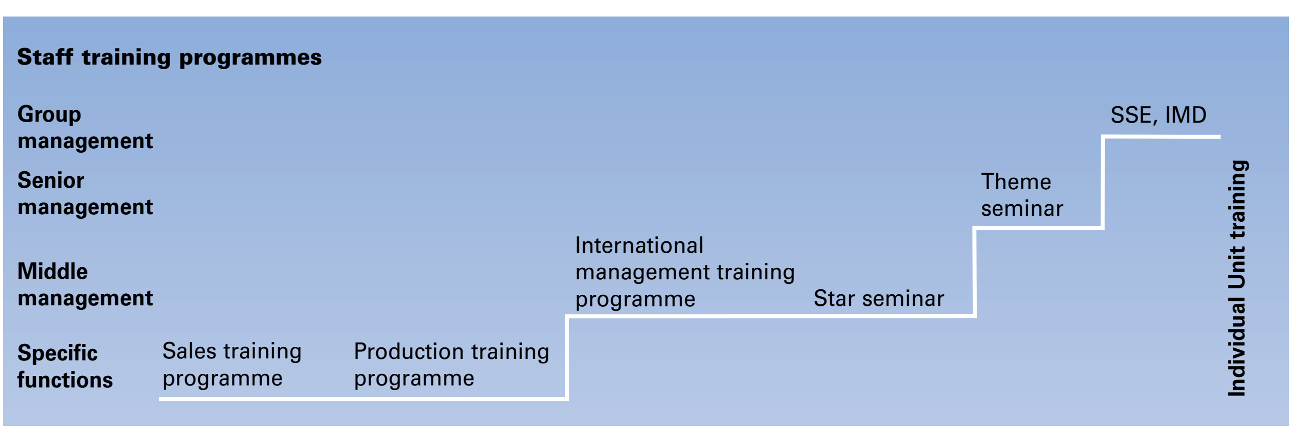
A new sales training programme, Uponor ProActive Sales, was launched within the Group in 1999. Some 300 staff from Europe and North America took part in this 7.5 day training event and it is estimated that a further 150 will follow suit during the current year. The objective for the year 2000 is to launch an additional new training programme for employees working in production. The planned Uponor Production Improvement programme will enable special production skills to be disseminated more effectively so that the best operating practices can be adopted in all units.

The Upofor staff forum

The Upofor staff forum was set up within the Uponor Group in 1996 pursuant to European legislation. At the annual meeting of Upofor, representatives of staff working in business units in various European countries have an opportunity to meet and hear the views of the Group management, and to discuss matters of topical concern with them. The fourth Upofor meeting was held in Sweden in 1999 and was attended by 14 representatives from various countries.

Personnel by country on 31 December 1999

Germany	1 970
Finland	1 372
Sweden	1 301
USA	873
United Kingdom	485
Denmark	206
Poland	162
Portugal	161
Spain	150
Canada	108
France	104
Norway	89
Hungary	63
Australia	55
Argentina	50
Ireland	42
Italy	34
Baltic countries	33
Russia	17
Belgium	10
Austria	9
Czech Republic	7
Switzerland	5
The Netherlands	1
Total	7 307



Review by the Board of Directors

The market

Demand in 1999 was fairly healthy in all of the most important Uponor market areas.

Following a subdued period during cold weather at the start of the year, construction activity in Europe continued at a brisk pace. Exceptions to this general trend were mainly seen in Denmark and Norway, and in the Czech and Slovak Republics where the market contracted. A long-term gradual fall in the overall volume of new construction work continued in Germany, which is the largest single construction market area in Europe. A shift in construction demand to the western regions of the country combined with the increased popularity of one and two-family houses maintained a satisfactory level of general demand for the product groups which are important to Uponor. The brisk and long-sustained economic growth of the United States was also reflected in the construction sector with a continued good level of demand. The US situation also had a stimulating effect on the Canadian market.

Sales

1999 was a year of brisk growth for the Uponor Group. Net sales increased by 16 per cent reaching EUR 1,347 million, compared to EUR 1,165 million in 1998. Sales in the principal business area, Uponor Plastic Pipe Systems, accounted for over 75 per cent of total Group sales.

Sales of the Uponor Plastic Pipe Systems Division grew by 32 per cent to stand at EUR 1,021 (771) million. These sales figures were boosted in particular by the inclusion of the German Unicor Holding AG and Crona-therm GmbH in the Group as of the start of the year. At 12.4 per cent, the organic growth of the Group was also rapid. Most of this growth derived from telecommunications and heating and plumbing systems. Net sales were EUR 198.8 (186.0) million in the Appliances Division, EUR 62.2 (68.3) million in the Flooring Division and EUR 26.5 (27.8) million in the Real Estate Division. The comparable growth in net sales for the Group was 10.6 per cent.

The largest geographical market areas for the Group and their respective shares of total sales were as follows: the Nordic countries 36 per cent, North America 20 per cent, Germany 19 per cent and the United Kingdom 7 per cent.

Result

Group operating profit was EUR 107 (91) million, which was 18 per cent higher than in the preceding year. Profit after financial items increased by 22 per cent to stand at EUR 89 (73) million. Profit before appropriations and taxes was EUR 111 (101) million, representing growth of 10 per cent.

The operating profit of Uponor Plastic Pipe Systems grew by 67 per cent over the previous year to reach EUR 79 (47) million. The operating profit of the Appliances Division was EUR 9.4 (9.5) million. The Flooring Division returned an operating profit of EUR 3.5 (4.5) million, while the Real Estate Division achieved an operating profit of EUR 10.5 (11.4) million.

The Plastic Pipe Systems Division has been the object of considerable investment in recent years and was well-placed to benefit from the favourable market situation prevailing in the USA, the Nordic countries and the United Kingdom. Other reasons for the good result of the Division were continued growth particularly in hot water and plumbing, the inclusion of the German Unicor Holding AG in the Group at the start of the year, and an increase in business pertaining to telecommunications as major international trunk networks are installed.

Improved profitability in the Appliances Division was checked mainly by the cost of major development projects seeking to modernise the product line. The result in the Flooring Division was impaired by an unfavourable market at the start of the year and by investments made in enlarging the parquet factory.

All of the Divisions achieved a favourable result after financial items.

Net financing costs for the Group were EUR 19 (18) million.

The Group result includes extraordinary income of EUR 28 (31) million arising chiefly through the sale of the Furniture Division.

The return on equity was 13.3 (10.3) per cent and the return on investment was 12.4 (11.7) per cent.

Earnings per share were EUR 1.58 (1.09) and the equity to share ratio was EUR 12.78 (10.71).

Investments

Group investments totalled EUR 154.3 (128.9) million, which was 11.5 (11.1) per cent of total net sales. Most of these investments, 91 per cent, were in the core business area, i.e. in improving and expanding the Plastic Pipe Systems Division. Enterprise acquisitions accounted for 37 per cent of all investments. Machinery and equipment accounted for 47 per cent of total investment. Divestments totalled EUR 64.6 (92.7) million. Group net investments were EUR 89.7 (36.2) million.

Group R & D expenditure was EUR 20.8 (16.2) million, of which 89 (82) per cent was incurred in Group core operations.

Financing

The Group financial position continues to be stable. Interest-bearing liabilities increased from EUR 357 million to EUR 425 million. The main reasons for this increase were investments in core business and the interest-bearing liabilities incurred through the Unicor acquisition. Due to low interest rates, Group net financing costs grew by only EUR 1 million.

Despite the extensive investment programme, the Group solvency ratio fell only slightly to 39.9 (40.1) per cent and gearing dropped slightly to 84 (85) per cent.

The introduction of a single currency as part of European monetary union has resulted in a significant reduction in currency risks. This is also reflected in the smaller figure for futures agreements remaining open on the date of finalising the statement of accounts.

Pursuant to a decision made in 1998, the euro was introduced as the accounting currency of the Parent Company as of 1 January 2000.

Structural changes

Projects were launched in Spain and Portugal at the start of the year, seeking to develop operations in the Iberian Peninsula. Commercial management and production were concentrated in Portugal and the Uponor Resiplast S.A. factory in Barcelona, Spain, was closed.

In line with the strategy of focusing on core business, the entire furniture business operation was sold on 31 March 1999 for a sale price of some EUR 57 million to Sponsor Capital Oy and to the fund which this company administers.

In a share deal concluded on 15 June 1999 Uponor Deutschland GmbH purchased 40.6 per cent of the share capital in Unicor Holding AG, thereby increasing its stake in the company from 50.1 per cent to 90.7 per cent. The remaining shares were purchased during the autumn. These shares were mainly acquired from management staff of the company.

The Finnish business operations of Oy Uponor Ab were incorporated by assigning them to Uponor Suomi Oy, a company established on 1 September 1999.

The business and assets of Tricol Oy in Karjaa, Southern Finland, were sold on 1 September 1999 to Tricompany Oy.

In line with company strategy, Oy Uponor Ab was merged with its parent company, Asko Oyj, on 31 December 1999. At the same time this parent company was also involved in mergers with the dormant companies Black Horse Oy, Pohjoismaiden Sukkatehdas Oy, Ruskonor Oy and Trior Oy. The name of Asko Oyj was changed to Uponor Oyj on 31 December 1999 and the head offices of the companies were united.

Principal events

In April Uponor Ltd. concluded a five-year supply agreement with the UK company Severn Trent Water Ltd., the annual value of which is about EUR 10 million. As sole supplier, Uponor will be responsible for meeting the needs of Severn Trent Water for utility plastic piping during the agreement period. Severn Trent is one of the largest water companies in the United Kingdom.

In September a new Wirsbo hot water system factory was opened in the town of St. John in New Brunswick, Canada.

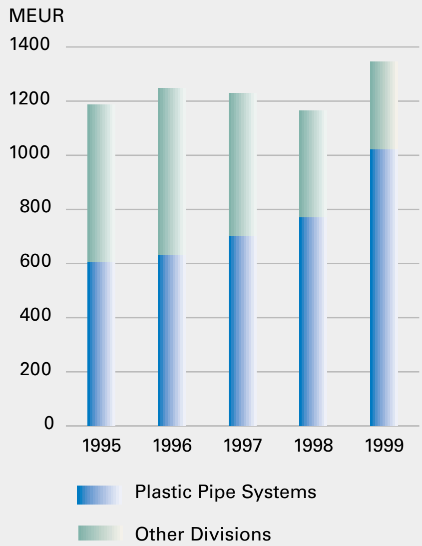
At the end of the year Uponor and Gaz de France jointly established an enterprise called Aldyl Degáz Kft. in Hungary to manufacture and market electrofusion welding systems for gas and water pipes. Uponor owns 60 per cent of this company, which will be established in the City of Szeged in southern Hungary. The remaining 40 per cent is owned by Gaz de France and its subsidiaries. Gaz de France is one of the world's leading gas companies. The joint venture is the first Western company manufacturing electrofusion fittings in the area.

A reorganisation of the Plastic Pipe Systems business group was launched in the autumn. The group was split into four divisions: Plumbing and Heating, Utilities, Building and Environment, and Technology. An internal board was set up for each division. At the same time the Board of Directors issued new corporate governance rules for the Group.

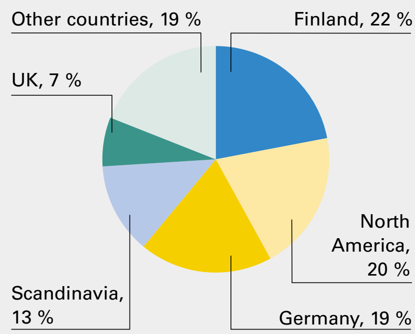
On 19 August 1999 the Swedish Competition Authority filed a writ application at the District Court of Stockholm concerning the operations of the Group's Swedish subsidiary, Uponor AB. The writ application alleges that, together with two other Swedish plastic pipe manufacturers, the company has infringed Swedish competition law, for example by restricting the market over the period 1993 to 1995. The action seeks to impose fines on Uponor AB of EUR 1.5 million, i.e. SEK 13 million. The action is still pending.

The prices of polymer resin rose sharply in the early summer. This was due to a recovery in seasonal demand in Europe coinciding with the

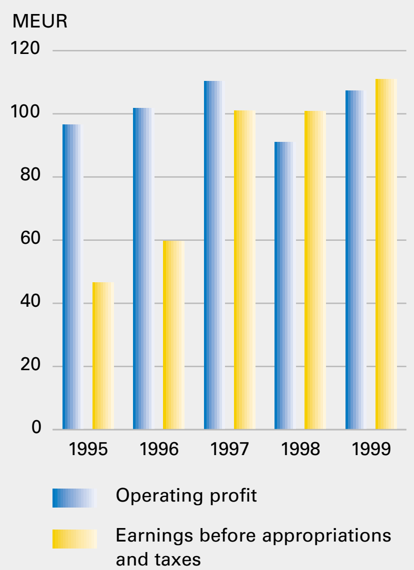
Net sales



Net sales by market area



Operating profit and earnings before appropriations and taxes



continued recuperation of the Asian market and sustained heavy demand in the USA. A rise in oil prices added particularly to the rate of increase in the prices of commodity plastics. The unexpectedly brisk demand for polymer resin continued throughout the autumn, thereby sustaining a high price level.

The year 2000 problem

Projects to review and eliminate possible information technology problems associated with the year 2000 progressed in a systematic manner at various levels of the company and were completed well before the end of the year. No problems were caused by the new year, either within the Group or in customer and supplier relations. Nor are there any indications that more extensive difficulties may arise later in the current year.

No significant additional costs were incurred at Uponor in preparing for the Y2K problem.

Personnel

On 31 December 1999 the Group had a total staff of 7,307 (6,756). 1,372 of these were working in Finland and 1,970 in Germany, with 1,301 in Sweden and 981 in North America. The average size of the staff during the year was 7,451 (6,723). The acquisition of Unicor added 1,010 employees to the staff of the Group and the divestment of Asko Furniture reduced staffing levels by 734.

Administration and auditing

The Board of Directors of Uponor Oyj comprised Jaakko Ihamuotila (Chair), Hannu Kokkonen (First Deputy Chair), Veli Korpi (Second Deputy Chair), Matti Niemi, Niilo Pellonmaa, Jarmo Rytilahti and Jukka Viinanen. Jaakko Ihamuotila resigned from the Board of Directors on 23 September 1999 after Fortum Oil and Gas Oy had sold its stake in Asko Oyj. At the Extraordinary General Meeting of 23 September 1999 Pekka Paasikivi, the President and CEO of Oras Yhtiöt Oy, was elected to the Board of Directors for the remainder of its term of office. Pekka Paasikivi was elected to chair the Board of Directors as of 30 September 1999. Jarmo Rytilahti served as President and CEO of the company.

The Group auditors were the certified accounting organisation KPMG Wideri Oy Ab with Certified Accountant Pentti Savolainen serving as responsible auditor-in-chief.

Share capital and shares

The share capital of the company was increased by a total of EUR 0.7 million, i.e. FIM 4.2 million, through warrant subscriptions on 8 January, 7 April, 9 June, 7 July and 25 August 1999. The premium paid was EUR 2.5 million, i.e. FIM 14.7 million. The subscription period for shares pertaining to the management bond with warrants expired on 1 July 1999.

The company share capital was reduced by EUR 840,940, i.e. FIM 5 million, on 19 March 1999 by cancelling 500,000 treasury shares. On 20 March 1999 the nominal value of the share capital and of the individual shares were converted to euros and the par value of each share was raised to EUR 2 by increasing the share capital by EUR 12,214 million, i.e. FIM 72,626 million, through a bonus issue.

The share capital of Uponor Oyj on 31 December 1999 was EUR 77,434,444. There were 38,717,222 shares, each with a nominal value of EUR 2 and each entitling the holder to cast one vote at the company general meeting.

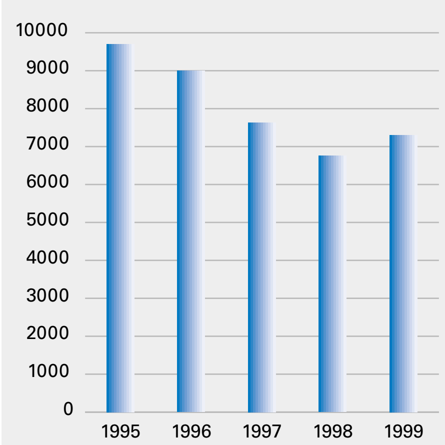
The Annual General Meeting of 17 March 1999 authorised the Board of Directors to purchase shares in the company over the year beginning 17 March 1999, such that the aggregate nominal value of the said shares at the time of purchase, reckoned together with the shares already held by the company, does not exceed 5 per cent of the share capital of the company. The Annual General Meeting also authorised the Board of Directors to assign a maximum of 1,900,000 shares in the company over the year beginning 17 March 1999.

The Extraordinary General Meeting of 3 September 1999 decided that the authorisation issued to the Board of Directors at the Annual General Meeting of 17 March 1999 to acquire shares in the company would expire on 3 September 1999, and issued a corresponding authorisation to the Board of Directors for one year as of 3 September 1999. The Extraordinary General Meeting also decided that the authorisation issued to the Board of Directors at the Annual General Meeting to assign shares in the company would expire on 3 September 1999, and issued a corresponding authorisation to the Board of Directors for one year as of 3 September 1999.

During 1999 the company acquired a total of 1,186,600 of its own shares in public trading at a total acquisition value of EUR 17.8 million, i.e. FIM 106.1 million. During the same year the company sold 1,626,518 of its own shares in public trading on the Helsinki Exchanges in order to finance the Unicor acquisition. On 31 December 1999 the company held 185,000 of its own shares with an acquisition value of EUR 2.8 million, i.e.FIM 16.8 million, corresponding to about 0.47 per cent of the total share capital and voting rights in the company. These shares have no balance sheet value in the final accounts.

The Annual General Meeting of 17 March 1999 authorised the Board of Directors to decide, within one year as of the said date, to issue one or more

Personnel at 31.12.



convertible bonds, to issue option rights, to increase the share capital so that on subscribing to shares in the company or exchanging a convertible bond the share capital of the company may be increased by a maximum of EUR 8,500,000, i.e. FIM 50,538,705, or to take any combination of these measures. The share issue authorisation has not been exercised.

The Extraordinary General Meeting of 3 September 1999 decided, as part of the management incentive scheme, to issue share options to the management and key staff of the company and to one wholly-owned subsidiary. No share options were issued during the accounting period.

On 30 August 1999 several "flagging notices" were issued on Asko Oyj, announcing the following changes in stockholdings: an increase in the stake of Oras Yhtiöt Oy to 16.03 per cent, an increase in the stake of the Varma-Sampo Mutual Pension Insurance Company to 5.25 per cent, an increase in the stake of the Sampo Group to 9,61 per cent and the sale of the entire 21.03 per cent stockholding of Fortum Oil and Gas Oy.

22,865,381 shares in the company were traded on the Helsinki Exchanges at a combined price of EUR 363 million, i.e. FIM 2.2 billion. The share price at the end of the year was EUR 17.60, i.e. FIM 104.64, and the market value of the company was EUR 681.4 million, i.e. FIM 4.1 billion.

At the end of the year 26.5 (24.1) per cent of the company was in foreign ownership.

Events since the statement of final accounts

In January 2000 Oras Yhtiöt Oy, which held a 16.2 per cent stake in Uponor Oyj, announced that it had divided into three companies on 30 November 1999: Oras Administration Oy, Oras Technology Oy and Oras Marketing Oy, each of which held 5.4 per cent of the shares and voting rights in Uponor Oyj. The same announcement indicated that the ownership of Oras Yhtiöt Oy had completely ceased. These amendments exceeded the 5 per cent "flagging threshold" stipulated in section 9 of chapter 2 of the Securities Market Act.

On 1 February the Group Real Estate Division was incorporated within Asko Kiinteistöt Oy, a company established for this purpose. The assets, liabilities and reserves of the Real Estate Division were assigned to the subsidiary together with its staff, who retained their status and benefits as established employees. The balance-sheet value of the assigned business operations is EUR 163 million, i.e. FIM 968.2 million, with about 587,000 square metres of building floor space and some 5,565,000 square metres of land.

Construction of a new plastic pipe factory was completed at Sochaczew in Poland. The plant was brought into full production in phases beginning in February 2000.

Outlook

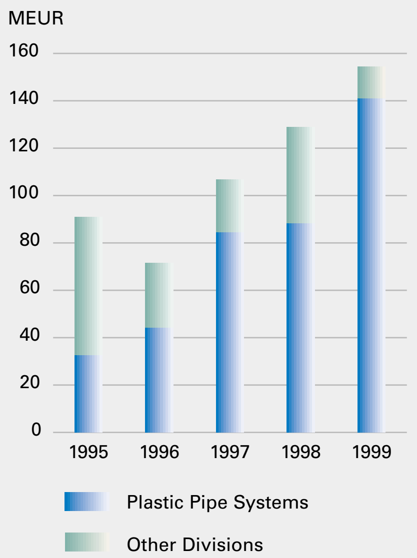
Building construction is expected to continue in Europe at a relatively brisk pace during the current year, while the level of demand for construction-related products will continue to be good in the USA.

The prices of raw materials during the early months of 2000 are expected to remain at the high level of late 1999. This assumption is supported by the fact that the global demand for polymer resin has continued to be quite strong. The high price of crude oil also contributes to continued high prices for polymer resin.

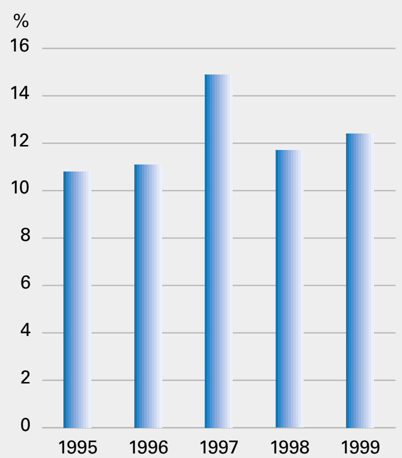
Following a three-year period of heavy investment, efforts will be focused on consolidating the investments made and integrating enterprise purchases. Restructuring will continue at a brisk pace. With the benefit of a strong market position, systems will be developed for new purposes with a view to serving the customers even more effectively.

The Group result is forecast to improve still further.

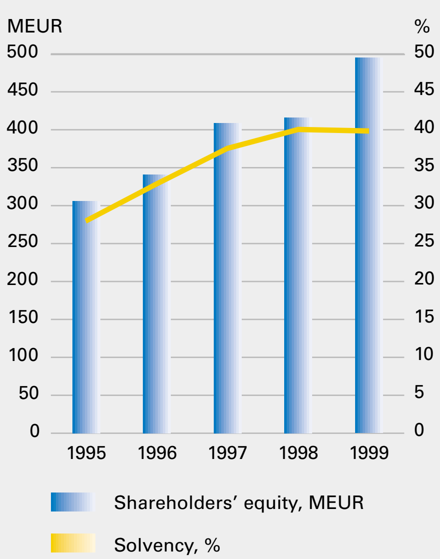
Gross investment



Return on investment



Equity and solvency



Breakdown by division

Net sales	1999 MEUR	1999 Share, %	1998 MEUR	Change, %
Uponor Plastic Pipe Systems	1,020.9	75.8	770.9	32.4
Asko Appliances	198.8	14.8	186.0	6.8
Upofloor Flooring	62.2	4.6	68.3	-9.0
Asko Real Estate	26.5	2.0	27.8	-4.6
Other/internal	38.4	2.8	112.5	-
Uponor Group total	**1,346.8**	**100,0**	**1,165.5**	**15.6**

Operating profit	1999 MEUR	1999 Share, %	1998 MEUR	Change, MEUR
Uponor Plastic Pipe Systems	79.0	73.6	47.4	31.7
Asko Appliances	9.4	8.6	9.5	-0.1
Upofloor Flooring	3.5	3.3	4.5	-1.0
Asko Real Estate	10.5	9.8	11.4	-0.9
Other/elimination	4.9	4.7	18.2	-13.3
Uponor Group total	**107.4**	**100.0**	**91.0**	**16.4**

Investment	1999 MEUR	1999 Share, %	1998 MEUR	Change, MEUR
Uponor Plastic Pipe Systems	141.0	91.4	87.8	53.2
Asko Appliances	3.0	1.9	11.4	-8.4
Upofloor Flooring	2.5	1.6	4.6	-2.1
Asko Real Estate	7.5	4.9	4.5	30
Other/elimination	0.3	0.2	20.6	-20.3
Uponor Group total	**154.3**	**100.0**	**128.9**	**25.4**

Personnel at 31.12.	1999 Number	1999 Share, %	1998 Number	Change, %
Uponor Plastic Pipe Systems	5,688	77.9	4,218	34.8
Asko Appliances	1,088	14.9	1,105	-1.5
Upofloor Flooring	460	6.3	496	-7.3
Asko Real Estate	46	0.6	48	-4.2
Other	25	0.3	889	-97.2
Uponor Group total	**7,307**	**100.0**	**6,756**	**8.2**

Group key financial figures

	1999	1998	1997	1996	1995
Consolidated income statement, MEUR					
Net sales	1,346.8	1,165.5	1,230.3	1,249.5	1,188.3
Operating expenses	1,160.0	1,012.0	1,058.9	1,084.1	1,029.4
Depreciation according to plan	79.4	62.5	61.0	63.5	62.3
Operating profit	107.4	91.0	110.4	101.9	96.6
Financial income and expenses	-18.7	-18.2	-14.6	-34.4	-43.1
Profit after financial items	88.7	72.8	95.8	67.5	53.5
Other income and expenses	22.3	28.1	5.2	-7.9	-6.9
Profit before appropriations and taxes	111.0	100.9	101.0	59.6	46.6
Book result	76.3	68.4	75.7	40.6	35.4
Consolidated balance sheet, MEUR					
Non-current assets	637.1	589.8	630.4	574.9	593.9
Consolidation goodwill	122.3	61.8	50.1	55.4	61.1
Inventories	211.5	194.1	220.6	218.7	242.3
Cash and deposits	57.3	38.1	70.5	49.5	65.7
Other liquid assets	238.7	170.6	172.3	168.0	162.1
Restricted equity	184.5	179.5	192.0	197.7	199.5
Non-restricted equity	310.4	237.0	216.7	143.1	106.3
Minority interest	9.1	5.7	5.6	9.0	9.2
Obligatory provisions	16.8	15.2	14.8	8.7	9.5
Interest-bearing long-term liabilities	365.5	306.9	332.7	331.2	447.4
Interest-bearing short-term liabilities	116.5	88.2	107.3	158.4	158.6
Non-interest-bearing liabilities	264.1	221.9	274.8	218.4	194.6
Balance sheet total	1,266.9	1,054.4	1,143.9	1,066.5	1,125.1
Other key figures					
Operating profit, %	8.0	7.8	9.0	8.2	8.1
Profit after financial items, %	6.6	6.3	7.8	5.4	4.5
Profit before appropriations and taxes, %	8.2	8.7	8.2	4.8	3.9
Return on Equity (ROE), %	13.3	10.3	18.8	12.3	11.5
Return on Investment (ROI), %	12.4	11.7	14.9	11.1	10.8
Solvency, %	39.9	40.1	37.6	32.9	28.0
Gearing, %	84	85	89	126	172
Net interest-bearing liabilities, MEUR	424.7	357.0	369.4	440.1	540.3
- % of net sales	31.5	30.6	30.0	35.2	45.5
Change in net sales, %	15.6	-5.3	-1.5	5.1	-0.1
Exports from Finland, MEUR	103.1	95.4	136.1	153.1	153.2
Net sales of foreign subsidiaries, MEUR	1,125.4	898.2	838.0	810.0	791.9
Total net sales of foreign operations, MEUR	1,146.9	909.2	899.6	901.3	881.1
Share of foreign operations, %	85.2	78.0	73.1	72.1	74.1
Personnel at 31 December	7,307	6,756	7,639	9,005	9,704
Average no. of personnel	7,451	6,723	7,814	9,115	8,969
Investments, MEUR	154.3	128.9	106.8	71.6	91.0

Information on shareholders and shares

Shareholders by category on 31 December 1999

Category	No. of shares	% of shares
Private companies	9,518,216	24.6
Public companies	68,625	0.1
Financial and insurance institutions	8,404,151	21.7
State and local authorities	7,344,051	19.0
Non-profit organisations	1,032,658	2.7
Private individuals	2,070,055	5.4
Foreign (including nominee registrations)	10,267,349	26.5
Others (joint account, waiting list)	12,117	0.0
	38,717,222	100.0

Shareholders by size on 31 December 1999

Shares per shareholder	Total shares	% of share capital	No. of shareholders	% of shareholders
1 – 100	40,166	0.1	491	16.6
101 – 1 000	659,030	1.7	1,631	55.3
1 001 – 10 000	1,887,021	4.9	667	22.6
10 001 –	36,131,005	93.3	163	5.5
	38,717,222	100.0	2,952	100.0

The maximum number of votes which may be cast at the Annual General Meeting is 38,532,222.
(The number of votes pertaining to the Company's treasury shares on 31 December 1999 was 185,000.)

The number of shares which can be subscribed on the basis of convertible bonds and bonds with warrants is zero.

The total shareholding of the members of the Board of Directors and the CEO, together with the shareholdings of corporations known to the company in which they hold a controlling interest is 87,348 shares.

Major shareholders on 31 December 1999

Shareholder	Shares	% of shares
Oras Administration Ltd.	2,098,764	5.4
Oras Technology Ltd.	2,098,763	5.4
Oras Marketing Ltd.	2,098,763	5.4
	6,296,290	16.2
Sampo Life Insurance Company Ltd.	2,738,785	7.1
Sampo Insurance Company plc	495,832	1.3
Sampo Enterprise Insurance Company Ltd.	220,000	0.5
Kaleva Mutual Insurance Company	161,300	0.4
Industrial Insurance Company Ltd.	110,000	0.3
Otso Insurance Company	30,250	0.1
	3,756,167	9.7
Odin Norden investment fund	2,822,655	7.3
Odin Finland investment fund	259,000	0.7
	3,081,655	8.0
Ilmarinen Mutual Pension Insurance Company	1,670,300	4.3
Pohjola Life Assurance Company Ltd.	700,000	1.8
Pohjola Accident Insurance Company Ltd.	385,000	1.0
Suomi Mutual Life Insurance Company	270,000	0.7
	3,025,300	7.8
Varma-Sampo Mutual Pension Insurance Company	2,030,722	5.2
Tapiola General Mutual Insurance Company	711,100	1.8
Tapiola Mutual Pension Insurance Company	684,000	1.8
Tapiola Mutual Life Assurance Company	293,200	0.7
Tapiola Corporate Life Insurance Ltd.	136,100	0.4
	1,824,400	4.7
Municipal Pension Fund	1,230,900	3.2
Onninen Sijoitus Oy Investment Company	1,000,000	2.6
Others	16,471,788	42.6
	38,717,222	100.0

Nominee-registered shares on 31 December 1999

Merita Bank plc	6,326,846	16.3
Skandinaviska Enskilda Banken AB (Publ.)	686,802	1.8
Others	121,939	0.3
	7,135,587	18.4

Share issues	1999	1998	1997	1996	1995
Directed issues, MEUR	0.7	0.1	0.1	-	-
- issue premium	2.5	0.6	0.3	-	-
Subscription price, EUR	8.90	8.90	8.90	-	-

Share-specific key figures	**1999**	**1998**	**1997**	**1996**	**1995**
Share capital, MEUR	77.4	65.4	59.3	59.3	59.3
Number of shares at 31 December, in thousands	38,717	37,735	35,285	35,247	35,247
Number of shares adjusted for share issue, in thousands					
- at end of year	38,717	37,735	38,813	38,772	38,772
- average	38,075	38,655	38,793	38,772	38,772
Nominal value of shares, EUR	2.00	1.68	1.68	1.68	1.68
Adjusted equity, MEUR	504.1	422.2	414.3	349.8	315.0
Share trading, MEUR	363.0	325.8	422.9	138.1	44.5
Share trading, in thousands	22,865	19,558	26,853	17,588	6,825
- of average number of shares, %	60.1	50.6	76.1	49.9	19.4
Market value of share capital, MEUR	681.5	550.2	575.7	375.9	164.8
Adjusted earnings per share (fully diluted), EUR	1.58	1.09	1.82	1.12	1.02
Equity per share, EUR	12.78	10.71	10.53	8.78	7.89
Dividend, MEUR	25.9 *	22.2	17.8	11.9	5.9
Dividend per share, EUR	0.67 *	0.59	0.50	0.34	0.17
Effective share yield, %	3.8 *	4.0	3.1	3.2	3.6
Dividend per earnings, %	42.3 *	53.8	25.2	27.3	14.8
P/E ratio	11.1	13.3	8.2	8.6	4.1
Issue-adjusted share prices, EUR					
- highest	17.83	20.52	16.96	10.10	6.72
- lowest	12.28	11.27	9.88	4.00	3.80
- average	15.88	16.65	14.30	6.80	5.90

The definitions of key ratios are shown on page 31.

* Proposal by the Board of Directors

The share-specific figures have been modified for the years 1995 – 1996 to correspond to the new nominal value of FIM 10 (previously FIM 50). The share-specific figures for 1995 – 1997 have been corrected on the basis of the 1998 bonus issue. In the bonus issue each shareholder received one new share free of charge for every ten old shares. The average number of shares allows for the effect of treasury shares.

Share price development 1995-1999

EUR

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Uponor

HEX portfolio index

Definition of key ratios

Return on Equity (ROE), %

$$= \frac{\text{Earnings before extraordinary items - tax}}{\text{Shareholders' equity + Average minority interest}} \times 100$$

Return on Investment (ROI), %

$$= \frac{\text{Earnings before extraordinary items + interest and other financing costs}}{\text{Balance sheet total - Average non-interest-bearing liabilities}} \times 100$$

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)

$$= \frac{\text{Profit before extraordinary items } \pm \text{ minority interest of profit - tax}}{\text{Average number of shares adjusted for share issue in financial period}}$$

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

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

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

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

Income statement

MEUR	Group 1999	%	1998	%	Parent Company 1999	1998
Net sales	1,346.9	100.0	1,165.5	100.0	23.1	22.8
Cost of sales	964.6	71.6	848.6	72.8	3.5	3.6
Gross profit	**382.3**	**28.4**	**316.9**	**27.2**	**19.6**	**19.2**
Marketing	182.1		157.3		0.3	
Administration	68.6		61.0		3.6	5.2
Other operating income	+15.5		+25.6		+6.2	+25.1
Other operating expenses	29.2		26.6		10.0	11.1
Amortisation of goodwill	10.5		6.6			
Expenses	**274.9**	**20.4**	**225.9**	**19.4**	**7.7**	**+8.8**
Operating profit	**107.4**	**8.0**	**91.0**	**7.8**	**11.9**	**28.0**
Financial income	4.4	0.3	6.7	0.6	24.1	56.9
Financial expenses	23.1	1.7	24.9	2.1	4.6	11.0
Financial expenses, net	**-18.7**	**-1.4**	**-18.2**	**-1.5**	**+19.5**	**+45.9**
Profit before extraordinary items	**88.7**	**6.6**	**72.8**	**6.3**	**31.4**	**73.9**
Extraordinary income	27.6		31.4		82.2	17.2
Extraordinary expenses	5.3		3.3		1.7	
Group contribution					26.0	16.2
Extraordinary items	**22.3**	**1.7**	**28.1**	**2.4**	**106.5**	**33.4**
Profit before appropriations and taxes	**111.0**	**8.2**	**100.9**	**8.7**	**137.9**	**107.3**
Change in excess depreciation					-0.9	-1.1
Income tax	-32.2		-28.1		-15.5	-27.9
Change in deferred tax liability	-1.2		-4.1			
Minority interest	-1.3		-0.3			
Profit for the financial year	**76.3**	**5.7**	**68.4**	**5.9**	**121.5**	**78.3**

Balance sheet

	Group				Parent Company	
MEUR	31.12.1999	%	31.12.1998	%	31.12.1999	31.12.1998
Assets						
Non-current assets						
R & D expenses			0.7			
Intangible rights	11.3		8.9		0.0	
Goodwill	3.4		4.1			
Consolidation goodwill	122.3		61.8			
Other capitalised long-term expenses	2.1		6.5		2.3	2.2
Intangible assets	**139.1**	**11.0**	**82.0**	**7.8**	**2.3**	**2.2**
Land and water areas	58.3		55.8		25.2	29.0
Buildings and structures	265.0		238.4		53.6	51.8
Machinery and equipment	226.0		168.0		4.6	3.4
Other tangible assets	10.7		8.0		0.5	0.7
Advance payments and current investments	27.3		28.6		2.1	2.9
Tangible assets	**587.3**	**46.4**	**498.8**	**47.3**	**86**	**87.8**
Shares in Group companies					237.3	271.6
Shares in associated companies	20.0		39.7		16.2	19.4
Other shares and holdings	11.6		15.3		10.6	7.4
Other investment shares	1.4		15.8		300.9	142.7
Securities and long-term investments	**33.0**	**2.6**	**70.8**	**6.7**	**565.0**	**441.1**
Total non-current assets	**759.4**	**60.0**	**651.6**	**61.8**	**653.3**	**531.1**
Current assets						
Raw materials and consumables	47.9		40.1			
Work in progress	1.9		4.2			
Finished products/goods	155.3		144.0			
Other inventories	3.8		3.9		3.8	3.9
Advance payments	2.6		1.9			
Inventories	**211.5**	**16.7**	**194.1**	**18.4**	**3.8**	**3.9**
Trade receivables	180.5		119.1		4.1	0.8
Loan receivables	2.1		12.4		1.1	1.9
Accruals	34.4		33.2		9.2	14.3
Deferred tax receivables	15.5					
Other receivables	6.2		5.9		41.9	57.3
Accounts receivable	**238.7**	**18.8**	**170.6**	**16.2**	**56.3**	**74.3**
Other securities	0.7		0.7			
Cash in hand and banks	56.6		37.4		22.8	8.8
Liquid assets	**57.3**	**4.5**	**38.1**	**3.6**	**22.8**	**8.8**
Total current assets	**507.5**	**40.0**	**402.8**	**38.2**	**82.9**	**87.0**
Total assets	**1,266.9**	**100.0**	**1,054.4**	**100.0**	**736.2**	**618.1**

Balance sheet

	Group				Parent Company	
MEUR	31.12.1999	%	31.12.1998	%	31.12.1999	31.12.1998
Liabilities						
Shareholders' equity						
Share capital	77.4		65.4		77.4	65.4
Other restricted equity	107.1		114.0		117.5	126.2
Restricted equity	**184.5**	**14.6**	**179.4**	**17.0**	**194.9**	**191.6**
Retained earnings	234.2		168.7		168.1	106.1
Profit for the year	76.3		68.4		121.5	78.3
Non-restricted equity	**310.5**	**24.5**	**237.1**	**22.5**	**289.6**	**184.4**
Total shareholders' equity	**495.0**	**39.1**	**416.5**	**39.5**	**484.5**	**376.0**
Minority interests	**9.1**	**0.7**	**5.7**	**0.5**		
Depreciation reserve					**12.7**	**11.8**
Obligatory provisions	**16.8**	**1.3**	**15.2**	**1.4**		
Liabilities						
Bonds			25.2			25.2
Loans from financial institutions	301.9		220.2		132.7	74.3
Loans from pension funds	43.2		58.5		28.8	34.7
Other long-term liabilities	23.9		4.9			
Deferred tax liability	35.7		16.6			
Long-term liabilities	**404.7**	**32.0**	**325.4**	**30.9**	**161.5**	**134.2**
Annual loan payments	68.6		52.0		51.4	26.9
Advances received	4.8		1.9		0.4	0.3
Accounts payable	104.4		83.1		2.0	1.3
Accruals	103.1		101.5		8.7	25.7
Other short-term liabilities	60.4		53.1		15.0	41.9
Short-term liabilities	**341.3**	**26.9**	**291.6**	**27.7**	**77.5**	**96.1**
Liabilities	**746.0**	**58.9**	**617.0**	**58.6**	**239.0**	**230.3**
Total liabilities	**1,266.9**	**100.0**	**1,054.4**	**100.0**	**736.2**	**618.1**

Cash flow statement

	Group		Parent Company	
MEUR	1999	1998	1999	1998
Operations				
Profit for the period	76.3	68.4	121.5	78.3
Depreciation	79.4	63.1	2.5	3.0
Capital gains from the sale of fixed assets	-37.9	-43.9	-85.3	-23.1
Cash flow adjustment items	1.7	-0.6	-4.5	2.7
Group contributions			-25.9	-16.2
Net cash from operations	**119.5**	**87.0**	**8.3**	**44.7**
Receivables	-20.9	1.8	-32.4	-92.8
Current assets	-8.2	26.5	0.0	0.6
Non-interest-bearing liabilities	-1.5	-36.5	-19.1	-26.4
Change in working capital	**-30.6**	**-8.2**	**-51.5**	**-118.6**
Cash flow from operations	**88.9**	**78.8**	**-43.2**	**-73.9**
Increase in fixed assets	-137.6	-113.2	-24.7	-21.0
Sale of fixed assets	64.6	92.6	26.9	63.9
Investments	**-73.0**	**-20.6**	**2.2**	**42.9**
Cash flow before financing	**15.9**	**58.2**	**-41.0**	**-31.0**
Change in long-term receivables	27.9	0.5	0.8	-0.3
Change in long-term liabilities	1.0	-31.5	44.3	10.2
Change in short-term liabilities	-14.7	-26.8	-5.1	17.1
Share issue	2.8	0.8	2.9	0.8
Dividend distribution	-22.1	-17.8	-22.1	-17.8
Treasury shares	8.3	-15.7	8.3	-15.7
Change in minority interest			25.9	16.2
Financing	**3.2**	**-90.5**	**55.0**	**10.5**
Change in liquid assets	**19.1**	**-32.3**	**14.0**	**-20.5**
Liquid assets at 1 January	38.2	70.5	8.8	29.3
Liquid assets at 31 December	57.3	38.2	22.8	8.8
Changes according to the balance sheet	**19.1**	**-32.3**	**14.0**	**-20.5**

Notes to the financial statements

1. Accounting principles

The financial statements of Uponor Oyj comply with the Finnish Accounting Act, which is based on the fourth and seventh Directives of the European Community and on the recommendations of the International Accounting Standards Committee. The figures are given in euros for the first time. There have been no other changes of substance in accounting conventions.

1.1 Method of compiling the consolidated financial statements

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

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

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

1.2 Currency denominated items

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

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

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

1.3 Net sales

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

1.4 Extraordinary income and expenses

Extraordinary income and expenses comprise items which are exceptional from the point of view of regular business operations, such as factory closures and non-recurrent expenses arising from reorganising operations, as well as earnings and expenses due to sales of entire business operations. Items derived from changes in accounting conventions are shown as extraordinary income or expenses.

Characteristically recurrent income and expenses pertaining to business operations, e.g. profits and losses incurred on sales of current assets, are included in items shown before operating profit.

1.5 Tax

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

1.6 Pension arrangements

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

1.7 Fixed assets and depreciation

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

1.8 Current assets

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

1.9 Cash flow statement

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

1.10 Derivative instruments

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

1.11 Treasury shares

The parent company held some of its own shares during the year under review and the preceding year. These shares have been eliminated from the shareholders' equity of the parent company and of the Group and have no balance sheet value. The parent company assigned some of its own shares in public trading during the year under review. The net trading profit earned from such assignment after income taxes has been recorded in the premium fund of the parent company. Treasury shares have been eliminated from the calculation of key figures.

2. Notes to the income statement

	Group		Parent company	
MEUR	**1999**	**1998**	**1999**	**1998**
2.1. Other operating income				
Gains from sales of fixed assets	12.6	17.8	3.8	19.2
Income from services	0.3	2.0	0.9	1.7
Remuneration	0.1	0.3	0.1	0.1
Sale of secondary products	0.3	0.3	0.0	-
Royalties	0.3	0.2	0.3	0.2
Income from real estate	0.3	1.0	-	-
Other income	1.6	4.0	1.1	3.9
	15.5	25.6	6.2	25.1
2.2. Staff costs				
Salaries and fringe benefits	179.6	183.1	1.5	1.5
Pension expenses	12.7	14.0	0.2	0.4
Other staff costs	38.2	37.7	0.2	0.1
	230.5	234.8	1.9	2.0
Salaries and emoluments paid to the CEO and members of the Board				
- salaries and emoluments	6.4	6.1	0.3	0.3
- bonus payments	2.8	1.4	0.0	0.0
	9.2	7.5	0.3	0.3

2.3. Depreciation

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

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

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
2.3.1. Depreciation according to plan				
Intangible rights	2.8	1.8	-	-
Goodwill	1.1	0.8	-	-
Consolidation goodwill	10.5	6.6	-	-
Other long-term expenditure	0.7	1.2	0.5	0.5
Buildings and structures	10.6	9.7	1.5	1.5
Machinery and equipment	49.9	39.9	0.4	0.4
Other tangible assets	3.8	2.5	0.1	0.1
	79.4	62.6	2.5	2.5
2.3.2. Depreciation by operation				
Manufacturing	49.9	39.6	-	-
Sales and marketing	6.8	4.6	-	-
Administration	5.5	4.1	0.5	0.5
Others	6.7	7.7	2.0	2.0
Consolidation goodwill	10.5	6.6	-	-
	79.4	62.6	2.5	2.5
2.4. Financial income and expenses				
Dividend income				
- Group companies	-	-	13.1	46.0
- Associated companies	-	-	-	-
- Others	0.6	2.2	0.4	3.4
Interest and financial income				
- Group companies	-	-	9.9	6.2
- Associated companies	0.0	0.9	-	-
- Others	3.8	3.6	0.7	1.3
	4.4	6.7	24.1	56.9
Interest and financial costs				
- Group companies	-	-	1.9	1.5
- Associated companies	-	0.0	-	-
- Others	24.4	25.6	8.1	7.5
Exchange differences				
- Realised	-2.1	+4.0	0.1	+0.4
- Unrealised	+3.2	3.1	+5.5	2.0
Share of associated company profits	+0.2	+0.3	-	-
Value adjustments on investments	-	0.5	-	0.5
	23.1	24.9	4.6	11.1
Financial costs, net	-18.7	-18.2	19.5	+45.9
2.5.1. Extraordinary income				
Liquidation gains	-	15.1	82.2	15.1
Profit from sales of fixed assets	25.3	11.0	-	2.1
Change in accounting principles	1.3	5.3	-	-
Others	1.0	-	-	-
	27.6	31.4	82.2	17.2

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
2.5.2. Extraordinary expenses				
Write-off	1.7	2.3	1.7	-
Losses on the sale of fixed assets	-	0.1	-	-
Closing-down expenses	1.6	0.6	-	-
Others	2.0	0.3	-	-
	5.3	3.3	1.7	-
2.6. Taxes				
For the financial period	25.7	23.6	15.4	25.0
For previous financial periods	0.2	2.0	0.1	0.5
On extraordinary items	6.3	2.5	-	2.5
Change in deferred taxation	1.2	4.1	-	-
	33.4	32.2	15.5	27.9

3. Notes to the balance sheet

3.1. Fixed assets

MEUR	Acquisition cost	Increase	Decrease	Cumulative depreciation	Revalu-ation	Balance sheet value on 31.12.
Parent company						
Intangible rights	0.2	-	-	0.2	-	-
Other capitalised expenditure	3.9	0.4	-	2.0	-	2.3
Land and water areas	13.4	0.0	4.1	-	15.9	25.2
Buildings	59.6	4.1	2.3	15.3	7.5	53.6
Machinery and equipment	8.7	0.4	0.0	4.5	-	4.6
Other tangible assets	2.4	-	-	1.9	-	0.5
Advance payments and current investments	0.2	1.9	-	-	-	2.1
Total securities	269.9	0.1	1.6	4.3	-	264.1
	358.3	6.9	8.0	28.2	23.4	352.4

Changes in the parent company include increases resulting from mergers.

MEUR	Acquisition cost	Increase	Decrease	Cumulative depreciation	Revalu-ation	Balance sheet value on 31.12.
Group						
Research and development						
Intangible rights	30.7	3.7	0.5	22.6	-	11.3
Goodwill	20.2	0.3	-	17.1	-	3.4
Consolidation goodwil	141.2	38.8	-	57.7	-	122.3
Capitalised expenditure	11.7	0.4	5.3	4.7	-	2.1
Total intangible assets	203.8	43.2	5.8	102.1	-	139.1
Land and water areas	48.3	0.6	4.0	2.3	15.7	58.3
Buildings	334.6	13.7	1.6	89.7	8.0	265.0
Machinery and equipment	479.0	72.1	8.5	316.9	0.3	226.0
Other tangible assets	23.2	5.3	0.4	17.4	0.0	10.7
Advance payments and current investments	26.5	1.9	1.1	-	-	27.3
Total tangible assets	911.6	93.6	15.6	426.3	24.0	587.3
Shares in associated companies	19.4	0.7	0.9	-	0.8	20.0
Shareholdings	15.9	0.1	4.4	0.0	-	11.6
Total securities	35.3	0.8	5.3	0.0	0.8	31.6
	1,150.7	**137.6**	**26.7**	**528.4**	**24.8**	**758.0**
Production machinery and equipment						192.1

The conversion difference and changes in Group structure are included in the acquisition cost.

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
3.2. Long-term investments				
Loans receivable				
- Group companies	-	-	300.9	104.7
- associated companies	0.4	15.8	-	-
- others	-	-	-	-
	0.4	15.8	300.9	104.7
3.3. Shares in current assets				
Market value	3.8	7.1	3.8	7.1
Book value	3.8	3.9	3.8	3.9
	0.0	3.2	0.0	3.2

MEUR	Group companies 1999	Group companies 1998	Associated companies 1999	Associated companies 1998
3.4. Receivables from Group and associated companies				
Parent company				
Loans receivable	300.9	142.7	-	-
Accounts receivable	0.2	0.2	-	-
Accruals	1.1	0.0	-	-
Other receivables	41.9	57.3	-	-
	344.1	200.2		

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
3.5. Loans to management and shareholders				
Management	-	0.1	-	-
3.6. Accrued income				
Taxes	19.9	24.2	4.0	13.8
Discounts received	2.7	2.3	-	-
Transaction proceeds and compensations	0.9	1.4	0.9	0.1
Interest	0.3	0.2	2.8	0.1
Others	10.6	5.1	1.5	0.2
	34.4	33.2	9.2	14.2
3.7. Changes in shareholders' equity				
Restricted shareholders' equity				
Share capital on 1 January	65.4	59.3	65.4	59.3
Increase in share capital	0.7	0.1	0.7	0.1
Bonus issue	-	5.9	-	5.9
Cancellation of treasury shares	-0.9	-	-0.9	-
Transfer from premium on shares issued	12.2	-	12.2	-
Share capital on 31 December	77.4	65.4	77.4	65.4
Capital reserve 1 January			116.4	122.0
Issue premium			2.5	0.3
Bonus issue			-	-5.9
Cancellation of treasury shares			0.9	-
Transfer to share capital			-12.3	-
Gain from divestment of treasury shares			2.5	-
Premium on shares issued, 31 December			110.0	116.4

	Group		Parent company	
MEUR	**1999**	**1998**	**1999**	**1998**
Revaluation reserve on 1 January			9.5	22.4
Decrease			-2.0	-12.9
Revaluation reserve on 31 December			7.5	9.5
Share issue			-	0.3
Non-restricted shareholders' equity				
Retained earnings on 1 January			184.3	139.5
Dividend payments			-22.1	-17.8
Merger gain			-	0.0
Treasury shares			5.9	-15.7
Profit for the financial year			121.5	78.3
Non-restricted shareholders' equity on 31 December			289.6	184.3
Other restricted shareholders' equity on 1 January	114.1	132.7		
Issue premium	2.5	0.7		
Subscription	-0.3	-		
Cancellation of treasury shares	0.8	-		
Gain from divestment of treasury shares	2.4	-		
Conversion differences	2.4	-2.8		
Changes in revaluation reserve	-2.1	-14.5		
Transfer from non-restricted equity	-0.5	3.9		
Transfer to share capital	-12.2	-		
Bonus issue	-	-5.9		
Other restricted shareholders' equity on 31 December	107.1	114.1		
Non-restricted shareholders' equity 1 January	237.1	216.7		
Dividend payments	-22.1	-17.8		
Conversion differences	12.8	-10.6		
Transfer to restricted equity	0.5	-3.9		
Treasury shares	5.8	-15.7		
Profit for the financial year	76.3	68.4		
Non-restricted shareholders' equity 31 December	310.4	237.1		
- of which no distributable in dividends	48.7	39.1		

3.8. Excess depreciation

- Intangible assets			0.0	0.0
- Buildings and structures			9.7	9.1
- Machinery and equipment			2.6	2.3
- Other tangible assets			0.4	0.4
			12.7	11.8

3.9. Loans

Due in 1999				
- Bonds	25.2	-	25.2	-
- Loans from financial institutions	44.0	35.8	18.6	19.9
- Pension loans	10.9	10.2	7.6	6.6
- Other loans	0.6	6.0	0.0	0.3
	80.7	52.0	51.4	26.8

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998

3.10. Long-term loans

Due after five years				
- Loans from financial institutions	24.8	37.9	5.0	5.0
- Pension loans	18.3	23.0	9.0	11.9
- Others	1.9	1.3	-	-
	45.0	62.2	14.0	16.9

3.10.1. 1996 bond issue

Amount: MEUR 25.2
Nominal annual interest 5.50 %
Term: 18 November 1996 to 18 November 2000
The issue is unsecured.
Redempition in full on 18 November 2000.

3.11. Liabilities to Group and associated companies

MEUR	Group companies 1999	Group companies 1998	Associated companies 1999	Associated companies 1998
Parent company				
Accounts payable	-	0.8	-	-
Other short-term liabilities	14.5	-	-	-
Other long-term liabilities	-	0.3	-	-
	14.5	1.1	-	-

3.12. Accrued liabilities

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Staff costs	24.8	22.9	0.2	0.2
Interest	2.7	3.5	1.6	2.0
Taxes	22.1	29.4	5.9	23.1
Discounts	6.1	3.3	-	-
Guarantee reserves	3.7	3.1	-	-
Other income	14.2	14.2	-	-
Other expenses	0.7	4.7	1.0	0.4
Others	28.8	20.3	-	-
	103.1	101.5	8.7	25.7

3.13. Securities on loans

Pledged assets	7.0	47.3
Mortgages	87.4	88.0
Combined	6.2	1.1

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998

3.14. Exchange and interest rate risk management

The parent company Uponor Oyj hedged the currency-denominated receivables of its subsidiaries mainly by forward and option transactions. Options and forwards were also used to some extent to hedge the currency and interest rate risks of Uponor Oyj loans.

Futures contracts

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
1 Interest-rate forwards	54.0	51.4		
Bought interest rate options	38.0	24.9		
Sold interest rate options	-	-		
2 Currency forwards				
Call option contracts	-	-		
Put option contracts	33.0	49.5		
Bought currency options	2.0	3.1		
Sold currency options	-	9.5		
3 Currency swap	7.0	14.3		

4.1. Contingent liabilities

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Pension liability	-	-	0.6	0.6
Pledges at book value	-	-	-	-
- on own behalf	8.1	20.5	-	13.3
Mortgages				
- on own behalf	91.2	173.8	-	58.1
- on behalf of a Group company	-	-	-	2.1
Guarantees				
- on behalf of a Group company	-	-	194.3	91.4
- on behalf of an associated company	0.3	-	-	-
- on behalf of others	1.1	1.0	-	-
Other contingent liabilities	4.5	12.7	-	-

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

4.2. Leasing liabilities

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Maturity in the following year	5.7	5.9		
Maturity later	49.7	22.6		

4.3. Deferred tax liabilities and assets

MEUR	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Deferred tax assets				
- Consolidation procedures	-	2.3		
- Group companies	15.5	4.5		
	15.5	6.8		
Deferred tax liabilities				
- Appropriations	5.9	15.9		
- Consolidation procedures	-	2.1		
- Group companies	29.8	5.4		
	35.7	23.4		
	20.2	16.6		

A deferred tax liability of MEUR 6.8, arising from revaluations in the parent company, is not included in the above figures.

	No. of shares	Share-holding, %		Nominal value		Book value

5. Shares and shareholdings at 31.12.1999

5.1. Parent company

Subsidiaries

	No. of shares	Share-holding, %		Nominal value		Book value
Asko AB, SE	920,000	100.0	TSEK	92,000	TEUR	29,334
Asko Development Oy	100	100.0	TFIM	100	TEUR	17
Asko i Fristad AB, SE	1,000	100.0	TSEK	100	TEUR	11
Asko Kalusteet Oy	50,000	100.0	TFIM	50,000	TEUR	8,409
Asko Kiinteistöt Oy	100	100.0	TEUR	10	TEUR	10
Asko Kodinkone Oy	36,000	100.0	TFIM	36,000	TEUR	6,055
Askonor Oy	1,407	100.0	TFIM	70	TEUR	19
Asko Norge AS, NO (100,0)	27,000	84.4	TNOK	27,000	TEUR	10,165
Asunto Oy Ahosato	1,000	100.0	TFIM	100	TEUR	163
Oy Finla Ab	1,000,000	100.0	TFIM	1,000	TEUR	168
Finla Kehräämö Oy	2,000	100.0	TFIM	2,000	TEUR	2
Karjaan Trikootehdas Oy	199,050	100.0	TFIM	2,000	TEUR	461
Kiinteistö Oy Keskuskatu 20	145	96.7	TFIM	145	TEUR	50
Kiint. Oy Lahden Teollisuuskeskus (51,7)	31,276	37.4	TFIM	7,819	TEUR	2,045
Kiinteistö Oy Linikkala	616	100.0	TFIM	616	TEUR	104
Kiinteistö Oy Länsi-Kaisla	20	100.0	TFIM	50	TEUR	1,453
Kiinteistö Oy Martinsillantie 2 a	8,005	80.0	TFIM	80	TEUR	2,572
Kiinteistö Oy Männynvainio	3,000	100.0	TFIM	300	TEUR	54
Kiinteistö Oy Porin Asko-talot	7,911	79.1	TFIM	19,778	TEUR	3,326
Kiinteistö Oy Sammonkatu 70	30,000	100.0	TFIM	3,000	TEUR	1,063
Kiinteistö Oy Trikootalot	240	100.0	TFIM	240	TEUR	40
Kiinteistö Oy Vantaan Ansatie 3	5,000	100.0	TFIM	500	TEUR	6,734
Lahden Kiinteistö Invest Oy	15,000	100.0	TFIM	150,000	TEUR	25,251
Nygaard AS, NO	300	100.0	TNOK	300	TEUR	1,614
Upofloor Oy	50	100.0	TFIM	50,000	TEUR	8,409
Varastotalo Oy	100,000	100.0	TFIM	1,000	TEUR	670
Vogue A/S, DK	100	100.0	TDKK	380	TEUR	66
Other subsidiaries					TEUR	23
					TEUR	108,288

Other shareholdings

	No. of shares	Share-holding, %		Nominal value		Book value
Asunto Oy Arena	800	8.2	TFIM	4	TEUR	1,880
Asunto Oy Forssan Nikkilänhovi	12,840		TFIM	128	TEUR	24
Asunto Oy Golfstrand Bostads Ab	2	5.6	TFIM	200	TEUR	290
Asunto Oy Lauttasaarantie 13	19		TFIM	8	TEUR	68
Asunto Oy Nordgolf Houses Bostads Ab	2	33.4	TFIM	400	TEUR	461
Asunto Oy Tiirispää	660	5.6	TFIM	66	TEUR	25
Asunto Oy Vesijärvenkatu 5-7	109	1.1	TFIM	44	TEUR	75
Bostads Ab Gyllene Svanen Asunto Oy	5,000	50.0	TFIM	8	TEUR	202
Bostads Ab Silversvanen Asunto Oy	5,000	50.0	TFIM	8	TEUR	202
Finnwear Oy Ab		13.6			TEUR	459
Helsinki Exchange Group	1				TEUR	25
Kaiharin Kulma Kiinteistöosakeyhtiö	3,576	35.8	TFIM	36	TEUR	2,088
Karhu Sport Spain S.A.		18.7			TEUR	273
Keskus-Sato Oy	228,865	18.2	TFIM	2,289	TEUR	3,147
Kiinteistö Oy Aniankatu 4-6	257	10.1	TFIM	51	TEUR	41

	No. of shares	Share-holding, %		Nominal value		Book value
Kiinteistö Oy Golfkartano	315	1.1	TFIM	31	TEUR	62
K. Oy Lahden Vesijärvenkatu 36	506	24.0	TFIM	106	TEUR	99
Lahden Seurahuoneen Kiinteistö Oy	5		TFIM	250	TEUR	42
OKR:n Suomen Arvopaperikeskus Oy	6				TEUR	20
Oy Liikkeenjohdon Koulutuskeskus	5		TFIM	250	TEUR	30
Merita Oyj	34,786		TFIM	348	TEUR	60
Oy Nordgolf Ab	29	3.6	TFIM	725	TEUR	143
Oy Pickala Golf Ab	1		TFIM	10	TEUR	19
Possentornit Oy	2,890				TEUR	342
Sadepo Oy	50		TFIM	500	TEUR	84
Tampereen Kiinteistö Invest Oy	1,818,890	46.7	TFIM	90,944	TEUR	16,204
Other housing and real estate companies					TEUR	65
Other shares					TEUR	98
					TEUR	26,528

5.2. Uponor Group

Subsidiaries

Uponor Aldyl S.A., AR	234,000	100.0	TUSD	2,340	TEUR	5,812
Uponor Beteiligungs GmbH, DE	1	100.0	TDEM	38,500	TEUR	26,611
Uponor A/S, DK	50,000	100.0	TDKK	25,000	TEUR	7,198
Uponor Eesti AS, EE		100.0	TEEK	400	TEUR	26
Jita Oy	7,015	100.0	TFIM	7,015	TEUR	1,180
Pexep Oy	500	100.0	TFIM	500	TEUR	336
Suomen Muovitehdas Oy	15	100.0	TFIM	15	TEUR	3
Uponor Kiinteistöt Oy	750	100.0	TFIM	750	TEUR	126
Uponor Suomi Oy	500,000	100.0	TEUR	5,000	TEUR	21,579
Uponor S.A., FR	205,000	100.0	TFRF	20,500	TEUR	2,959
Uponor Ltd., GB	15,387,000	100.0	TGB	15,387	TEUR	10,423
Uponor Ltd., IE	4,650,002	100.0	TIEP	4,650	TEUR	4,392
Uponor UAB, LT		100.0	TLTL	170	TEUR	35
Uponor Latvia SIA, LV	100	100.0	TLVL	20	TEUR	36
Uponor BV, NL	8,400	100.0	TNLG	40	TEUR	15
Uponor AS, NO	5,000	100.0	TNOK	5,000	TEUR	1,263
Wirsbo-Tubos da Suècia Lda, PT	1,755,000	100.0	TPTE	1,755,000	TEUR	6,418
A/O Uponor Rus, RU		100.0	TRUR	100,000	TEUR	16
Uponor AB, SE	1,000	100.0	TSEK	100	TEUR	4,057
Uponor Innovation AB, SE	1,000	100.0	TSEK	100	TEUR	1,608
Wirsbo Bruks AB, SE	50,000	100.0	TSEK	50,000	TEUR	11,813
Uponor North America Inc., US	758	100.0	TUSD	29,052	TEUR	23,296
					TEUR	129,202

Associated companies and other shares and shareholdings

Conenor, FI	100	25,0	TFIM	50	TEUR	8
Other shares					TEUR	53
					TEUR	61

Group shares held by subsidiaries

Wirsbo Austria, AT		100.0	TEUR	35	TSEK	3,855
Plasco Manufacturing Ltd, CA	2,350,001	100.0	TCAD	3,550	TUSD	2,205
Unicor Pipe Systems Inc., CA		100.0	TCAD	0	TDEM	0

	No. of shares	Share-holding, %		Nominal value		Book value
Unicor Plastic Machinery Inc., CA		100.0	TCAD	0	TDEM	0
Wirsbo of Canada Ltd., CA	7,331	100.0	TCAD	4,237	TUSD	2,996
Hewing AG, CH	500	100.0	TCHF	500	TDEM	400
Uponor Czech s.r.o., CZ	1	100.0	TCZK	1,160	TDEM	513
Cronathern Heizsysteme GmbH & Co, DE	1	100.0	TDEM	50	TDEM	8,835
Cronatherm Verwaltungs GmbH, DE	1	100.0	TDEM	50	TDEM	50
Hewing GmbH, DE	2	100.0	TDEM	19,000	TDEM	19,000
KVR Sockelleiste GmbH, DE	1	100.0	TDEM	49	TDEM	50
M. Block GmbH, DE	1	100.0	TDEM	50	TDEM	49
Polytherm Vertriebs GmbH, DE	6	100.0	TDEM	3,050	TDEM	3,050
PR Consulting & Marketing GmbH, DE	1	100.0	TDEM	50	TDEM	50
Rolltec Heizsysteme Vertriebs GmbH, DE	2	100.0	TDEM	50	TDEM	10,030
Rolltec Verwaltungs GmbH, DE	1	100.0	TDEM	50	TDEM	50
Schlemmer-Unicor GmbH, DE	1	50.0	TDEM	500	TDEM	4,824
Seppelfricke GmbH & Co KG, DE	1	100.0	TDEM	2,050	TDEM	2,050
Sörberg GmbH & Co KG, DE	1	100.0	TDEM	200	TDEM	14,303
Unicor Dränsysteme GmbH, DE	1	100.0	TDEM	1,700	TDEM	112
Unicor Extrusionstechnik GmbH, DE	1	100.0	TDEM	3,000	TDEM	15,341
Unicor GmbH Rahn Plastmaschinen, DE	1	100.0	TDEM	2,000	TDEM	2,885
Unicor Holding AG, DE	6,000,000	100.0	TDEM	30,000	TDEM	155,499
Unicor Rohrsysteme GmbH, DE	1	100.0	TDEM	500	TDEM	76,388
Unicor Verbundrohr GmbH, DE	1	100.0	TDEM	50	TDEM	50
Uponor Anger GmbH, DE	2	100.0	TDEM	17,000	TDEM	17,000
Uponor Deutschland GmbH, DE	6	100.0	TDEM	35,250	TDEM	304,414
Uponor Europe GmbH, DE	1	100.0	TDEM	19,000	TDEM	19,000
Uponor Hausabflußtechnik GmbH ,DE	50,000	51,0	TDEM	5,610	TDEM	5,616
Velta GmbH, DE	5,000	100.0	TDEM	7,000	TDEM	16,376
Wirsbo PEX GmbH, DE	2	100.0	TDEM	6,007	TDEM	6,008
Wirsbo Danmark A/S, DK	30	100.0	TDKK	3,000	TSEK	3,631
Unicor Espanola, ES		60.0	TESP		TDEM	299
Uponor Resiplast S.A., ES	7,500	100.0	TESP	76,000	TDEM	450
Wirsbo Espana S.A., ES	500	100.0	TESP	500,000	TDEM	5,780
Polytherm S.A.R.L., FR	13,400	100.0	TFRF	1,340	TDEM	390
Ryb S.A., FR	225,000	100.0	TFRF	22,500	TFRF	56,029
Uponor Aldyl Ltd., GB	6,250,000	100.0	TGBP	6,250	TGBP	6,250
Uponor UK Export Ltd., GB	100	100.0	TGBP	0	TGBP	0
Wirsbo UK Ltd., GB	200,000	100.0	TGBP	200	TGBP	129
Uponor Müanyag Csörendszer Kft, HU	20,063	100.0	THUF	200,630	TDEM	60
Wirsbo Hungary Kft, HU	9,800	100.0	THUF	9,840	TSEK	1,319
Uponor (Cork) Limited, IE	1	100.0	TIEP	0	TIEP	0
Polytherm Italia S.r.l., IT	100,000	100.0	TITL	100,000	TDEM	1,023
Unicoes S.r.l., IT		50.0	TDEM		TDEM	45
Unicor S.r.l., IT		51.0	TDEM		TDEM	103
Wirsbo S.r.l., IT		100.0	TITL	99,000	TSEK	466
Wirsbo Norge AS, NO	5,000	100.0	TNOK	500	TSEK	472
Bor Sp. z o.o., PL	50	100.0	TPLN	50	TPLN	50
Magnaplast Sp. z o.o., PL	23,561	100.0	TPLN	2,333	TDEM	2,097
Uponor-Bor Sp. z o.o., PL	5,276	100.0	TPLN	5,276	TPLN	8,899
Uponor Polska Sp. z o.o., PL	13,850	100.0	TPLN	13,850	TDEM	8,161
Ecoplàs S.A., PT	550 ,000	100.0	TPTE	550,000	TPTE	995,978
Termoplàs S.A., PT	100,000	100,0	TPTE	100,000	TPTE	339,550
Uponor Portugal SGFS SA, PT	1,430,000	100,0	TPTE	1,430,000	TPTE	1,579,938
Sörberg Produktion AB, SE		100,0			TDEM	9,378
Vårgårda Plast AB, SE	1,200	100,0	TSEK	120	TSEK	3,170

	No. of shares	Share-holding, %		Nominal value		Book value
Custom Vinyl Compounding Inc.,US	1,600	100.0	TUSD	260	TUSD	970
Hot Water Systems NA Inc., US	100	100.0	TUSD	7,980	TUSD	4,089
Mid-States Plastics, Inc., US	50	100.0	TUSD	0	TUSD	1,739
Radiant Technologies Inc. US	100	100.0	TUSD	1,254	TUSD	1,254
Stadler Corporation, US	500	100.0	TUSD	50	TUSD	3,072
Thermal Ease Hydronic Systems Inc., US	120,000	100.0	TUSD	120	TUSD	2,148
Unicor Pipe Systems Inc., US		100.0			TDEM	360
Uponor Aldyl Company Inc., US	200	100.0	TUSD	6,061	TUSD	6,061
Uponor ETI Company, US	2,000	100.0	TUSD	2,460	TUSD	9,250
Wirsbo Company, US	1,000	100.0	TUSD	6,980	TUSD	5,000
Other shares						
Stadler LLC, US		50.0	TUSD	0	TUSD	367
Pentacom Holding A/S, DK	1,000	50.0	TDKK	500	TSEK	5,327
Other shares					TEUR	880
5.3. Asko Appliances Group						
Upo Kodinkoneet Oy	50	100.0	TFIM	50	TEUR	8
Asko Keskushuolto Oy	15	100.0	TFIM	15	TEUR	3
Asko-Upo (Rus), RU	12,450	100.0	TFIM	498	TEUR	0
Asko-Upo (Spb), RU	1,000	100.0	TFIM	100	TEUR	0
Upo Kodumasinate Balti As, EE	600	100.0	TFIM	228	TEUR	38
Kotimaiset Kotitalouskoneet Oy	2,050	50.0	TFIM	2,050	TEUR	589
K.Oy Lahden Teollisuuskeskus	11,995	14.3	TFIM	4,447	TEUR	748
Upo Latvia SIA, LV	1,000	100.0	TFIM	18	TEUR	3
Other shares					TEUR	20
					TEUR	1,409
5.4. Upofloor Group						
Suomen Parketti Oy	100	100.0	TFIM	5,000	TEUR	181
Upofloor Palvelut Oy	100	100.0	TFIM	1	TEUR	0
Upofloor UK Ltd, GB	40,000	100.0			TEUR	62
Other shares					TEUR	31
					TEUR	274
5.5. Finla Group						
Subsidiaries						
A ja H Friman Oy	100	100,0	TFIM	50	TEUR	645
Kainuun Tekstiili Oy	200	100,0	TFIM	4 000	TEUR	684
Foreign sales companies		100,0	TFIM		TEUR	20
					TEUR	1 348
Other shareholdings					TEUR	42
5.6. Asko AB Group						
Asko-Cylinda AB, SE	105 000	100,0	TSEK	10 500	TSEK	161 600
Asko-Vølund Hvidevarer A/S, DK	8 000	100,0	TDKK	8 000	TSEK	4 361
Asko Elto AS, NO	15 150	100,0	TNOK	15 150	TSEK	12 945
Asko Inc, US	100	100,0	TUSD	1	TSEK	5 006

	No. of shares	Share-holding, %		Nominal value		Book value
Asko Appliances (AU) Pty Ltd, AU	2,716,002	100.0	TAUD	2,716	TSEK	19,782
Asko Appliances Ltd, GB	575,000	100.0	TGBP	575	TSEK	0
Asko Norge AS NO (100,0)	5,000	16.6	TNOK	5,000	TSEK	22,070
Asko Osby AB, SE	50,000	100.0	TSEK	5,000	TSEK	27,132
Osby Pannan AB, SE	800	100.0	TSEK	80	TSEK	1,500
Prometek Utveckling AB, SE	28,000	100.0	TSEK	2,800	TSEK	7,432
Asko Hushåll AB, SE	70,000	100.0	TSEK	7,000	TSEK	7,100
Wirsbo Smide AB, SE	300,000	100.0	TSEK	30,000	TSEK	53,292
KB Sekanten, SE	3	100.0	TSEK	3	TSEK	17,001

5.7. Asko Kalusteet Oy

Unilon Oy	50	33.3	TFIM	500	TEUR	140
					TEUR	140

Proposal of the Board of Directors to the Annual General Meeting

According to the balance sheet as of 31 December 1999, Group profits amount to FIM 1,845,833,000, of which FIM 1,556,133,000 may be distributed. The distributable profit of Uponor Oyj is FIM 1,721,896,322.22.

The Board of Directors proposes that a dividend of EUR 0.67 per share be paid on the 1999 accounting period.

Espoo, 16 February 2000

Pekka Paasikivi
Chairman

Hannu Kokkonen

Veli Korpi

Matti Niemi

Niilo Pellonmaa

Jukka Viinanen

Jarmo Rytilahti
CEO

Auditors' Report

to the shareholders
of Uponor Oyj

We have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Uponor Oyj for the year ended 31 December 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In our opinion, the 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 Accounting Act, of both the consolidated and parent company 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 made by the Board of Directors on how to deal with the distributable funds is in compliance with the Finnish Companies Act.

Espoo, 16 February 2000

KPMG WIDERI OY AB

Pentti Savolainen
Authorized Public Accountant

Corporate governance

The corporate governance of Uponor is arranged at the Group, Division and Company levels.

Board of Directors

The Board of Directors of the parent company comprises 5 – 9 non-executive Directors, elected at the Annual General Meeting to serve for one year at a time. The AGM may elect a CEO to serve as an Executive Director on the Board. The duties of the CEO as a member of the Board of Directors correspond to those of the other Directors. The Board of Directors convenes no fewer than six times annually and elects one of its members to serve as Chairman. The AGM determines the emoluments and other terms and conditions of service of the Chairman and the other Directors. Unless otherwise stipulated by the AGM, the CEO is entitled to no separate consideration for membership of the Board of Directors.

The individual data and declared interests of the persons appointed to serve as Directors are published in the Annual Report. Corresponding details of any new Director are published at the time of appointment.

The basic duties of the Board of Directors are prescribed by law. The Board of Directors also approves important corporate matters such as Group strategic plans, Group budgets, acquisitions, divestments, external financing arrangements and significant investment projects.

The Board of Directors elects the CEO and Deputy CEO of the company. The principal terms and conditions of service of the CEO are specified in a written agreement approved by the Board. The nomination of the Division Presidents shall be approved by the Board of Directors. The Board of Directors approves the appointments of Division Presidents as well as executive remuneration agreements, bonus programmes and pension arrangements. The Board implements share option schemes pursuant to resolutions of the AGM.

The Division Boards

Each Division has an internal Board of 5–6 members which convenes no fewer than six times annually. The members of a Division Board are primarily representatives of the Group management and other Divisions. A Division Board is generally chaired by the CEO.

The main duty of a Division Board is to assist in formulating the Division strategy, to supervise its implementation and to be responsible for the management resources of the Division. The Division Board also approves important division level decisions on issues such as strategic planning, budgeting and significant projects. The Board of Directors must be advised regularly of all investment decisions.

The Legal Unit Boards

The Boards of Legal Units focus solely on the legal and administrative requirements of local legislation. The operational and strategic tasks of a Legal Unit are managed by Division Boards and/or Management Teams as circumstances warrant together with Unit Managers.

Auditing and auditors

The control and auditing functions of the Group seek to ensure that the Board of Directors and Group management receive adequate information on the state of Group finances and operations to support their decision making.

Group financial control and auditing are performed on three levels:
-Group financial control jointly arranged by the Divisions and the Group
-independent internal auditing arranged at Group level
-external auditing performed by the auditors appointed by the AGM.

Group financial administration

The Board of Directors approves the financial administration policy compiled by the Group's Financial Administration function. This policy includes financing, risk management and accounting policies, and reporting guidelines.

Regular management reporting is the main evaluation instrument of Group financial administration in verifying whether Group Divisions and Units have implemented the financial policy of the enterprise and other aspects of corporate planning. The monthly reports submitted to the Board of Directors include key financial figures and cash flow analysis by Division. The Board of Directors approves the annual accounts. The auditors' report on the annual accounts is submitted to the Board of Directors and Group management. The Board of Directors reviews interim reports before they are published as stock market bulletins.

Internal auditing

The Group has an independent Internal Audit function which reports directly to the CEO of the parent company. Pursuant to its auditing plan, the Internal Audit function reviews the Group's Divisions and Units to verify their compliance with Group financial and operational policies. The Internal Audit function submits a report to the Division Board concerned and to the Group management. An auditing log is kept of the Group's Divisions and Units.

External auditing

The external auditors are elected by the AGM of the parent company. External auditing of Group Legal Units according to local legislation is arranged jointly by the Group management and the external auditors.

The external auditors report directly to the Legal Units in which the audit is performed and submit a copy of each report to the Group's Financial Administration Function. These reports are included in the audit log.

Insider regulations

At its meeting of 9 February 2000 the Board of Directors approved new insider regulations for Uponor Oyj. These regulations comply with the insider regulations issued jointly by the Helsinki Exchanges, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers which take effect on 1 March 2000. The regulations will take effect at Uponor Oyj on the same day.

The permanent insiders at Uponor Oyj comprise the statutory insiders (the members of the Board of Directors, the CEO and Deputy CEO, and the auditor) and the Executive Vice President, Corporate Development, the Chief Financial Officer and the Secretary to the Board of Directors.

Uponor Group at 1.3.2000

Board of Directors

CEO

Corporate functions

Corporate Development	Financial Administration	Legal Affairs	Internal Audit

Divisions

Uponor Plumbing and Heating Systems	Uponor Utilities	Uponor Building and Environment	Uponor Technology	Other divisions • Asko Appliances • Upofloor • Asko Real Estate

Business Units

26 business units in 26 countries.

Uponor Oyj Board of Directors at 31 December 1999

Front row, left to right: Hannu Kokkonen, Pekka Paasikivi, Chairman, and Veli Korpi. Back row, left to right: Matti Niemi, Jukka Viinanen, Niilo Pellonmaa and Jarmo Rytilahti.

Pekka Paasikivi
b. 1944, Engineer, President, Oras Group.
Chair of the Board 30.9.1999 –.
Member of the Board 23.9.1999–.
13,480 Uponor shares.

Deputy Chair of the Board and Chair of the Employer Policy Committee, Federation of Finnish Metal, Engineering and Electrotechnical Industries - MET.
Member of the Board, Confederation of Finnish Industry and Employers.
Member of the Supervisory Board, Varma-Sampo Insurance Company.

Hannu Kokkonen
b. 1947, M. Sc. (Pol.Sci.), Deputy CEO, Sampo Oyj Insurance Company.
1st Deputy Chair of the Board 7.4.1995 –.
No Uponor shares.

Member of the Board, Central Chamber of Commerce of Finland.
Member of the Board, Turku Business School Foundation.
Member of the Board, University of Turku Foundation.

Veli Korpi
b. 1930, B.Sc. (Econ.), retired.
2nd Deputy Chair of the Board 3.5.1994 –.
Member of the Board 21.4.1994–.
No Uponor shares.

Matti Niemi
b. 1947, B.Sc. (Econ.), Deputy CEO, Varma-Sampo Mutual Pension Insurance Company.
Member of the Board 21.4.1994 –.
No Uponor shares .

Member of the Board, Metsä-Serla Oyj.

Niilo Pellonmaa
b. 1941, M.Sc. (Econ.)
Member of the Board 1.2.1983 –.
No Uponor shares, 1,000 shares indirectly.

Member of the Board, Finvest Oyj.
Member of the Board, Jaakko Pöyry Group Oyj.
Member of the Board, Kemira Oyj.
Member of the Board, Menire Oyj.
Chair of the Board, PMJ Automec Oyj.
Chair of the Board, Rocla Oyj.

Jarmo Rytilahti
b. 1944, B.Sc. (Econ.), President and CEO, Uponor Oyj.
Member of the Board 1.2.1983 –.
968 Uponor shares, 71,500 shares indirectly.

Member of the Supervisory Board, Sampo Oyj Insurance Company.

Jukka Viinanen
b. 1948, M.Sc. (Eng.)
Member of the Board 15.2.1993 –.
400 Uponor shares.

Member of the Board, Huhtamäki Van Leer Oyj.
Member of the Board, Lassila & Tikanoja Oyj.
Member of the Board, Raisio Chemicals Oy.
Chair of the Board, Technical Research Centre of Finland - VTT.

Management at 31 December 1999

Jarmo Rytilahti
President and CEO, Uponor Oyj
(see "Uponor Oyj Board of Directors")

Heikki Mairinoja
b. 1947, M.Sc. (Eng.), B.Sc. (Econ.)
Executive Vice President and Deputy CEO, Uponor Oyj
3,200 Uponor shares,
500 shares indirectly

Kari Norbäck
b. 1944, M.Sc. (Eng.)
Executive Vice President, Corporate Development, Uponor Oyj

Jyri Luomakoski
b. 1967, MBA
Executive Vice President and CFO, Uponor Oyj

Marja Hanski
b. 1954, LL.M., B.Sc. (Econ.)
Executive Vice President, Legal Affairs, Secretary to the Board of Directors, Uponor Oyj

Jukka Rausti
b. 1947, M.Sc. (Eng.), B.Sc (Econ.)
President, Plumbing and Heating Division (until 31 March, 2000)

Keith Lyons
b. 1943, Engineer
President, Utilities Division
(until 31 March, 2000)
President, Pumbing and Heating Division
(from 1 April, 2000)

Jukka Kallioinen
b. 1958, M.Sc. (Eng.)
President, Building and Environment Division

Horst Rahn
b. 1939, M.Sc. (Eng.)
President, Technology Division

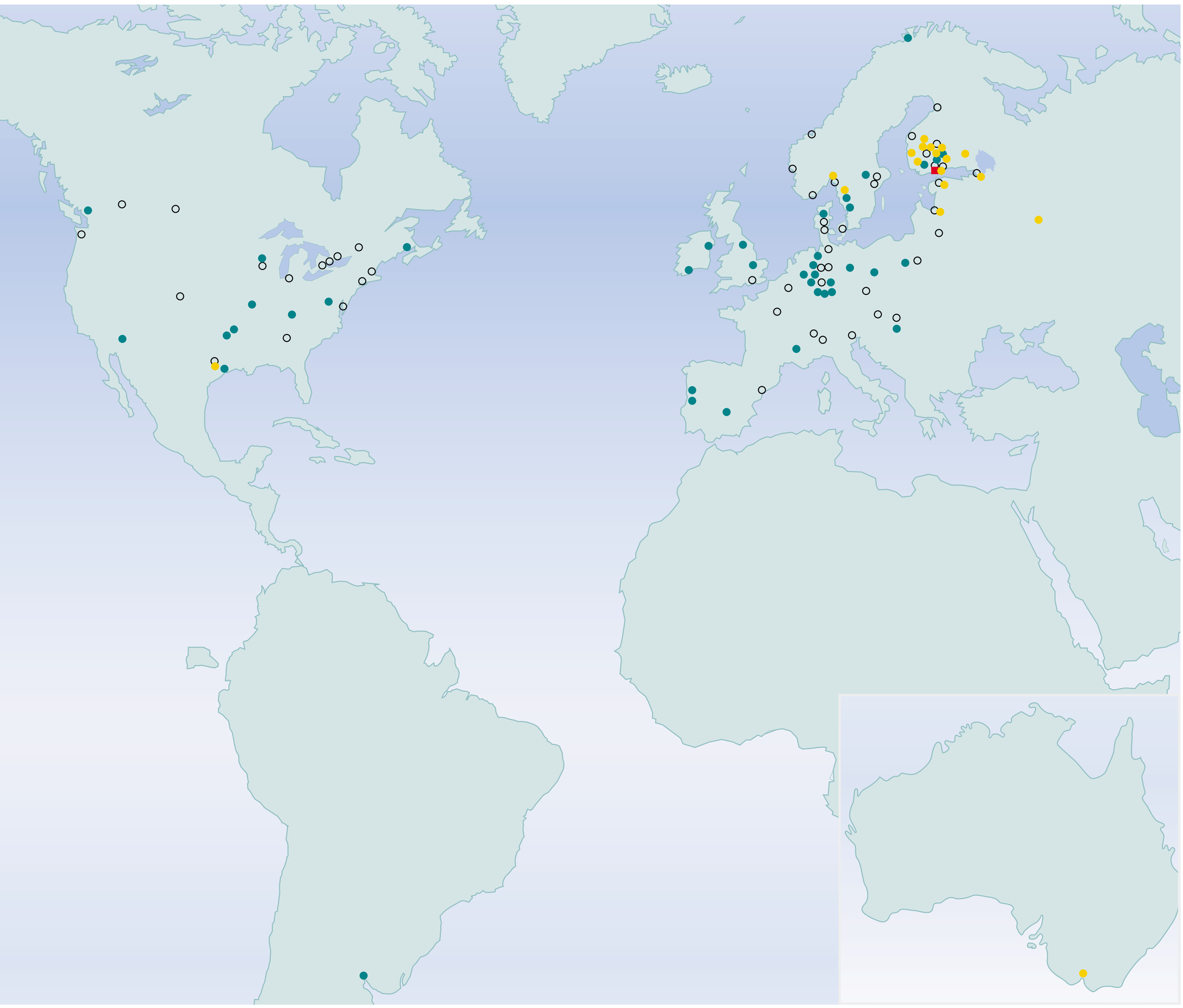
Jorma Wiitakorpi
b. 1957, M.Sc. (Eng.)
Managing Director,
Asko Kodinkone Oy

Esko Teerikorpi
b. 1961, M.Sc. (Eng.)
Managing Director, Upofloor Oy

Petri Olkinuora
b. 1957, M.Sc. (Eng.), MBA
Managing Director,
Asko Kiinteistöt Oy

The personal shareholding and that of companies in which they hold a controlling interest is indicated for insiders at Uponor Oyj (previously Asko Oyj) at 31 December 1999, together with their most important posts held in other organisations.

Offices of the Uponor Group



● Plastic Pipe Systems manufacturing facilities ○ Plastic Pipe Systems sales offices ● Offices of other Divisions

Uponor Group Head Office

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• Building and Environment
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• Technology

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• Asko Appliances

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• Upofloor Flooring

Upofloor Oy
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• Asko Real Estate

Asko Kiinteistöt Oy
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