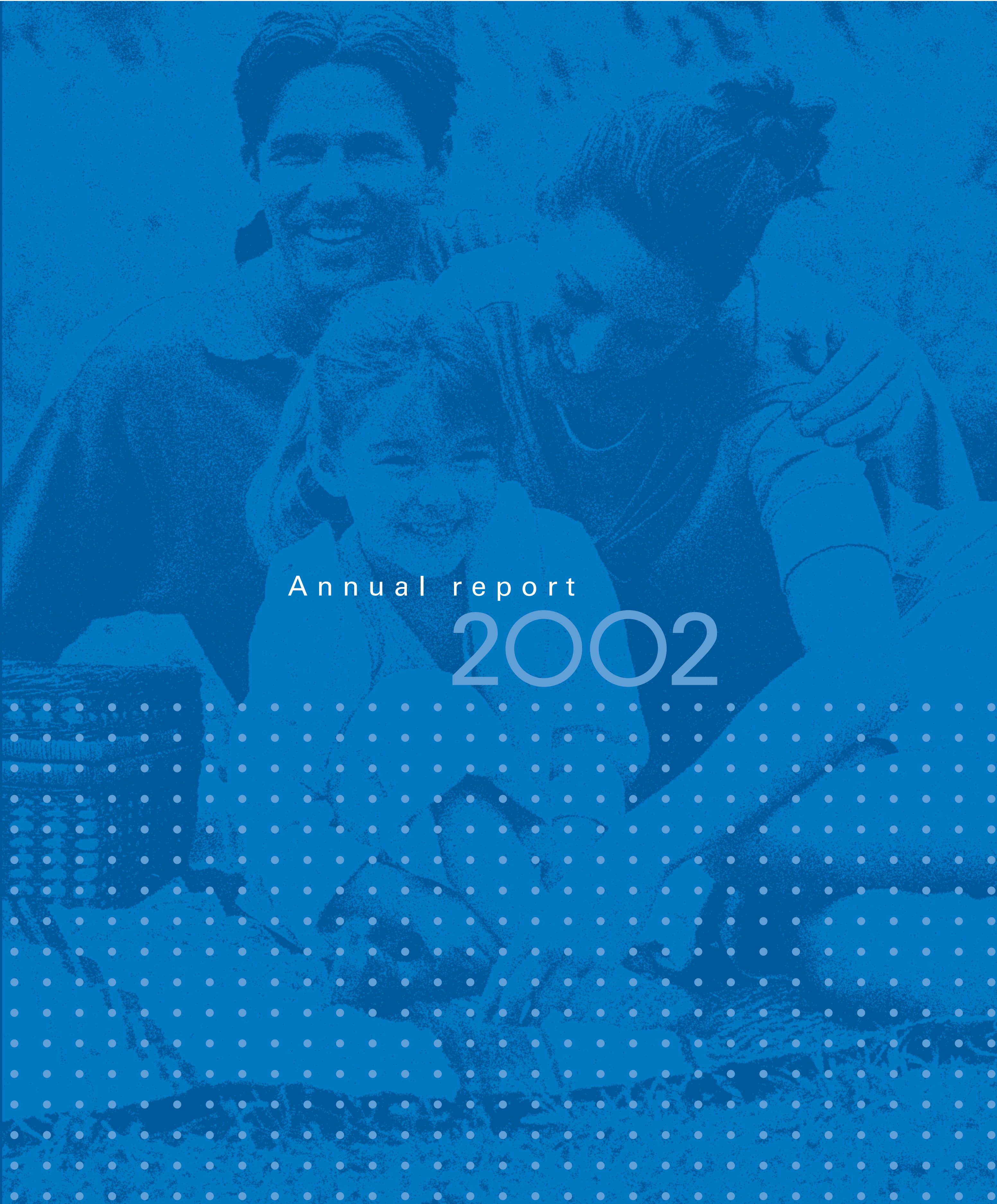
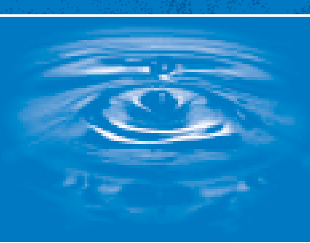


Annual report 2002



Bringing *comfort* to life

uponor

Information for shareholders

The Annual General Meeting

Uponor Oyj's Annual General Meeting is to be held on Monday, 17 March 2003 at 4.00 pm at the Finlandia Hall's Helsinki Hall, Mannerheimintie 13, 00100 Helsinki, Finland.

Important dates in the year 2003

- Financial accounts bulletin for 2002, 4 February at roughly 11 am
- Financial statements for 2002, 4 February at 4 pm
- Annual General Meeting 17 March at 4 pm
- Record date for dividend payment 20 March*
- Date for dividend payment 27 March*
- Interim report: Jan.–March 29 April at 11 am
- Interim report: Jan.–June 5 August at 11 am
- Interim report: Jan.–September 22 October at 11 am

**Proposal of the Board of Directors*

Publications

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

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

Uponor Oyj, Corporate Communications
P.O.Box 37, Robert Huberin tie 3 B, FIN-01511 Vantaa, Finland
Tel. +358 (0)9 4789 6361
Fax +358 (0)9 4789 6400
communications@uponor.com
www.uponor.com

Insider register

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

Contents

Now available on the web!
A complete electronic version of Uponor's annual report is now available at:
www.uponor.com/annualreport2002

The trade names mentioned in this report are registered trademarks.

Strategy, core purpose and values

The Uponor strategy

Uponor aims to be a leading supplier of comprehensive housing, building and environmental infrastructure solutions internationally.

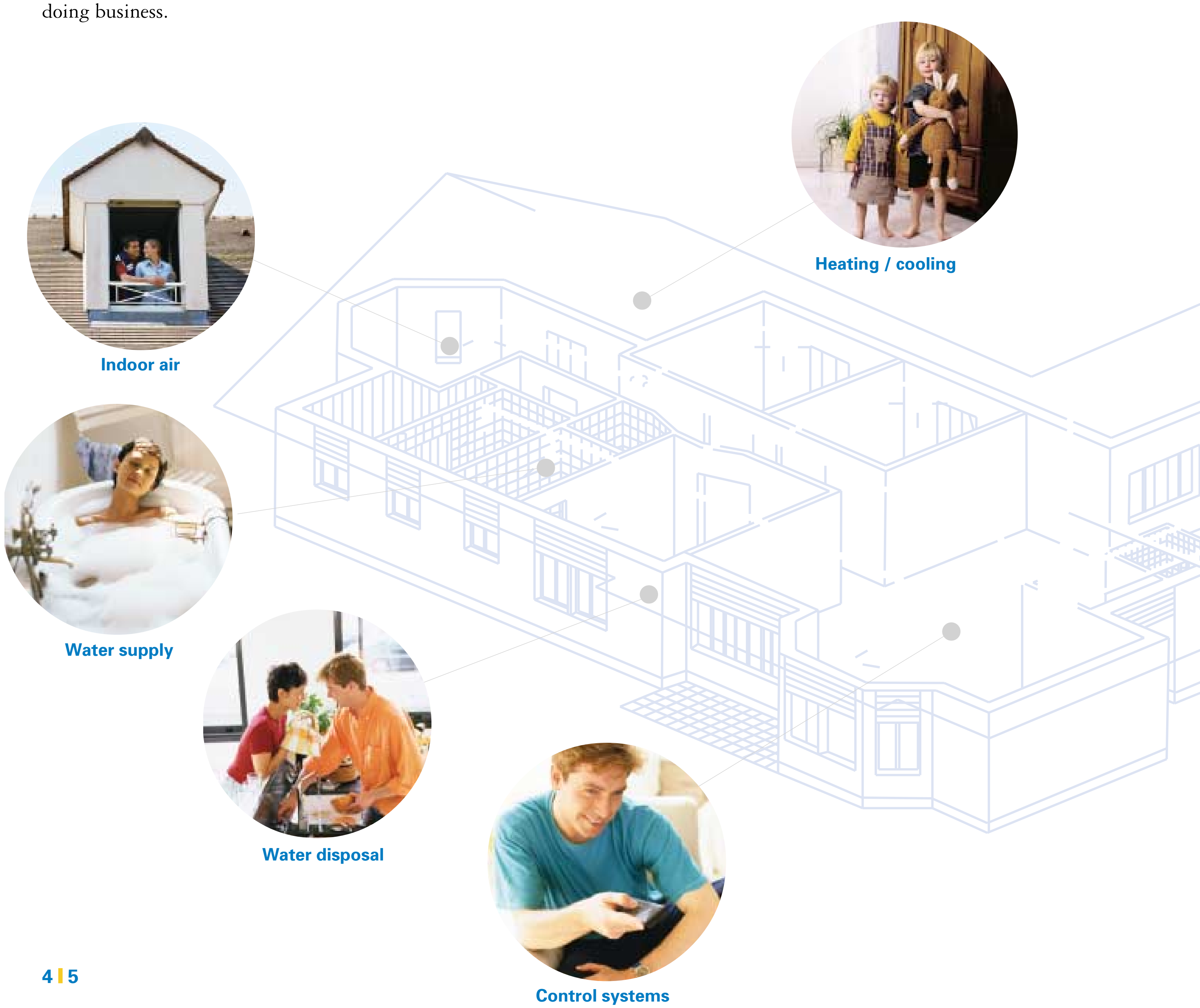
During 2002, a great deal of work was put into defining Uponor's new strategy in operational terms. Special emphasis was placed on reshaping the business from a systems-based approach towards a solutions-based model, and on developing brand management to fit Uponor's future way of doing business.

From systems to solutions

Uponor offers a comprehensive selection of technically leading systems in the areas of heating/cooling, indoor air, water and energy supply, and information technology.

Uponor's range of products, consisting of various components of the house and their controls, offers a solid base for the integration of this technology into one modular system, resulting in ease of installation, efficiency in the use of resources, and a level of quality and comfort not achievable with non-integrated systems.

As part of the Uponor approach, this advanced technology will be increasingly complemented with selected service and support components to form a total solutions package, offered through a network of in-house and external partners, and operating in harmony with the promise of the Uponor brand.



Core purpose

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

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

Core values

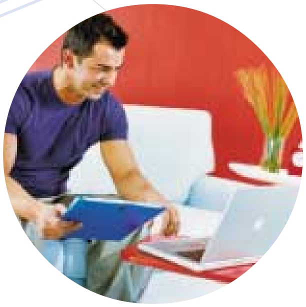
Ready to serve
- The success of our external and internal customers is also the key to *our* success.
- We treat all our stakeholders with the same mindset as we treat all our customers.

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

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

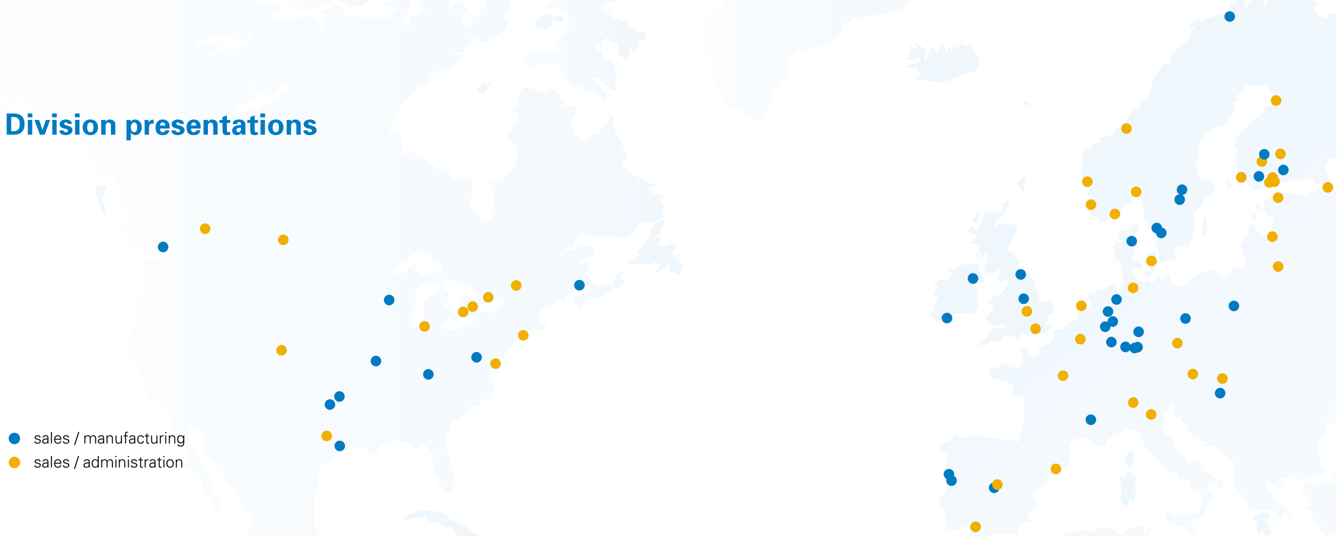
Continuous innovation
- If there is a better way, we will find it.
- We share what we learn with our colleagues.
- We have the curiosity and the courage to challenge the present ways of thinking.

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



IT and electricity solutions

Division presentations



Housing Solutions Europe

The Division offers comfort-creating, reliable, efficient, sustainable and environmentally friendly solutions in the heating, indoor climate and tap water segments of the building market. Marketing the most respected and best-known brands in the industry globally, Uponor is the world's largest supplier of under-floor heating applications and a world leader in plastic tap water pipe systems.

The Division's goal is to grow its market share through a comprehensive, value-adding system offering and to increase the recognition of the Uponor brand as a world-leading supplier of housing solutions.

The Division markets its products in Europe and selected export markets, operating 13 manufacturing sites and 15 sales offices in 12 European countries. The Division's net sales for 2002 amounted to EUR 456.2 million and it employed 2,524 people at year-end.

Housing Solutions North America

The Division offers North America's leading brands for domestic radiant floor heating and plastic plumbing systems. Additional products offered include snow melt and turf conditioning systems, pre-insulated pipe, and North America's first combined plumbing / fire sprinkler system for one and two-family homes.

The Division's mission is to rapidly grow the business by building the strongest brands in each segment. Uponor strives to be North America's most innovative supplier of comfort systems and plumbing distribution systems.

Operating from nine facilities, of which three are manufacturing sites, the Division sells products in the U.S., Canada and Mexico. Its 2002 net sales totalled 124.9 U.S. dollars (EUR 131.8 million) and it employed 419 people at year-end.

Infrastructure and Environment Europe

Uponor is one of Europe's leading suppliers of environmental and infrastructure solutions for wastewater and rainwater management, rehabilitation of water distribution and wastewater networks, gas distribution, telecommunications networks and decentralised wastewater disposal and treatment.

The Division's mission is to develop and offer innovative technology helping the infrastructure sector keep pace with modern requirements, cost-effectively and eco-efficiently.

Operating 16 factories across Europe, the Division's 2002 net sales totalled EUR 391.3 million and its personnel numbered 1 784 at year-end.

Municipal Americas

The Division's companies, Uponor ETI and Uponor Aldyl, are major suppliers of pipe systems for the municipal market in the United States and South America. They offer engineered plastic water and sewer systems and a comprehensive range of gas pipes and components in the United States and in selected South American markets.

The Division has six factories. Its 2002 net sales amounted to 133 million U.S. dollars (EUR 140.4 million) and personnel numbered 512 at year-end.

Real Estate

The Real Estate Division manages, develops and markets Group real estate holdings that are not in active use by the core business. The Division's mission is to profitably run the Group's ongoing real estate business, to enhance the value of Group property holdings through systematic development, and to free up capital for the development of the Group's core business through divestment of non-core assets.

With net sales for 2002 amounting to EUR 23.7 million, the Division's personnel totalled 36 at year-end.

The year 2002 in brief

Strategy

In line with the new Group strategy adopted in 2001, Uponor offers comprehensive housing and environmental infrastructure solutions with the aim of becoming a leading international brand in its main markets.

As part of this strategy, the Group initiated large-scale projects with a view to developing its range of systems and services, its operating model and its organisational structure. Special emphasis was placed on brand management and adoption of a solutions-based business model.

Markets

Demand in the EU construction sector deteriorated, reflecting the overall unpredictability of world economic development. The slump in the German housing industry continued: The past four years have seen a drop of more than 40 per cent in the volume of new residential building.

The North American market grew at a healthy pace, as evidenced by the highest volume of housing starts seen in 15 years.

The volume of renovation projects continued to grow in the EU, for the first time ever exceeding that of new housing projects.

Net sales and results

Uponor recorded consolidated net sales of EUR 1,137.2 million (2001: EUR 1,192.4 million). The decline in net sales was mainly due to the collapse of the broadband business, the slack machine-building business and the downward trend in demand for gas pipe systems in the USA and Argentina.

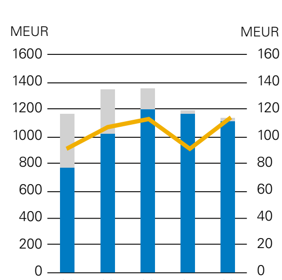
Consolidated operating profit totalled EUR 114.2 (91.2) million, including EUR 35.6 (11.4) million in capital gains on fixed assets, primarily consisting of income from real estate divestments. Profit for the period under review came to EUR 64.2 (36.6) million, marking an increase of 75.2 per cent. Return on equity was 11.8 (8.2) per cent, and return on investment amounted to 14.8 (11.3) per cent.

Earnings per share came to EUR 1.72 (1.15), and equity per share was EUR 14.58 (14.06).

Key events

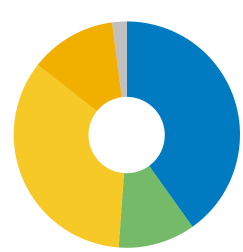
In the UK, Baltic and Nordic region, Uponor acquired three local distributors to bolster sales and marketing in these strategically vital markets.

Net sales and operating profit



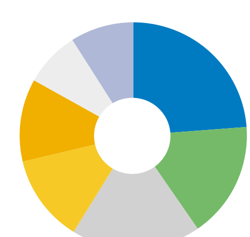
- Pipe systems
- Other
- Operating profit

Net sales by division



- Housing Solutions Europe 40%
- Housing Solutions North America 12%
- Infrastructure and Environment Europe 34%
- Municipal Americas 12%
- Real Estate 2%

Net sales by market area 2002



- North America 24%
- Germany 17%
- Other EU 18%
- Scandinavia 12%
- UK & Ireland 11%
- Other countries 9%
- Finland 9%

In North America, Uponor launched various initiatives to further enhance its market position. During the autumn, progress was made to remove the last remaining plumbing code barriers to sales of PEX systems in California and Minnesota, two key states for Uponor.

Uponor won a two-year contract to supply Gaz de France, a French energy company, with electrofusion fittings for gas pipelines, as well as a major contract to supply ducting systems for regional broadband networks in Ireland.

Personnel

The number of Group employees declined by 184, totalling 5,302 (5,486) at year-end.

A new, international management-training scheme, the Uponor Leadership Programme, was launched in 2002 to equip managers with the skills and expertise required by the new Group strategy.

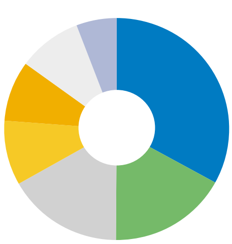
Shares

The volume of Uponor shares traded on the Helsinki Exchanges totalled 13.5 million (2001: 10.6 million), valued at EUR 270.0 (184.4) million. The year-end market capitalisation of outstanding shares was EUR 738.6 (716.6) million.

Foreign shareholding in Uponor accounted for 30.7 (23.5) per cent of shares at year-end.

During the year Uponor bought back 371,000 of its own shares at a total purchase price of EUR 7.2 million. At the end of the report period, the company held 911,000 treasury shares.

Personnel by market area 2002



The construction market in Western Europe 2002

Review by the CEO

The economic slowdown on our main markets in 2002 had an inevitable adverse impact on the housing sector, a market of vital importance to our business. Interestingly, last year was the first time ever that the volume of renovation exceeded that of new housing projects in Europe.

On a positive note, residential construction remained at a high level in North America, fuelling the brisk growth of the Housing Solutions division. Demand on the European construction market remained at a reasonably satisfactory level in all markets but Germany, where the volume of new housing projects declined by an estimated ten per cent. Indeed, the past four years have seen a drop of about 40 per cent in the volume of German residential construction.

Uponor's net sales declined by nearly five per cent, mainly due to the negative effect of currency fluctuations, a collapse in demand for broadband installations and the slack machine-building business.

Our strategic objective is to focus on developing complete solutions for housing and environmental infrastructure while we simultaneously defocus commodity-oriented bulk products. I wish to emphasise that continued growth remains our strategic objective, even though our net sales have seen a slight drop during the past two years due to internal consolidation. Meanwhile, we have developed many innovative housing technology solutions, including new systems for ventilation, fire safety, solar energy and No-Dig renovation. Our goal is to develop a comprehensive Housing Solutions package that offers customers added value and lays a solid foundation for corporate growth.

Uponor made few and only minor acquisitions last year, these mainly being geared to enhance our marketing resources in the UK and the Baltic region. At present our main focus is on driving Uponor-generated growth, while at the same time increasing our internal efficiencies and freeing capital tied up in non-core businesses. Naturally, we have not ruled out the possibility of future corporate acquisitions, but we must ensure that these are of sufficiently large scale and that they are carefully aligned with our existing strategy.

Last year's result was the best in Uponor's history, albeit that a part of our operating profit consisted of large-scale real estate divestments, our single largest deal being the sale of shares in Tampereen Kiinteistö Invest. We began developing this site over ten years ago, and in 2002 we finally reaped the rewards of our efforts.

Significantly, profits from our core business showed an improvement on the previous year, despite the negative effect of EUR 9 million in non-recurring expenses entered as operating expenses. Given the difficult market climate, this result would not have been possible without the internal efficiency programme launched in 2001.

The Group enjoyed healthy cash flow, with our solvency ratio climbing to nearly 60 per cent. In view of our strong balance sheet and substantial capital gains, the Board of Directors proposed a dividend payout of EUR 1.50 per share – a historically high payout for our company, and nearly double that of 2001.

Uponor's share price has been relatively stable for the past year regardless of the otherwise highly unpredictable stock market.

*   *   *

During 2002 our main efforts were focused on implementing and anchoring the new corporate strategy. This process witnessed a broad-ranging and constructive in-house dialogue on our new corporate values, in which all Uponorians have been involved in one way or another. I believe that all our personnel now appreciate that we cannot attain our ambitious vision without a jointly defined and commonly agreed set of corporate values.

Under the new strategy, we now have only one corporate brand, Uponor, and three global system brands: Uponor Wirsbo, Uponor Unipipe and Uponor Ecoflex. Added to this, we also have a couple of strong regional system brands and a large family of well-known trademarks. Consolidation and further evolution of this family of brands is one of our key challenges of the near future.

Our new brand strategy will bring tangible changes to the company. It will rationalise our marketing investments, enhance our internal efficiencies, and create a basis for the harmonisation of our offering to the customer. Above all, it will provide a foundation for building a strong corporate brand, thereby serving Uponor's goal to become a leading international specialist in housing solutions and environmental technology. We aim to offer an integrated range of solutions under the Uponor banner, based on a modular business concept in which all components fit together to create value for all partners in the value chain.

Our slogan, '*Uponor, Bringing comfort to life*', is a fitting reflection of our new strategy. This not only means that we bring comfort to the home, but also that our systems are harmoniously integrated, reliable, economical and easy to use and maintain. Uponor strives to offer its partners a convenient service interface, a comprehensive solutions offering and, through these, a variety of new business opportunities.

The realisation of our strategy will require a committed, long-term effort from all Uponorians. We are yet at the beginning of our journey, but we are moving in the right direction. I have been delighted to note that our personnel are enthusiastic about our new strategy and, each in their respective roles, are already implementing it with drive and dedication.

* * *

The economic outlook for 2003 is highly unpredictable. Conditions continue to deteriorate, and it is difficult to forecast any foreseeable upturn. In any case, we will strive to improve the profitability of our core business, excluding possible non-recurring expenses, assuming that there will be no further significant deterioration in the present economic outlook.

I would like to thank all Uponorians for the hard work they have done to improve our profitability and anchor the new strategy in the face of a difficult market climate.

I would also like to thank our customers and shareholders for their cooperation and unwavering support. We promise to continue doing our utmost to achieve the goals of our new strategy.

Our ultimate objective is that the new strategy, once successfully implemented, will establish Uponor as one of the leading brands in the industry, making us an even more profitable growth company than we are today.

Early in winter Uponor announced my intention to retire when I turn sixty. My twenty years at Uponor, first as Deputy CEO for eight years and then as CEO for twelve, have been a happy, rewarding time. I am confident that now is the ideal time for a new leader to step in and take the helm.

I would like to take this opportunity to welcome my successor Jan Lång and wish him every success in what promises to be a fascinating and challenging job.

Jarmo Rytilahti
President and CEO

Housing Solutions Europe

Brand consolidation and business concept harmonisation continued with the reorganisation of system brand marketing support functions and structured implementation of the corporate identity.

Actions were taken to intensify marketing in those regions of Europe where Uponor systems do not have a sufficiently strong marketing position.

An internal efficiency drive helped improve margins and compensate for the sluggish Central European market.

Market development

Germany, the key market for Housing Solutions Europe, failed to recover from the construction slump during 2002, and demand for plumbing and heating applications continued to contract. Despite the unfriendly business environment, Uponor performed rather well, due to the general trend favouring high performance plastic systems over metallic and other systems.

In the Nordic area, another key market, there was a modest increase in demand, and Uponor managed to improve its position. As in the German-speaking markets, expectations for growth are mainly in tap-water systems. The 2002 launch of the Unipipe tap-water system is thus expected to yield profits in the coming years.

In spite of the recent decline in Iberia, the Spanish building sector is still one of the biggest in Europe. Uponor has a track record of strong sales, especially in plumbing applications, and this trend continued also in 2002. Italian demand for new housing was more stable than in the previous year, and the market for renovation continued to increase as projected. Uponor sales developed well during the year.

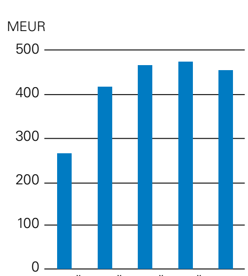
Main events

Intensive brand consolidation continued within the division as a result of the Group's new strategy to integrate its system brands (Ecoflex, Unipipe and Wirsbo) under the Uponor corporate umbrella. The strategy and the new visual identity were demonstrated to partners, the industry and the media at several international trade fairs, such as Mostra Convegno in Milan and Inter-Clima in Paris.

Brand consolidation brought about various opportunities to streamline business operations. Business concept harmonisation continued with the reorganisation of the marketing and sales functions of the system brands. Global sales of the Ecoflex system were reorganised and made the responsibility of regional organisations. Also the division staff was re-organised in order to support an increased focus on the development of the solutions business.

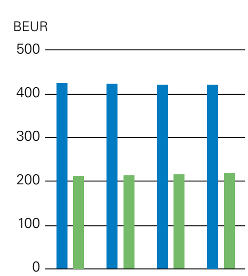
In order to improve the recognition of the Uponor name Europe-wide, several actions were taken to strengthen positions in those regions of Europe where Uponor systems do not have a sufficiently strong marketing position. Responsibility for the French market was transferred to Uponor's Iberian organisation in order to build up the market for Uponor's total systems offering and to safeguard a high standard of service to customers. Three former local representatives for the Unipipe, Wirsbo and Hewing brands were acquired in the UK, the Baltics and the Nordic countries in order to enable better brand co-ordination and to improve the route to the market for all Uponor system brands.

Net sales



* Pro forma

The building market in Europe



● Building market, total value, billion euros
● Renovation and modernisation, billion euros

Source: Euroconstruct 12/02

In a move to optimise resource spending and internal efficiency, Uponor continued to streamline its manufacturing operations throughout Europe.

Developing a total offering

Several new systems and key components were introduced in 2002. Unipipe's new fittings programme, featuring an evolution in installation security thanks to improved leak detection, met with an enthusiastic response by installers. Further improvements in installation features and the use of environmentally friendly materials complying with new EU directives on drinking water, have created opportunities to expand the product range and offer a comprehensive multi-layer composite pipe programme in tap water and heating applications.

The division introduced three new applications based on composite pipe technology, thus uniting the advantages of a plastic pipe system with those of an aluminium pipe system. These include a new barrier pipe for the transportation of potable water through contaminated ground; a flame-retardant electro-conduit pipe that is electro-magnetically protected and, due to its light weight, easy to install; and an air pipe system for compressed air systems, targeted for indoor climate solutions.

Furthermore, the range of high performance plastic fittings was extended to pave the way for the growing use of all-plastic pipe systems in demanding applications.

Business outlook

Growing customer appreciation of resource conservation and safe, environmentally friendly, comfort-giving solutions will be an advantage for Uponor. The new eco-conscious EU directives on drinking water will favour our housing-related business throughout Europe. Declining sales figures for copper and other metallic systems will continue to create important growth potential for Uponor.

Uponor's advanced solutions, its environmentally friendly manufacturing and its streamlined, efficient organisation will help to compensate for the difficult business environment especially in Central Europe, and will be a basis for growth in all other European markets. Further growth opportunities can be anticipated as the ten new applicants join the EU.

Geographically, the division will continue to focus on strengthening and developing its core business throughout Europe and in selected international key markets.

Housing Solutions North America

In 2002 Uponor brand positions were enhanced through new product introductions and strengthened marketing initiatives.

Internal operations and cost structure were improved by consolidating operations, streamlining facilities, and upgrading information technology systems.

Uponor is expanding investments into areas critical to future success: people, strong brands, product development and internal process improvements.

Uponor's business grew at a healthy pace in 2002 despite sustained weakness in the U.S. economy. Residential home construction, the most important economic factor from an Uponor perspective, remained at a strong level owing in large part to low mortgage interest rates. However, a notable slowdown in the construction of high-end homes in the U.S. and Canada held back growth in radiant floor heating system sales. Meanwhile, Uponor plumbing system sales grew at a strong pace, as these systems are installed in site-built homes at all price points as well as in manufactured homes and recreational vehicles. Sales growth of the Uponor Ecoflex line of pre-insulated pipe also accelerated as an Uponor sales network was established to replace an exclusive third-party sales agreement.

Uponor Wirsbo, Uponor's largest selling and best-known brand, was strengthened in numerous ways during the year. The year was kicked off with the bi-annual Uponor Wirsbo Home Comfort Team convention, which was held in Las Vegas. The well-attended convention featured two renowned speakers and the introduction of new Wirsbo programmes and products. Over 200 of Uponor Wirsbo's most prolific installers offered an enthusiastic response to the new Wirsbo Advantage Programme, a package of special services and marketing support for high volume contractors.

Uponor Wirsbo customers also welcomed several new products introduced at the convention and later in the year. Particularly well received was a new generation of PRO-Series radiant heating electronic controls, which simplify system installation and enhance performance. North America's leading PEX systems brand also took a step toward improving the lives of Wirsbo system designers by introducing the Advanced Design Suite system design software package. The ADS offers expanded capabilities with a more simplified user interface, and is easy to update via the Internet.

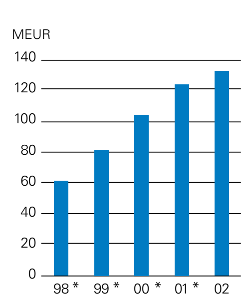
Enhancements to the plumbing system also received a warm reception in 2002. The AquaPEX product group was expanded to include a wider range of plastic fitting alternatives including larger dimension fittings and the AquaCenter valved manifold. Uponor Wirsbo's revolutionary AquaSafe combined plumbing / fire sprinkler system overcame various obstacles relating to building standards during the year and is well positioned for solid growth in the years ahead.

Uponor strengthened operations and improved cost structure in numerous ways in 2002. The consolidation of Wirsbo Canada and Plasco into a single company, Uponor Canada, was successfully completed during the year. The Uponor Wirsbo and Plasco brands were repositioned in Canada to optimise market penetration.

Early in 2002 the Division's distribution operations in Minnesota were moved to a new leased building near existing Uponor operations. The new larger, more efficient facility supports all Uponor brands. The previous distribution facility, which is attached to Uponor Wirsbo's manufacturing and headquarters, is being refitted to accommodate manufacturing expansion.

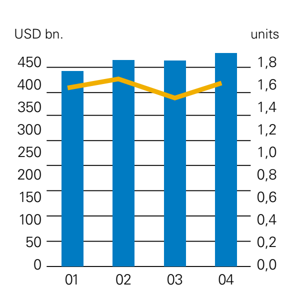
With the conclusion of the exclusive third-party distribution agreement for Ecoflex sales, an office and warehouse facility in Illinois was closed and Ecoflex operations were moved to existing facilities in Minnesota.

Net sales



* Pro forma

The building market in the USA



● Residential construction, billion dollars
● Housing starts, million units
Source: Global Insight 12/02

The Division's IT systems were significantly improved during the year as the benefits of the 2001 installed ERP system were realised. All N.A. operations experienced improvements in procurement processes, materials management and order processing. The installation of a full bar-coding system was completed late in the year, which will yield benefits in 2003 and beyond.

Progress was made in 2002 to remove the last remaining plumbing code barriers to sales of PEX systems. Opponents of plastic plumbing systems have vigorously pursued a course of influencing the plumbing code development process as a means of slowing the migration from metal to plastic plumbing systems. In California, the most populous state in the U.S., plumbing code conflict resulted in a legal dispute, which was decided in favour of plastics in December. Barring a successful appeal, PEX plumbing systems will now be allowed in most of the state. Also, the plumbing board of the state of Minnesota has advised that PEX systems will be included in the Minnesota code starting in 2003. With CA and MN approvals PEX plumbing is now approved in 49 states and all Canadian provinces, although there are numerous local and regional restrictions.

Providing additional geographical expansion opportunity Uponor has established an exclusive plumbing system sales and distribution agreement with one of Mexico's industrial leaders, Grupo IUSA.

Business outlook

Copper plumbing and forced air heating still dominate in North America. Flexible plastic plumbing and hydronic radiant floor heating systems offer distinct advantages and will continue to expand against the industry leaders. However, Uponor's brand leadership in the PEX systems category is receiving an increasingly stiff challenge from other plastic system suppliers.

To sustain leadership, Uponor is continuing to expand investment into branding initiatives, product development, process improvements, and into building the industry's strongest staff. Systems and internal processes will be strengthened in 2003 through further consolidation of distribution operations, expanded supply chain management capabilities, and the implementation of various manufacturing process improvements. The Uponor Wirsbo brand will continue its evolution into a more comprehensive comfort and safety package, with increasingly contractor-friendly design and installation, web-based promotion and communications, and more builder and consumer oriented marketing.

Infrastructure and Environment Europe

The UK gas distribution business grew vigorously, attaining planned volume.

Investment in Uponor's No-Dig, LWM and Gravity businesses achieved projected targets, with Uponor strengthening its position in the Nordic countries and Germany.

Growing demand for healthy indoor air witnessed further expansion of the Uponor Vent system and installer network.

Despite many positive achievements, the division failed to increase its total sales volume in 2002, largely due to a year-on-year contraction in the telecommunications business during the first three quarters of the year.

The European segments of the Utilities and Building & Environment divisions were merged at the end of 2001. In line with the new corporate strategy, the business was refocused under the new division name, Infrastructure & Environment. The most rapid growth in demand for the new division's products and services was recorded in the UK, Spain, Russia and the Baltic countries. However, growth in sales volume was curtailed by the depressed Central European construction market and sharp cuts in telecommunications investment throughout Europe.

As part of efforts to implement and communicate the new corporate strategy, the division launched the process of anchoring the new corporate values throughout the divisional organisation. By the end of the year, this training embraced the entire personnel.

In the British Isles, the accelerated mains replacement programme of Transco, Uponor's top UK customer, resulted in a significant increase in sales. In 2002 Transco extended the use of Uponor ProFuse technology to large diameter installations. In autumn, Transco awarded Uponor for its outstanding contribution to improving health, safety and the environment. Uponor also won an award from Severn Trent Water as Stock Supplier of the Year 2002. In Ireland, Uponor was successful in winning the contract to supply ducting systems for the Government's regional broadband programme. The first tranche, covering 20 towns and cities, will be carried out as part of the National Development Plan and is due to be in place by the end of 2004. The UK saw the launch of Uponor's new Puriton™ utilities plumbing system. Completely resistant to foreign pollutants in soil, the system is ideal for water distribution in contaminated areas.

The German biological liquid waste management business acquired by Uponor in autumn 2001 was merged into Uponor Klärtechnik GmbH, which doubled sales of its environmentally friendly liquid waste management systems in 2002. Uponor's LWM offering comprises comprehensive solutions including sample analysis, equipment installation and maintenance contracts. The LWM business made gratifying progress also on the Nordic market.

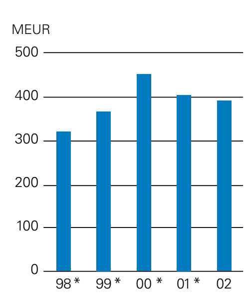
In Germany, increased resources were allocated for marketing advanced polypropylene wastewater management systems.

Telecommunications ducting production capacity was reduced in line with flagging demand in France, Germany and Hungary, offering an opportunity for the division to streamline its organisational structure and release tied-up capital. Uponor and the French energy company Gaz de France cemented their existing partnership by signing a two-year contract for the supply of electrofusion fittings for gas pipelines. At the end of the year, the two companies transferred the production of their jointly owned Hungarian electrofusion company, to an Uponor facility in the UK.

UltraRib sewer system production capacity was doubled in Portugal in response to rapid growth in Iberian sales.

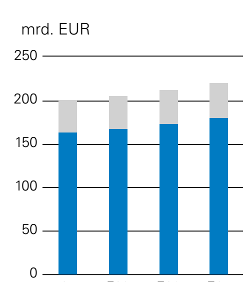
In the Nordic region, Uponor continued to intensify the promotion of cost-

Net sales



* Pro forma

The civil engineering market in Europe



● Other civil engineering
● Energy and water works

efficient, environmentally friendly No-Dig technology by strengthening its Nordic-wide marketing organisation. Uponor now offers comprehensive turnkey systems for trenchless renovation of waste management, water and gas pipelines throughout the Nordic region and Central Europe. The company signed a series of major Omega-Liner® sewer rehabilitation contracts with water companies in Oslo, Helsinki and Copenhagen.

The division continued to implement its pan-Nordic logistics concept and launched projects to harmonise its product offering throughout the region. With ProFuse sales continuing to climb on the Danish market, the technology was also introduced in Finland and Sweden. The division continued developing the Uponor Vent system and expanding its licensed installer network. Promising growth in ventilation sales is a visible indicator of the growing importance of healthy indoor air.

Sales grew briskly in all customer groups in Russia and the Baltic markets. The fastest growth was recorded in sales of wastewater management systems in Russia. Estonia saw the installation of its first Uponor ventilation system at the new Concert Hall in Pärnu. In Moscow, St Petersburg and Tallinn, Uponor relocated to new, modern premises.

Business outlook

Demand for health, safety and environment systems is predicted to remain promising despite the prevailing slump on the construction market. Uponor's expanded system offering for the rehabilitation of water, sewer and gas distribution networks provides a sound basis for continued growth, even in the face of a possible overall deterioration of prospects in the construction industry.

Uponor aims to continue focusing on the development of comprehensive solutions based on its existing, successful business concepts. The division will continue reducing bulk production capacity whilst simultaneously steering its core business towards specialised systems.

The protracted decline of the telecommunications market bottomed out in the last quarter of 2002, with weak signals of broadband investment picking up at the end of the year. A potential market upturn will offer improved growth prospects for Uponor's new-generation Mini and Microduct systems towards the end of 2003.

The UK is continuing to implement its programme for the replacement of cast iron gas mains, shifting the focus from major gas mains to smaller distribution pipes during 2003.

German government support for private investment in wastewater treatment systems, coupled with amendments to national building codes, should begin to stimulate demand as early as spring 2003. Early in 2003 Uponor Klärtechnik will be launching its first integrated small sewage treatment plant, offering improved environmental efficiency at reduced cost.

Municipal Americas

Water and sewer, USA

Demand in the U.S. municipal market remained at a reasonable level, helped by the strong market for residential construction. Sales volumes were comparable to prior years and increasing prices resulted in an improvement in margins.

Uponor continued improving the product mix toward more specialised products. For the second straight year, double-digit percentage gains for the Ultra-Blue and the Mid-States Plastics water meter enclosure product lines were achieved. These products are used in water distribution systems throughout the U.S.

Uponor continued to manage inventory to meet customer needs and maximise returns and focused capital expenditures toward specialised product lines. A higher pressure class of Ultra-Blue was introduced in two diameters and the Easy Liner relining product, based on the Ultra-Corr sewer pipe system, was expanded to the full diameter range and fully commercialised after introduction in the autumn of 2001.

Gas distribution, USA

For U.S. gas distribution systems, 2002 was another year of market contraction due to slow economic recovery in this segment. The declining market resulted in tough competition, which was further fuelled by new entrants from the subdued telecoms ducting sector.

Uponor continued to streamline its operations and increase efficiency. Due to improved performance, Uponor managed to improve the profitability of the business considerably, although sales suffered from the overall market sentiment.

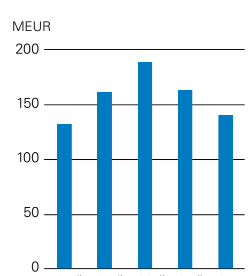
The recall of a batch of Uponor-manufactured pipes initiated in January 2001 by one of Uponor's raw-material suppliers at its own expense, due to a wrong resin delivery, was completed successfully.

Gas distribution, South America

The Argentinean financial and economic crisis impacted negatively on the whole region, and especially on the domestic markets, where activity levels in the building industry suffered a 40% year-on-year decline. Also exports were at lower levels than a year before.

Uponor extended its offering to water distribution, oil and mining industries and to swagelining applications, both on the domestic market and abroad. Despite this, sales dropped dramatically, but Uponor maintained its leading market position.

Net sales



* Pro forma

Real Estate

Renor Ltd (formerly Asko Real Estate Ltd), responsible for the Group's real estate business in Finland since 2000, was specifically founded for this purpose. The company's name was changed to sharpen its profile as a real estate developer.

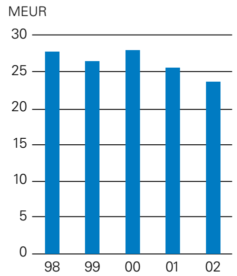
The balance sheet value of the Group's property for sale amounts to approximately EUR 155 million. The key development ventures are located in Lahti, Forssa, Pori and Vantaa. The gross floor area of Renor real estate holdings available for development was roughly 235,000 m^2 at year-end.

Key development ventures

The division's most important new property development is the 'Asko area' in Lahti, the principal project being a new technology centre, HTC Lahti. The first property on the site (appr. 7,500 m^2 in area) was completed in the summer of 2002, while marketing of the other is proceeding well. HTC Lahti accounts for about 50,000 m^2 of the total gross floor area of the Asko development, which is planned to total 300,000 m^2.

The Vantaa authorities approved the modified land-use plan for Asko house in Varisto, Vantaa, allowing the building's business premises to be extended by a gross floor area of 6,500 m^2.

Net sales



The Vantaa City Council ratified the Tikkurila Silk Mill's modified land-use plan. The site was re-zoned for commercial use, and building rights granted for a gross floor area of 20,230 m^2. However, an appeal is pending against the decision.

About half of the Pori Cotton Mill complex is currently occupied, with building rights secured for 165,000 m^2. Now that the renovation of the spinning mill is complete, real estate development will focus on the adjacent dye works.

The division's primary objective is to sell all this property to investors or occupants once re-zoned.

The total value of the division's property sales in 2002 was EUR 53.5 million (EUR 20.00 million). The two most significant among its over 70 property transactions included the sale of Tampereen Kiinteistö Invest Oy's shares (49.9 per cent of share capital) for roughly EUR 28 million, and the sale of five relatively large business premises.

The division's investments totalled EUR 2.0 million (EUR 4.5 million), mainly earmarked for modernisation projects for property to let.

The occupancy rate of the division's real estate was 80 per cent at year-end. Most vacant properties were derelict industrial sites awaiting redevelopment.

Demand for property to let remained stable, while that for property for sale was mostly at a healthy level.

Development

In line with its new strategy, Uponor has embarked on measures to become a world-leading brand in solutions for housing and environmental infrastructure during the current decade.

This means a major transformation, shifting the company's business focus from the sale of pipe systems to the provision of complete value-added solutions and services based on Uponor's technological expertise. As part of this transformation, the company is continuing to divest its non-core bulk businesses and property.

The new brand strategy aims at turning Uponor into a strong corporate brand visible in all of its business. In this respect, one of the largest programmes completed last year included the process of initiating all Uponor employees into the company's new values, and the more consistent operating culture required by them. The programme was very well received by all groups of personnel, irrespective of their different cultural backgrounds.

Uponor is currently adopting branding tools to ensure that the opportunities presented by and the development needs of the Uponor brand strategy are taken into consideration in all of the company's operations.

The Group's upgraded international management training programme, the Uponor Leadership Programme, will also play a major role in the process of getting the message of its new strategic direction and goals across to the entire organisation.

Throughout Uponor's history, strong and effective R&D has always been one of the driving forces of its business. Now that the company is engaged in a process of transformation, the role of R&D is growing from small-scale product and system development into the development of new businesses whose goals and targets reach beyond unit and country borders. Consequently, Uponor manages its R&D on an increasingly centralised basis, taking Group-wide interests into consideration and thus securing sufficient resources to large-scale projects.

Transformation enabling solutions

Housing and environmental technology, Uponor's core industry, is undergoing sweeping changes. A number of studies suggest that, when it comes to housing, people have increasingly higher expectations in relation to issues such as noise, clean air and moisture control than only a few years ago.

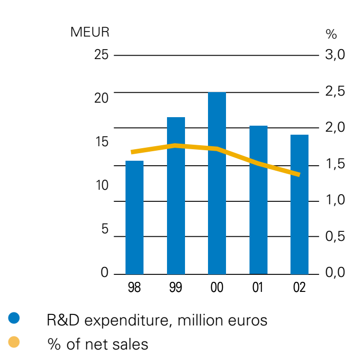
By and large, the environment is a high priority in both housing and communal development in general.

In terms of building activity as a whole, building renovation and modernisation is rapidly expanding. This is due not only to the increase in completed housing stock and the fact that much of it is ageing, but also to the fact that people are spending more and more time at home and have new, higher expectations regarding their comfort and safety.

Uponor has been developing new types of products and services to meet these requirements. Its environmentally friendly solutions, which are closely connected to the company's existing range of housing and environmental technology systems, provide promising growth prospects as part of the company's overall, cost-efficient solution for comfortable housing.

A few of these solutions are depicted below. The company's goal is that these new solutions will generate net sales of around EUR 100 million as early as 2005.

Pipe Systems R&D expenditure



A home sprinkler system incorporated into residential plumbing systems

Even though people spend most of their time at home, the market has been short of an effective and affordable residential fire protection system. In 2001, the U.S. market saw the launch of Uponor's new fire sprinkler system, the first of its kind designed for one/two-family and terraced houses. Uponor's patented proprietary technology makes it possible to incorporate the sprinkler system into residential plumbing systems.
The system, marketed under the trade name AquaSafe™, brings substantial benefits not only to homeowners and builders but also municipalities. Of course, cost-efficient fire safety comes first, but there is every reason to highlight the system's other strengths in providing the potential for greater housing density, creating a selling advantage over houses not equipped with the sprinkler system or reducing expenditure on fire fighting infrastructures in densely populated areas.

Pipeline renovation without excavation

Obsolescent municipal pipeline systems put people's health and the quality of groundwater at risk. The question is, how many communities can afford to renovate their extensive underground pipe systems by digging under ground, creating a nuisance for residents and impeding traffic, and possibly causing irreparable damage to historical sites and local heritage.
Uponor boasts a range of highly advanced no-dig pipeline renovation systems designed for pressure-gas pipes, pressure-water pipes and sewage systems. Some of the company's systems are even suitable for incorporating new connections into the existing pipeline network.
Uponor's No-Dig business provides an effective and secure solution to the modernisation of the municipal infrastructure, covering services from the planning to the implementation of the project.

Housing solutions for a clean environment

Millions of people in different countries live beyond the reach of municipal infrastructures. A clean environment is one of the most important factors affecting living standards, since increased housing density and the high cost of building new municipal infrastructures pose a threat to unspoiled natural environments.
Increasing awareness of environmental pollution has led to ever-stricter wastewater treatment standards in many countries. By combining the company's conventional expertise and its leading-edge biotechnological expertise with electronic management systems Uponor has developed new solutions for more comfortable living in sparsely populated areas.
With professionally designed and installed wastewater systems it is possible to live in rural areas without burdening the environment.
These systems can also be tailored to projects that require the separation of grease or oil from wastewater.

Clean air — in as well as out of doors

In pursuit of high energy-efficiency, buildings both old and new, whether homes or workplaces, may suffer from poor ventilation unless this issue is given high priority. Professionally engineered ventilation solutions can provide fresh and clean internal air wherever required, thus creating a comfortable living environment, say, for those suffering from respiratory disorders.
Uponor is constantly developing new solutions to provide good-quality, clean internal air and a comfortable room temperature throughout the home based on efficient energy utilisation, combined with the system's easy maintenance and management as part of other housing infrastructure solutions.

Corporate social responsibility

Responsible by nature

Uponor's goals in the sphere of social responsibility are firmly rooted in the company's mission, embracing a commitment to responsible operating methods and respect for life. The values that were determined in partnership with various personnel groups in 2001 were communicated throughout the organisation during 2002.

In accordance with its values, Uponor seeks to create solutions for sound living in a manner that also enables healthy development of business operations. Harmonising the economic, human and environmental benefits needed for good living in a sustainable manner is not merely a necessity, but a motivating force for Uponor's present and future business.

The quest for a sustainable mode of living is a major challenge. This challenge will be manifest in Uponor's operations in the following ways, as defined in the company statement of social responsibility:

- Stakeholder welfare from financial success;
- Environmental protection and sustainable use of natural resources;
- The well-being and skills of the personnel;
- Operating methods that are effective and responsible with respect to products, consumers, partners and neighbouring organisations and communities.

Environment-driven business

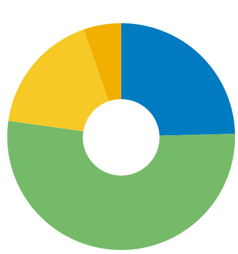
Uponor has a large number of products and solutions that promote a healthy environment and are advantageous from an ecological point of view. Minimising costs over the entire life span of a system is a principal objective of development work, and this aim often leads the development process in the same direction as our commitment to respecting the environment. The increased integration of our systems and solutions will offer end users not only improved comfort in their lives, but also more efficiently optimised use of energy and water.

One of our latest environment-driven product launches was the introduction in the UK of a new utilities plumbing system designed for installation in areas with contaminated soil. Completely resistant to harmful smell and taste from soil, the Puriton™ system is based on Uponor's expertise in multi-layer pipes.

Acknowledged responsibility in operations

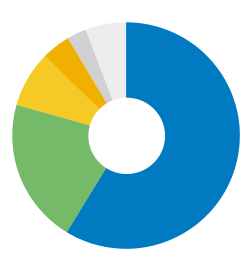
The direct environmental impacts of the plastics processing industry are minor by comparison with many other industry sectors. Such manufacturing gives rise to no noxious emissions and has no polluting impact on factory sites. The suppliers of Uponor's principal raw materials also hold third-party certificates for their environmental management systems.

Personnel by education



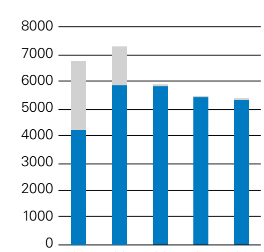
- Basic: 9 years 25%
- Upper: 12–16 yrs 17%
- Intermediate: 9–12 yrs 53%
- Over 16 yrs 5%

Personnel by function



- Production 58%
- Marketing 21%
- Finance & admin. 8%
- Other 4%
- R&D 3%
- Management 6%

Personnel at year-end



- Pipe Systems
- Other

Three new operating sites received environmental certificates in 2002. By the end of the year about 45 (2001: 40%) per cent of production staff were working on sites with an ISO 14001 accreditation.

In order to maximise the benefit of third-party audits, Uponor Oyj decided to procure all its third-party audit services from a single partner. The aim is to develop third-party audit practices that go beyond being compliance-against-standards audits. This includes an innovative initiative to combine Uponor's strategic themes and corporate values into an audit criterion and the usage of global audit procedures, which will provide a uniform framework to benchmark Uponor's different units across organisational and geographical borders.

Uponor's environmental work received special recognition when Uponor won a 'Significant Contribution by a Contract Partner to Improving the Environment' award, one of the ten award categories within The Lattice Group's Chairman's Awards. Uponor, which is a major supplier for the Lattice Group company Transco, received the award in recognition of how well environmental improvements had been integrated into the fabric of the Transco–Uponor relationship, and how well they stood up to financial scrutiny.

Hewing GmbH, Uponor's German subsidiary, received an environmental award from the local government for saving natural resources and setting a shining example in waste reduction.

The occupational safety risks of Uponor's operations are minimal and no serious accidents were reported in 2002.

Development of an information gathering system for socially responsible management continued during 2002. A major step forward was taken during 2002 when data gathering was combined with financial reporting. The aim is to establish a system that can provide reliable information on the environmental and social impacts of the Group's operations to meet the needs of management.

Skills development

At the end of 2002 the Uponor Group had a total staff of 5,302, a reduction of 3.4% on the previous year. There was a marked downsizing in finance/administration, whereas the number of employees in marketing/sales increased.

Geographically the biggest staff reductions took place in Germany and Sweden. Canada, Denmark and Iberia meanwhile saw a slight increase in personnel.

In line with the Group's new strategy, a four-week top management course, the Uponor Leadership Programme, was developed to replace the existing Uponor International Management Programme. The aim of the ULP is to provide skills and expertise required in the execution of the Group's new strategy. The first of the four ULP modules, in which 25 senior managers are participating, was launched in Finland in October 2002. The first programme will run through October 2003. During the year the Group HR also ran a three-part innovation seminar for R&D and marketing managers.

Early December saw the seventh meeting, since its launch in 1996, of Upofor, a forum for information and communication between employee representatives and corporate management.

Risk management

Financial risks

The aim of Group financial risk management is to minimise any negative impacts of financial market fluctuations on the company's business operations, and help to ensure that its earnings progress is in line with its adopted targets. Another main goal is to maintain a solid financial position for the Group's business operations under all circumstances in a cost-effective manner, ensuring that the Group enjoys independence from financing sources.

Financial risk management is centralised in the Group financing function at the Corporate Head Office, responsible for identifying, assessing and covering the Group's net financing risks. The general objectives and operating principles of the Group financing function are defined in the Group financing policy, approved by the Board of Directors and Management.

Uponor employs various financial instruments in its financial risk management within the framework of precisely specified limits. The use of financial instruments is restricted solely to those with a market value and risk profile that can be monitored continually and reliably within the Group's financing system.

The financing function serves as the Group's internal bank, its duties including fund-raising for the Group, carrying out external transactions related to risk management and providing services for Group subsidiaries in various financing sectors.

Currency risks

The decentralised character of the Group's business operations in several home markets means that it has no significant exchange rate risks. The advent of the European Monetary System has led to a substantial reduction in net assets valued in currencies other than the euro, which has caused a corresponding reduction in sensitivity to translation risks arising from exchange rate differences. In transactions where deals are made across the boundaries of the euro area, the Group remains exposed to exchange rate risks.

Uponor seeks to manage risks deriving from exchange rate fluctuations so that these do not jeopardise its business earnings or financial solidity. As the Group has production and sales operations in several countries, exchange rate risks are managed in relation to several national currencies. In addition to the euro, the main currencies of pricing and invoicing are the U.S. dollar, the pound sterling and the Swedish crown.

Pursuant to the Group hedging policy, all substantial open currency positions are hedged. This hedging is largely achieved through currency forward agreements, options or swap agreements. Such currency derivative agreements are generally of less than one year in maturity. Loan capital required in countries outside the euro area is generally raised in national currencies.

Group subsidiaries are responsible for hedging their own net currency flows internally, working with the Group financial function. The euro is primarily used for intra-Group transactions. The Group financial function is responsible for hedging the Group's net currency flows in external currency markets.

Interest rate risks

The Group is exposed to interest rate risks associated with market rate fluctuation. The Group financial function is responsible for taking any measures necessary to balance the interest rate position and minimise interest rate risks, within the framework specified by corporate financing policy.

Interest rate risk exposure at Uponor is mainly related to net interest bearing liabilities in the balance sheet, totalling EUR 163.9 million on 31 December 2002. Most of the Group's net interest-bearing liabilities are denominated in euros while other principal loan currencies are the USD, GBP and SEK.

To manage interest rate risks, Group funding is spread across fixed and floating interest rate instruments. The duration of the interest rate position is regulated by choosing loans with different interest rate periods and by using different derivative instruments such as interest rate swap agreements, futures and options. The Group's financial function is also responsible for matching external financial items and the life span of balance sheet items that they finance.

Liquidity risks

The financial function ensures the Group's liquidity in all circumstances at a reasonable cost while minimising the need for external working capital. Liquidity risks are managed through balancing the maturity distribution of loans and through adequate liquidity reserves comprising Group cash reserves and any necessary credit lines available.

The Group's funding is generally done in the name of the parent company. In exceptional cases, usually for practical or legal reasons, local working capital limits may be secured in the name of a subsidiary, in which case the Group co-ordinates them and the parent company guarantees the arrangements.

In countries where the Group has several business units, company-specific deficit and surplus cash reserves are netted within the Group cash pool co-ordinated by the financial function.

The Group has arranged standby credits and credit programmes that are considered adequate for maintaining flexibility in liquidity.

Credit risks

In order to minimise credit risks, the Group's cash reserves are only invested in objects and derivative contracts made with parties that meet the credit risk terms defined by the Group's financing policy. Cash reserves are invested solely in low-risk objects that can be liquidated rapidly and at a clear market price. To avoid cumulation of risks, maximum amounts specified in advance per each counterpart are applied to investments and borrowings.

Management of credit risks involved in commercial flows is primarily the responsibility of Group subsidiaries in line with the general payment terms and conditions defined by the Group's financing policy and instructions on required securities. In future, Uponor's objective is to cover unsecured receivables mainly through its Group-wide credit insurance programme.

Other risk management

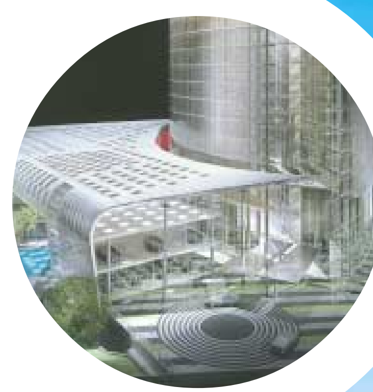
Raw material risks
Raw material purchases at Uponor are centralised. To manage price and availability risks pertaining to raw material purchases Uponor generally concludes annual agreements with its suppliers, guaranteeing the availability of raw materials. To reduce the risk of disruptions in production all Group suppliers are required to manufacture the raw materials used by Uponor in at least two factories, or several suppliers are selected for the raw materials in question.

Uponor seeks to minimise its raw material stocks and consequent price risks, meaning that raw material suppliers are generally responsible for storing raw materials and for ensuring their availability as agreed.

Risks pertaining to liability, property and business interruptions
The aim of Group damage risk management is to safeguard the Group from insurable damage risks so that it can continue to operate under all circumstances. This operation is based on risk analyses performed in collaboration with insurance experts on a regular basis, in which any non-commercial risk factors are determined, surveyed and managed to prevent any damage to the Group. Decisions on any development measures and their extent are taken on the basis of risk surveys.

The Group's insurance pertaining to liability, property and business interruptions is co-ordinated through global insurance programmes. The adequacy of insurance coverage is verified annually before the end of the insurance policy period. At the same time, the excesses for various types of insurance are determined with a view to optimising the relationship between the insurance premiums payable and Uponor's capacity to bear its own risks.

In addition to the mentioned insurance policies, risks pertaining to Uponor's transport and damage due to property offences are insured taking out separate Group-wide insurance policies.



Review by the Board of Directors

The year 2002 marked a period of transformation for Uponor. As part of the new strategy adopted in 2001, the Group initiated large-scale projects with a view to developing the range of its systems and services, operating model and organisational structure.

Markets

In the EU and USA, Uponor's main markets, demand in the housing construction sector deteriorated slightly on the previous year, reflecting the overall unpredictability of world economic development.

The downward trend in German building permissions that began in 2000 also prevailed during 2002. The past four years have seen a fall of more than 40 per cent in the volume of new residential building.

Demand in the Nordic countries remained at around the previous year's level, but the number of building permissions rose slightly. The UK also saw an upward trend in new housing projects compared to the previous year.

The volume of housing renovation and modernisation projects continued to grow in the EU. This is the first time ever that the volume of renovation exceeded that of new housing projects, thus offsetting the weak demand prevailing in the new housing market.

Demand in the North American housing construction market remained brisk, as evidenced by the highest volume of housing starts for fifteen years, up more than 6 per cent year-on-year.

Demand for Uponor's municipal products declined in both Europe and North America over the previous year.

Net sales

In 2002, Uponor recorded consolidated net sales of EUR 1,137.2 million (2001: EUR 1,192.4 million), down 4.6 per cent, or EUR 55.2 million on a year earlier, including the 1.9 per cent negative effect of currency fluctuations. The fall in net sales was mainly due to a strong contraction in the broadband network business prevailing until the autumn of 2001, the slack machine-building business and the downward trend in the markets for gas pipe systems in the USA and Argentina.

The largest geographical markets and their respective share of consolidated net sales were as follows: North America 23.8 (23.3) per cent, Germany 16.6 (17.1) per cent, other EU 17.5 (16.2) per cent, Scandinavia 12.5 (11.7) per cent, UK and Ireland 11.8 (11.5) per cent, other countries 8.8 (11.4) per cent and Finland 9.0 (8.8) per cent.

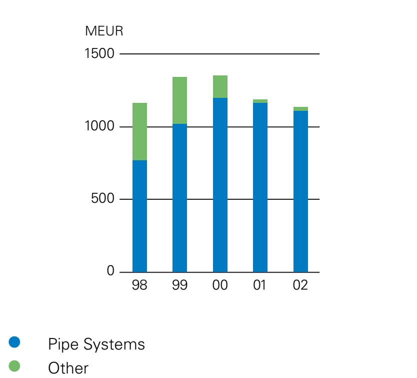
Results

Consolidated operating profit of EUR 114.2 (91.2) million, up 25.2 per cent on the previous year, included EUR 35.6 (11.4) million in capital gains on fixed assets, primarily consisting of other operating income from real estate sales.

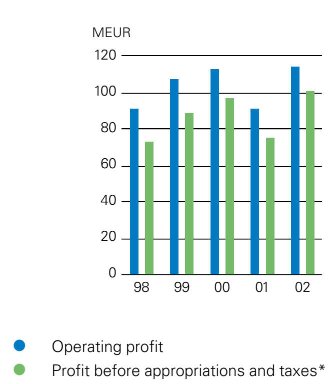
Profit after financial items grew by 34.2 per cent, to EUR 100.7 (75.0) million. Profit before appropriations and taxes reached EUR 100.7 (65.3) million, up 54.2 per cent on a year earlier. Taxes amounted to EUR 36.9 million, which includes a change of EUR 7.1 million in deferred taxation. Profit for the period went up by 75.2 per cent, to EUR 64.2 (36.6) million.

The 2001 extraordinary expenses of EUR 9.7 million resulted from restructuring, related mainly to the

Net sales

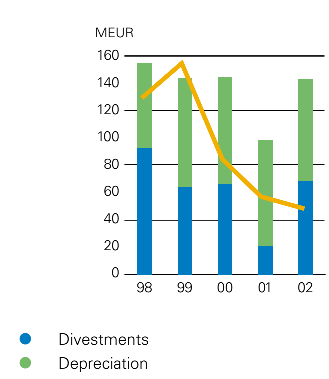


Operating profit and profit before appropriations and taxes



* excluding extraordinary items

Net investment



Groupwide internal efficiency programme. In 2002, the Group also incurred non-recurring expenses of EUR 9.0 million entered as operating expenses.

The Group's net financial expenses totalled EUR 13.5 (16.2) million.

Return on equity was 11.8 (8.2) per cent and return on investment reached 14.8 (11.3) per cent.

Earnings per share came to EUR 1.72 (1.15) and equity per share was EUR 14.58 (14.06).

Year-on-year cash flow from business operations grew to EUR 124.8 (111.7) million. The 2001 profit, return on equity and earnings per share were eroded by taxes of EUR 5.3 million accrued from previous financial years.

Investment and financing

Gross investments amounted to EUR 45.0 (55.7) million, i.e. EUR 29.7 million less than the value of depreciation. Net investments totalled EUR –24.0 (34.9) million. Investments were mainly allocated to developing new products, improving productivity and maintenance.

The Group further strengthened its financial position. Net interest-bearing liabilities decreased from EUR 282.8 million to EUR 163.9 million. Solvency rose to 58.9 (49.8) per cent while gearing fell to 30 (53) per cent.

Research and development

The Group continued to reshape its R&D organisation with a view to providing a more solid foundation for following through larger-scale projects targeted at yielding new business faster than before.

Group R&D expenditure totalled EUR 16.0 (16.9) million, accounting for 1.4 (1.4) per cent of consolidated net sales.

Key events

Housing Solutions Europe
The division carried out extensive programmes to consolidate its market position throughout Europe, including further investment in manufacturing capacity in Spain, marketing efforts in Italy to strengthen the Uponor brand position and the simultaneous introduction of its Unipipe composite pipe system in four Nordic countries.

In the UK and Estonia, Uponor acquired local distributors in order to buttress sales and marketing in these strategically vital markets. In August, the company acquired Flexipipe Ltd., previously representing Uponor's Unipipe systems in the UK. Renamed Uponor Housing Solutions Ltd., the company is now responsible for the housing solutions business in the UK and Ireland. In November, Uponor Oyj acquired Oy Insinööritoimisto Nereus Ab, a Finnish company specialising in the sale of underfloor heating systems. In December Uponor acquired Osaühing 3E, an Estonian company and long-standing representative of Wirsbo systems in Estonia and Latvia.

In order to improve its operational efficiency, Uponor merged some of its smaller sales companies and consolidated production into larger units in Germany, Spain and Portugal. In Austria and Belgium, local product brands and their sales organisations were merged. In the autumn, the machine-building unit launched an extensive restructuring programme with the aim of increasing its operational efficiency due to flagging demand.

Housing Solutions North America
In North America, Uponor implemented a number of measures aimed at further strengthening its market position. It launched a new programme for contractors, giving high-volume contractors access to enhanced marketing support and a variety of value-added services. The company also launched a partnership programme for its key suppliers, with a view to improving quality and reducing cost.

In its ongoing efforts to promote the adoption of non-metallic piping systems, Uponor exhibited a new plastic valved manifold in the autumn ISH International Trade Fair for House and Building Technology, held for the first time in North America. The company also widened the range of other plastic plumbing components within its portfolio.

The new sales organisation for the pre-insulated Ecoflex pipe system was launched at the beginning of the year, boosting the system's sales. The marketing efforts of AquaSafe™ were focused on encouraging amendments to building-industry regulations to remove restrictions on combined plumbing / fire sprinkler systems.

To increase operational efficiency and logistics Uponor set up a new optimised distribution centre in Minnesota, while closing distribution facilities in Illinois and Calgary, Canada. Building space in Apple Valley, previously used for distribution activities, is now being converted to support expanded production capacity.

In May, in line with its new brand strategy, Uponor sold its 50 per cent holding in Stadler-Viega LLC, a small U.S. underfloor heating system marketer, to its co-owner.

In September, Uponor signed a sales and distribution agreement with Industrias Unidas S.A, a Mexican supplier of plumbing systems, which will be responsible for marketing Uponor's PEX plumbing system in Mexico, where Uponor previously had only a marginal presence. The year-end marked the beginning of the first system deliveries.

Uponor aims to extend the U.S. presence of its PEX plumbing systems to cover all states in the USA. Progress was made in 2002 to allow the use of PEX systems in the plumbing codes of California and Minnesota, two important U.S. states for Uponor.

Infrastructure and Environment Europe
In France, Uponor won a two-year contract, valued at EUR 3–4 million annually, for supplying Gaz de France, a French energy company, with electrofusion fittings for gas pipelines, making Uponor the largest electrofusion fittings supplier for the GdF Group.

Radius Plastics Ltd., Uponor's subsidiary, was triumphant in competitive bidding for fibre-optic ducting systems for regional broadband networks in Ireland. Deliveries, worth some EUR 5 million for the first project phase, began at the end of the year.

In the UK, Uponor introduced a new utilities plumbing system specifically designed for installation in areas with contaminated soil. Completely resistant to unpleasant smells and tastes from soil, the Puriton™ system is based on Uponor's technological expertise in multi-layer pipes.

The year saw a favourable trend in sales of new product systems, such as small sewage-treatment plants and No-Dig systems for renovating subterranean piping systems.

Real Estate
Property sales remained buoyant, totalling EUR 53.5 (20.0) million, with the largest deal being the sale of shares in Tampereen Kiinteistö Invest Oy to Varma-Sampo Mutual Pension Insurance Company.

Hannu Katajamäki (M.Sc.) was appointed President of the Real Estate division, effective as of 1 August, upon the former President's resignation.

Other issues
In April, Uponor entered on a project aimed at upgrading the Group's international data communications network, with a view to intensifying intra-Group co-operation throughout the world. The new network was phased in during the end of the year.

The Uponor Leadership Programme designed for the company's international management was launched in the autumn, with the aim of enhancing managerial capabilities required by the Group's new strategy. The first programme, attended by 25 key managers, will run through autumn 2003, replacing the former international programme adopted in 1992.

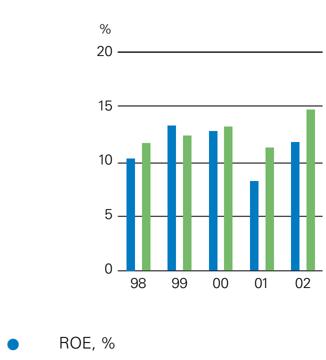
Streamlining of corporate structure continued by the mergers of Uponor Pexep Oy, Karjaan Trikootehdas Oy and Finla Kehräämö Oy into the parent company on 30 August 2002.

Personnel

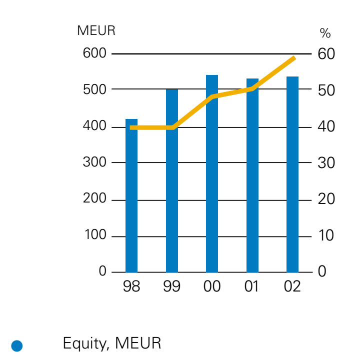
The number of Group employees decreased by 184, totalling 5,302 (5,486) at year-end.

The geographical breakdown of personnel was as follows: Germany 1,752 (33.0%), North America 906 (17.1%), Scandinavia 884 (16.7%), Finland 501 (9.4%), other EU 465 (8.8%), UK and Ireland 487 (9.2%), and other countries 307 (5.8%).

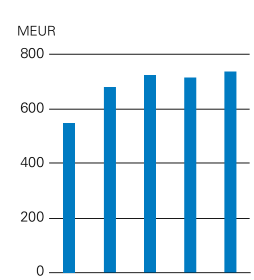
Return on investment and on equity



Equity and solvency



Market capitalisation



The reported average number of employees came to 5,393 (5,723).

Administration and audit

Uponor Oyj's Board of Directors remained unchanged during 2002, with Pekka Paasikivi acting as Chairman, Hannu Kokkonen as First Vice Chairman and Niilo Pellonmaa as Second Vice Chairman. Matti Niemi and Horst Rahn were the ordinary Board members.

KPMG Wideri Oy Ab, Authorised Public Accountants, acted as the company's auditor, with Sixten Nyman as the principal auditor.

Share capital and shares

Uponor Oyj's share capital amounts to EUR 75,834,444.00. With a total of 37,917,222 shares, each share with a nominal value of EUR 2 entitles its holder to one vote.

In 2002, the volume of Uponor Oyj shares traded on the Helsinki Exchanges totalled 13,510,946, valued at EUR 270.0 million. The year-end share quotation amounted to EUR 19.48 and the market capitalisation of the outstanding shares was EUR 720.9 million. Foreign shareholding in Uponor accounted for 30.7 per cent (23.5 per cent) at the end of the year.

The Annual General Meeting of 13 March 2002 authorised the Board of Directors to decide on buying back and transferring own shares as well as issuing a convertible bond and share options, and increasing share capital through a rights issue. These authorisations remain valid for one year. In addition, the AGM decided to reduce share capital by EUR 600,000 and amend the Articles of Association by repealing Article 11 governing the shareholder's redemption obligation.

On the basis of the authorisation to buy back own shares given by the AGM, the Board of Directors decided on 23 April to buy back a maximum of 1,300,000 own shares to be used as consideration in connection with prospective business acquisitions and other industrial arrangements, as well as to strengthen the company's capital structure, finance investments, or otherwise dispose of or invalidate them. At the start of the report period, based on the previous authorisations, the company held a total of 840,000 treasury shares, of which 300,000 were invalidated on the basis of the decision by the AGM of March to reduce share capital.

During the report period, Uponor Oyj bought back a total of 371,000 own shares traded on the Helsinki Exchanges, at a total purchase price of EUR 7.2 million. At the end of the report period, the company held 911,000 treasury shares, with their combined nominal value of EUR 1,822,000, accounting for 2.4 per cent of the share capital and total voting rights. The share buyback has no significant effect on the distribution of shareholding and voting rights. Treasury shares have no balance sheet value in the financial statements.

Authorisations to issue shares and transfer own shares were not exercised during the financial year.

At the beginning of July, Uponor Oyj sold a total of 5,070 shares, not entered in the book-entry securities system, on behalf of their holders. The holders of the shares sold or other holders of interest are entitled within ten years to receive a portion of the sales proceeds in proportion to their shareholding.

In 2002, an Extraordinary General Meeting was convened to discuss the missing Trade Register entry relating to Uponor's 1999 stock option plan. The Extraordinary General Meeting of 3 September 1999 authorised the Board of Directors to grant, deviating from the shareholders' pre-emption right, 400,000 A options and 400,000 B options to the Group key personnel and a wholly owned subsidiary, as part of the Group's incentive scheme. The EGM of 31 October 2002 reapproved the stock option plan and the Board of Directors confirmed the validity of the stock options granted on the basis of the plan. The plan was re-entered in the Trade Register on 1 November 2002. The share subscription period began on the same day and will, in accordance with the original terms and conditions, expire on 31 August 2004.

On the basis of the stock option plan, the company has granted 560,000 stock options to 50 key employees, entitling them to subscribe for an equal number of the company's shares with a par value of EUR 2. Pursuant to the stock option based share subscriptions, the number of company shares may increase by a maximum of 560,000 and the share capital by a maximum of EUR 1,120,000. The shares payable at subscription entitle their holders to a dividend for the period of their subscription. Other shareholder entitlement will become effective once the increase of share capital has been entered in the Trade Register.

The A option's subscription price and the B option's subscription price are determined by the trade-weighted average quoted on the Helsinki Exchanges in August 1999 and August 2000, respectively, plus 15 per cent. The dividends distributed after the share price determination period and before the subscription will be deducted from the subscription price. A dividend is deemed distributed on the record date of each dividend distribu tion. At the end of 2002, the A option's subscription price was EUR 16.96 and the B option's EUR 21.25. No company shares have yet been subscribed for on the basis of the stock options.

Events after the report period

In January the company announced the decision made by Jarmo Rytilahti, President and CEO of Uponor Oyj, to retire in autumn 2004 as he reaches 60, in accordance with the terms of his executive contract. Rytilahti has served the company for 20 years, first as Deputy CEO for eight years and as President and CEO for the past 12 years.

In its decision issued on 24 January 2003, the Swedish Market Court did not reverse the judgement delivered by the Stockholm Court of First Instance on 18 December 2001 on restrictive trade practices in violation of the Swedish Competition Act during 1993–1995. In addition to Uponor's Swedish subsidiary, two other companies were found guilty of anti-competitive practices. Consequently, the fine imposed on Uponor amounts to SEK 8 million (approx. EUR 840,000).

Outlook

The outlook for the world economy is characterised by several unpredictable factors, which may also dampen the prospects of the housing market.

The German housing market, the largest in Europe, has been declining for several years now, with no turn for the better on the horizon, whereas prospects are satisfactory in the Nordic, UK and southern European markets.

Housing renovation is predicted to grow considerably throughout the EU.

Housing construction in the U.S. is expected to remain at a healthy level thanks to low interest rates.

The development of the markets in central Europe requires structural changes, which will result in non-recurring expenses during 2003. Excluding these expenses, the profitability of Uponor's core businesses is expected to improve from its 2002 levels unless markets are hit by abrupt changes in demand factors.

Breakdown by segment 2002 – 2001

	2002		2001	
Net sales	**MEUR**	**Share, %**	**MEUR**	**Change, %**
Pipe Systems	1,112.9	97.8	1,165.7	-4.5
Real Estate	23.7	2.1	25.6	-7.4
Other/internal	0.6	0.1	1.1	-45.5
Uponor Group total	**1,137.2**	**100.0**	**1,192.4**	**-4.6**
Operating profit	**MEUR**	**Share, %**	**MEUR**	**Change, MEUR**
Pipe Systems	83.9	73.5	76.2	7.7
Real Estate	30.9	27.1	20.3	10.6
Other/elimination	-0.6	-0.6	-5.3	4.7
Uponor Group total	**114.2**	**100.0**	**91.2**	**23.0**
Investment	**MEUR**	**Share, %**	**MEUR**	**Change, MEUR**
Pipe Systems	43.1	95.8	50.9	-7.8
Real Estate	1.4	3.1	4.5	-3.1
Other/elimination	0.5	1.1	0.3	0.2
Uponor Group total	**45.0**	**100.0**	**55.7**	**-10.7**
Personnel at 31.12.	**Number**	**Share, %**	**Number**	**Change, %**
Pipe Systems	5,239	98.8	5,416	-3.3
Real Estate	36	0.7	41	-12.2
Other	27	0.5	29	-6.9
Uponor Group total	**5,302**	**100.0**	**5,486**	**-22.4**

Definitions of key ratios

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

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

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

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

$$\text{Net interest-bearing liabilities} = \text{Interest-bearing liabilities} - \text{cash, bank receivables and financial assets}$$

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

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

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

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

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

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

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

Key financial figures

	2002	2001	2000	1999	1998
Consolidated income statement, MEUR					
Net sales	1,137.2	1,192.4	1,355.6	1,346.8	1,165.5
Operating expenses	984.0	1,035.3	1,174.9	1,175.5	1,037.6
Depreciation according to plan	74.7	78.2	78.4	79.4	62.5
Other operating income	35.7	12.3	10.4	15.5	25.6
Operating profit	114.2	91.2	112.7	107.4	91.0
Financial income and expenses	-13.5	-16.2	-15.9	-18.7	-18.2
Profit after financial items	100.7	75.0	96.8	88.7	72.8
Extraordinary items	-	-9.7	9.0	22.3	28.1
Profit before appropriations and taxes	100.7	65.3	105.8	111.0	100.9
Book result	64.2	36.6	77.4	76.3	68.4
Consolidated balance sheet, MEUR					
Non-current assets	455.8	534.6	556.3	637.1	589.8
Consolidation goodwill	91.2	101.7	111.9	122.3	61.8
Inventories	166.5	173.0	187.6	211.5	194.1
Cash and deposits	6.3	31.1	28.6	57.3	38.1
Other liquid assets	207.0	232.6	246.0	238.7	170.6
Restricted equity	179.2	181.6	181.9	184.5	179.5
Non-restricted equity	360.9	344.0	354.6	310.4	237.0
Minority interest	5.4	8.4	8.0	9.1	5.7
Obligatory provisions	11.4	12.1	14.9	16.8	15.2
Interest-bearing long-term liabilities	100.2	191.7	243.3	365.5	306.9
Interest-bearing short-term liabilities	70.0	122.2	96.0	116.5	88.2
Non-interest-bearing liabilities	199.7	213.0	231.7	264.1	221.9
Balance sheet total	926.8	1,073.0	1,130.4	1,266.9	1,054.4
Other key figures					
Operating profit, %	10.0	7.6	8.3	8.0	7.8
Profit after financial items, %	8.9	6.3	7.1	6.6	6.3
Profit before appropriations and taxes, %	8.9	5.5	7.8	8.2	8.7
Return on Equity (ROE), %	11.8	8.2	12.8	13.3	10.3
Return on Investment (ROI), %	14.8	11.3	13.2	12.4	11.7
Solvency, %	58.9	49.8	48.3	39.9	40.1
Gearing, %	30	53	57	84	85
Net interest-bearing liabilities, MEUR	163.9	282.8	310.7	424.7	357.0
- % of net sales	14.4	23.7	22.9	31.5	30.6
Change in net sales, %	-4.6	-12.0	0.7	15.6	-5.3
Exports from Finland, MEUR	20.6	21.0	49.4	103.1	95.4
Net sales of foreign subsidiaries, MEUR	1,043.4	1,070.5	1,156.8	1,125.4	898.2
Total net sales of foreign operations, MEUR	1,047.6	1,075.1	1,188.1	1,146.9	909.2
Share of foreign operations, %	92.1	90.2	87.6	85.2	78.0
Personnel at 31 December	5,302	5,486	5,899	7,307	6,756
Average no. of personnel	5,393	5,723	6,513	7,451	6,723
Investments, MEUR	45.0	55.7	83.6	154.3	128.9
- % of net sales	4.0	4.7	6.2	11.5	11.1

Share-specific figures

	2002	2001	2000	1999	1998
Share capital, MEUR	75.8	76.4	77.4	77.4	65.4
Number of shares at 31 December, in thousands	37,917	38,217	38,717	38,717	37,735
Number of shares adjusted for share issue, in thousands					
- at end of year	37,006	37,377	38,237	38,532	37,735
- average	37,269	37,829	38,521	38,075	38,655
Nominal value of shares, EUR	2.00	2.00	2.00	2.00	1.68
Adjusted equity, MEUR	545.5	534	544.5	504.1	422.2
Share trading, MEUR	270.0	184.4	203.4	363	325.8
Share trading, in thousands	13,511	10,621	10,860	22,865	19,558
- of average number of shares, %	36.3	28.1	28.2	60.1	50.6
Market value of share capital, MEUR	720.9	716.6	725.9	681.5	550.2
Adjusted earnings per share (fully diluted), EUR	1.72	1.15	1.74	1.58	1.09
Equity per share, EUR	14.58	14.06	14.03	12.85	10.71
Dividend, MEUR	55.5	29,9	30.6	25.8	22.2
Dividend per share, EUR	*) 1,50	0,80	0.80	0.67	0.59
Effective share yield, %	7.7	4.3	4.3	3.8	4.0
Dividend per earnings, %	87.2	69.6	46.0	42.3	53.8
P/E ratio	11.3	16.3	10.8	11.1	13.3
Issue-adjusted share prices, EUR					
- highest	24.85	19.30	21.00	17.83	20.52
- lowest	16.51	14.30	15.80	12.28	11.27
- average	19.98	17.36	18.73	15.88	16.65

* Proposal of the Board of Directors

The definitions of key ratios are shown on page 31.

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

Share issues	2002	2001	2000	1999	1998
Directed issues, MEUR	-	-	-	0.7	0.1
- issue premium	-	-	-	2.5	0.6
Subscription price, EUR	-	-	-	8.9	8.9

Information on shareholders and shares

Shareholders by category on 31 December 2002

Category	No. of shares	% of shares
Private non-financial corporations	10,658,820	28.1
Public non-financial corporations	8,134	0.1
Financial and insurance corporations	6,598,328	17.4
General government	5,776,219	15.2
Non-profit institutions	1,031,259	2.7
Households	2,191,606	5.8
Foreign (including nominee registrations)	11,652,335	30.7
Other (joint account, waiting list)	521	0.0
	37,917,222	100.0

Shareholders by size of holding on 31 December 2002

Shares per shareholder	Total shares	% of share capital	No. of shareholders	% of shareholders
1 – 100	50,509	0.1	751	23.4
101 – 1,000	704,190	1.9	1,680	52.3
1,001 – 10,000	1,881,450	5.0	631	19.7
10,001 –	35,281,073	93.0	147	4.6
	37,917,222	100.0	3,209	100.0

The maximum number of votes which may be cast at the Annual General Meeting is 37,006,222 (status on 31 December 2002). At the end of the financial period the company held a total of 911,000 own shares corresponding to the same number of votes.

On the basis of the stock options issued by the company, the number of company shares may increase by a maximum of 560,000, and share capital by a maximum of EUR 1,120,000. The company has not issued any convertible bonds or bonds with warrants, such as would entitle their holders to subscribe company shares.

The total shareholding of the members of the Board of Directors as well as the CEO and the Deputy Managing Director, together with the shareholdings of corporations, in which they exercise influence according to the information available to the company, amounts to 235,343 shares. In addition, the number of their stock options amounts to 15 per cent of the total number of stock options issued by Uponor Oyj. These stock options entitle their holders to subscribe a maximum of 84,000 shares corresponding to 0.23 per cent of the total number of shares and votes on 31 December 2002.

Major shareholders on 31 December 2002

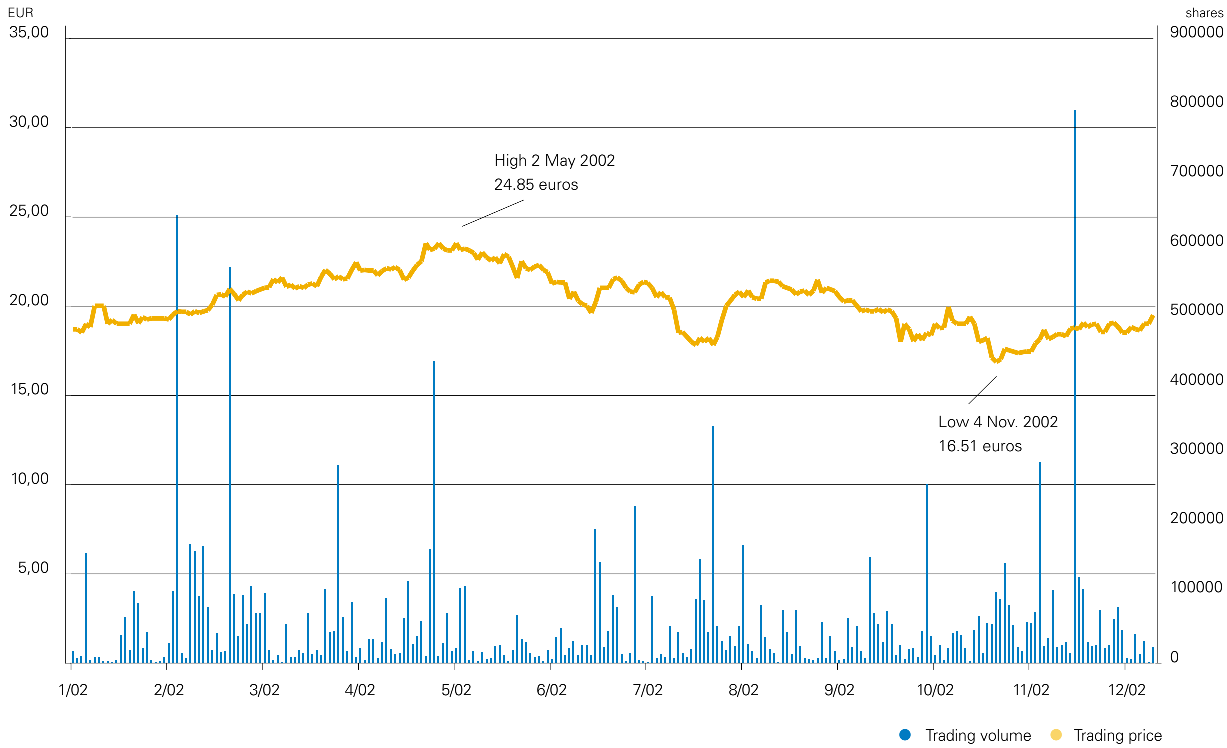
Shareholder	Shares	% of shares	% of votes
Sampo Life Insurance Company Ltd	2,804,985	7.4	7.6
Oras Marketing Ltd	2,385,963	6.3	6.4
Oras Administration Ltd	2,382,564	6.3	6.4
Oras Technology Ltd	2,378,963	6.3	6.4
Varma-Sampo Mutual Pension Insurance Company	2,084,052	5.5	5.6
Ilmarinen Mutual Pension Insurance Company	1,368,700	3.6	3.7
Oras Ltd	1,058,400	2.8	2.9
Tapiola Mutual Pension Insurance Company	733,000	1.9	2.0
Odin Funds			
Odin Norden Investment Fund	540,400	1.4	1.5
Odin Finland Investment Fund	148,400	0.4	0.4
	688,800	1.8	1.9
Tapiola Mutual Insurance Company	597,500	1.6	1.6
Others	20,523,295	54.1	55.5
	37,006,222	97.6	100.0
Own shares held by the company	911,000	2.4	-
Total	37,917,222	100.0	100.0

Nominee-registered shares on 31 December 2002

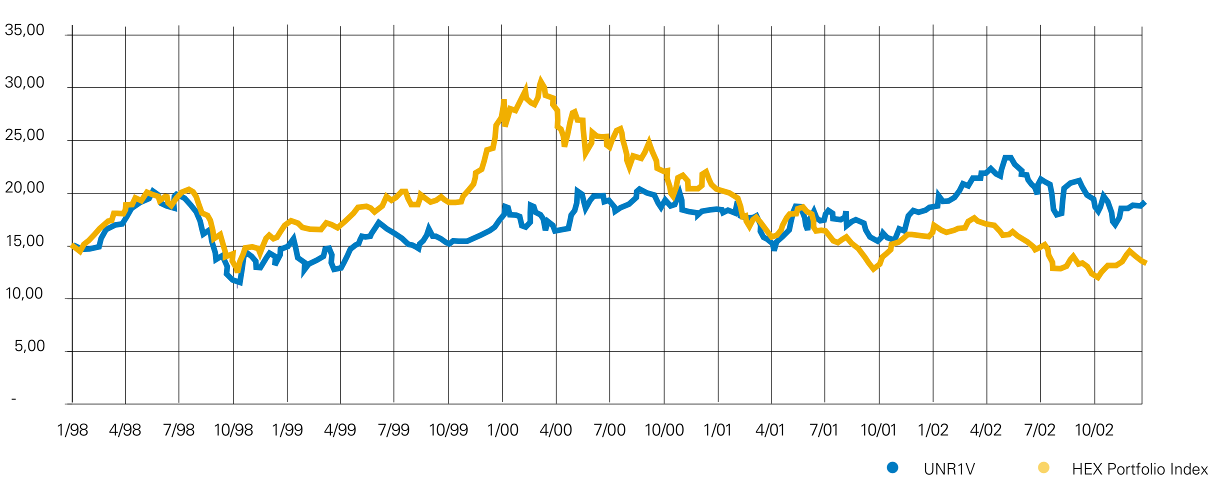
Nordea Bank Finland Plc	9,336,757	24.6	25.2
Skandinaviska Enskilda Banken AB (Publ.)	872,390	2.3	2.4
Svenska Handelsbanken Finland Branch	224,194	0.6	0.6
Others	109,278	0.3	0.3
	10,542,619	27.8	28.5

Uponor's share price development and trading

Uponor (UNR1V) share price development and trading on the Helsinki Exchanges in 2002



Uponor vs. HEX Portfolio Index 1998-2002



Income statement

	Note	Uponor Group 2002	2001	Uponor Oyj 2002	2001
Net sales		1,137.2	1,192.4	3.4	4.2
Cost of goods sold		805.5	869.0	1.3	1.5
Gross profit		**331.7**	**323.4**	**2.1**	**2.7**
Marketing costs		167.3	160.7	-	-
Administration costs		58.9	55.4	9.3	6.7
Other operating income	**1.1.**	35.7	12.3	11.2	5.7
Other operating costs		16.0	16.9	3.7	-
Depreciation of group goodwill		11.0	11.5	-	-
Expenses		**217.5**	**232.2**	**1.8**	**1.0**
Operating profit		**114.2**	**91.2**	**0.3**	**1.7**
Financial expenses and income	**1.5.**	-13.5	-16.2	45.3	49.7
Profit before extraordinary items		**100.7**	**75.0**	**45.6**	**51.4**
Extraordinary items	**1.6.**	-	-9.7	25.8	13.7
Profit before appropriations and taxes		**100.7**	**65.3**	**71.4**	**65.1**
Appropriations				1.0	0.5
Income taxes	**1.7.**	36.9	28.1	9.0	9.0
Minority share		-0.4	0.6	-	-
Profit for the period		**64.2**	**36.6**	**63.4**	**56.6**

Balance sheet

	Note	Uponor Group 31/12/2002	Uponor Group 31/12/2001	Uponor Oyj 31/12/2002	Uponor Oyj 31/12/2001
Assets					
Fixed assets					
Intangible assets					
Intangible rights		7.9	8.2	-	-
Goodwill		3.4	4.0	-	-
Consolidation goodwill		91.2	101.7	-	-
Other capitalised long-term expenditure		0.3	0.9	0.8	1.1
Intangible assets	**2.1.**	**102.8**	**114.8**	**0.8**	**1.1**
Tangible assets					
Land and water areas		58.7	62.1	2.3	2.7
Buildings and structures		192.6	215.0	11.9	14.6
Plant and machinery		159.4	178.3	0.8	0.8
Other tangible assets		8.4	10.7	-	-
Advance payments and investment in progress		13.5	20.5	-	-
Tangible assets	**2.1.**	**432.6**	**486.6**	**15.0**	**18.1**
Securities and long-term investments					
Shares in subsidiaries	**3.1.**	-	-	285.9	287.6
Shares in associated companies	**3.2.**	2.4	23.3	-	0.4
Other shares and holdings		8.0	9.2	3.7	4.3
Other investments		1.2	2.4	252.8	253.9
Securities and long-term investments	**2.1., 2.2.**	**11.6**	**34.9**	**542.4**	**546.2**
Total fixed assets		**547.0**	**636.3**	**558.2**	**565.4**
Current assets					
Inventories					
Raw materials and consumables		28.4	29.8	-	-
Finished products / goods		137.6	141.7	-	-
Advance payments		0.5	1.5	-	-
Inventories		**166.5**	**173.0**	-	**-**
Accounts receivables					
Trade receivables		139.4	152.4	0.5	1.2
Loan receivables		11.3	11.0	32.8	35.9
Accruals	**2.4.**	34.7	37.4	1.9	1.2
Deferred tax assets	**2.14.**	18.9	22.7	0.1	0.1
Other receivables		2.7	9.1	46.0	59.3
Accounts receivables	**2.3.**	**207.0**	**232.6**	**81.3**	**97.7**
Liquid assets					
Cash in hand and at bank		6.3	31.1	0.4	13.2
Liquid assets		**6.3**	**31.1**	**0.4**	**13.2**
Total current assets		**379.8**	**436.7**	**81.7**	**110.9**
Total assets		**926.8**	**1,073.0**	**639.9**	**676.3**

Balance sheet

	Note	Uponor Group 31/12/2002	Uponor Group 31/12/2001	Uponor Oyj 31/12/2002	Uponor Oyj 31/12/2001
Liabilities and shareholders' equity					
Shareholders' equity					
Restricted equity					
Share capital		75.8	76.4	75.8	76.4
Other restricted equity		103.4	105.2	111.8	111.2
Restricted equity		**179.2**	**181.6**	**187.6**	**187.6**
Unrestricted equity					
Retained earnings		296.7	307.4	282.0	262.5
Profit for the period		64.2	36.6	63.4	56.6
Unrestricted equity		**360.9**	**344.0**	**345.4**	**319.1**
Total shareholders' equity	**2.5.**	**540.1**	**525.6**	**533.0**	**506.7**
Minority interest		**5.4**	**8.4**	**-**	**-**
Accumulated appropriations	**2.6.**	**-**	**-**	**3.4**	**4.0**
Obligatory provisions		**11.4**	**12.1**	**0.5**	**0.5**
Liabilities					
Long-term liabilities					
Bonds		26.0	26.0	26.0	26.0
Loans from financial institutions		33.8	121.1	16.7	45.4
Loans from pension funds		13.9	17.6	8.8	13.1
Other long-term liabilities		27.4	28.0	-	-
Long-term liabilities	**2.7., 2.8.**	**101.1**	**192.7**	**51.5**	**84.5**
Deferred tax liability	**2.14.**	**41.5**	**39.0**	**-**	**-**
Short-term liabilities					
Annual loan instalments		16.4	28.8	4.3	17.2
Advances received		4.9	0.8	0.0	0.0
Trade payables		72.6	78.0	0.7	0.5
Accruals	**2.10.**	82.4	88.9	2.6	5.9
Other short-term liabilities		51.0	98.7	43.9	57.0
Short-term liabilities	**2.9.**	**227.3**	**295.2**	**51.5**	**80.6**
Total liabilities		**369.9**	**526.9**	**103.0**	**165.1**
Total liabilities and shareholders equity		**926.8**	**1,073.0**	**639.9**	**676.3**

Cash flow statement

	Uponor Group 1 Jan - 31 Dec 2002	Uponor Group 1 Jan - 31 Dec 2001	Uponor Oyj 1 Jan - 31 Dec 2002	Uponor Oyj 1 Jan - 31 Dec 2001
	MEUR		MEUR	
Cash flow from operations				
Net cash from operations				
Profit for the period	64.2	36.6	63.4	56.6
Depreciation	74.7	78.2	1.3	1.4
Sales gains from the sale of fixed assets	-35.3	-11.4	-10.2	-5.1
Cash flow adjustment items	7.1	1.8	-1.0	-0.5
Group contributions	-	-	-25.8	-15.2
Net cash from operations	**110.7**	**105.2**	**27.7**	**37.2**
Change in working capital				
Receivables	10.9	13.4	16.5	-9.3
Inventories	-1.6	14.6	-	-
Non-interest-bearing liabilities	4.8	-21.5	-2.9	0.9
Change in working capital	**14.1**	**6.5**	**13.6**	**-8.4**
Cash flow from operations	**124.8**	**111.7**	**41.3**	**28.8**
Cash flow from investments				
Share acquisitions	-2.6	-1.6		
Share divestments	30.9	0.0		
Investment in fixed assets	-42.4	-54.1	-8.0	-11.5
Income from sales of fixed assets	38.1	20.8	23.0	17.5
Cash flow from investments	**24.0**	**-34.9**	**15.0**	**6.0**
Cash flow before financing	**148.8**	**76.8**	**56.3**	**34.8**
Cash flow from financing				
Change in long-term receivables	1.1	0.1	1.2	-23.7
Change in long-term liabilities	-85.6	-54.9	-45.9	-15.4
Change in short-term liabilities	-49.2	24.0	-13.1	36.3
Share issue	-	-	-	-
Dividend payments	-29.9	-30.5	-29.9	-30.5
Dividends to minority shareholders	-2.0	-	-	-
Cash flow from treasury shares	-7.2	-15.1	-7.2	-15.1
Group contributions	-	-	25.8	15.2
Cash flow from financing	**-172.8**	**-76.4**	**-69.1**	**-33.2**
Exchange rate differences for liquid assets	**-0.8**	**2.1**	**-**	**-**
Change in liquid assets	**-24.8**	**2.5**	**-12.8**	**1.6**
Liquid assets at 1 January	31.1	28.6	13.2	11.6
Liquid assets at 31 December	6.3	31.1	0.4	13.2
Changes according to balance sheet	**-24.8**	**2.5**	**-12.8**	**1.6**

Accounting principles

Accounting principles

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

Method of compiling the consolidated financial statements

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

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

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

Currency denominated items

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

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

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

Net sales

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

Extraordinary income and expenses

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

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

Tax

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

Pension arrangements

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

Fixed assets and depreciation

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

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

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

Current assets

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

Cash flow statement

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

Derivative instruments

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

Treasury shares

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

Notes to the financial statements

1. Notes to the income statement	Uponor Group 2002	2001	Uponor Oyj 2002	2001
1.1. Other operating income				
Gains from sales of fixed assets	35.3	11.4	10.2	5.1
Income from services	-	-	-	-
Remuneration	-	-	-	-
Sale of secondary products	-	-	-	-
Royalties	0.3	-	0.3	0.6
Income from real estate holdings	-	-	-	-
Earnings share from associated companies	0.1	0.9	-	-
Other income	-	-	0.7	0.0
	35.7	**12.3**	**11.2**	**5.7**
1.2. Personnel costs				
Salaries and fringe benefits	150.8	141.3	2.0	1.8
Pension expenses	8.9	7.2	0.3	0.1
Other personnel costs	28.6	26.1	0.2	0.2
	188.3	**174.6**	**2.5**	**2.1**
Salaries and emoluments paid to the Managing Directors and to Board members				
Salaries and emoluments	6.3	5.4	0.5	0.4
Bonus payments	0.8	0.8	0.1	0.0
	7.1	**6.2**	**0.6**	**0.4**
1.3. Depreciation according to plan				
Intangible rights	2.8	3.0	-	-
Goodwill	0.6	0.8	-	-
Consolidation goodwill	11.0	11.5	-	-
Other capitalised long-term expenditure	0.1	0.4	0.5	0.5
Land and water areas	1.5	1.5	-	-
Buildings and structures	9.5	10.2	0.6	0.6
Plant and machinery	45.3	46.8	0.2	0.3
Other tangible assets	3.9	4.0	-	-
	74.7	**78.2**	**1.3**	**1.4**
1.4. Depreciation by operation				
Manufacturing	51.1	54.0	0.6	0.7
Sales and marketing	6.8	6.7	-	-
Administration	4.7	4.8	0.7	0.7
Other	1.1	1.2	-	-
Consolidation goodwill	11.0	11.5	-	-
	74.7	**78.2**	**1.3**	**1.4**

	Uponor Group 2002	Uponor Group 2001	Uponor Oyj 2002	Uponor Oyj 2001
1.5. Financial income and expenses				
Dividend income				
- Subsidiaries	-	-	43.6	39.1
- Others	0.8	1.1	1.2	1.1
Interest and financial income				
- Subsidiaries	-	-	13.5	16.5
- Associated companies	0.5	0.5	-	-
- Others	2.8	3.0	1.0	1.5
	4.1	**4.6**	**59.3**	**58.2**
Interest and financial costs				
- Subsidiaries	-	-	1.2	0.5
- Others	15.1	22.1	6.3	7.9
Exchange differences				
- Realised	-1.8	-0.4	0.6	-1.0
- Unrealised	-0.7	1.7	-7.1	0.9
	17.6	**20.8**	**14.0**	**8.5**
Net financial costs	**-13.5**	**-16.2**	**45.3**	**49.7**
1.6. Extraordinary income				
Gains from sales of fixed assets	-	-	-	-
Change in accounting principles	-	-	-	-
Group contributions	-	-	25.8	15.2
Other	-	0.7	-	-
	-	**0.7**	**25.8**	**15.2**
Extraordinary expenses				
Write-offs	-	2.7	-	-
Change in accounting principles	-	-	-	-
Closing-down expenses	-	6.8	-	-
Other	-	0.9	-	1.5
	-	**10.4**	**-**	**1.5**
1.7. Taxes				
For the financial period	29.0	23.9	8.2	7.5
For previous financial periods	0.8	5.3	0.8	1.6
On extraordinary items	-	-2.8	-	-
Change in deferred taxation	7.1	1.7	-	-0.1
	36.9	**28.1**	**9.0**	**9.0**

2. Notes to the balance sheet

2.1. Fixed assets

Uponor Oyj	Intangible rights	Other capitalised long-term expenditure	Land and water areas	Buildings and structures	Plant and machinery	Other tangible assets	Advance payments and investment in progress	Securities and long-term investments
Acquisition costs 1 Jan	0.2	4.1	2.3	30.8	5.8	2.0	-	292.3
Structural changes		-	-	1.9	2.6	-	-	-
Increases	-	0.2	-	-	0.3	-	-	5.6
Decreases	-	-	-0.4	-3.6	-0.5	-	-	-8.3
Acquisition costs 31 Dec	0.2	4.3	1.9	29.1	8.2	2.0	-	289.6
Accrued depreciation and value adjustments	0.2	3.0	-	16.5	5.0	2.0		
Accrued depreciation of decreases and transfers	-	-	-	0.4	2.2	-	-	-
Depreciation for the financial period		0.5	-	0.6	0.2	-		
Accrued depreciation	0.2	3.5	-	17.5	7.4	2.0	-	-
Revaluations	-	-	0.4	0.3	-	-	-	-
Book value	**0.0**	**0.8**	**2.3**	**11.9**	**0.8**	**-**	**-**	**289.6**

Uponor Group	Intangible rights	Goodwill	Consolidation goodwill	Other capitalised long-term expenditure	**Intangible assets**	Shares in associated companies	Other shares and holdings
Acquisition costs 1 Jan	34.8	23.8	145.3	2.7	**206.6**	23.3	9.2
Structural changes	0.1	0.0	0.0	0.0	**0.1**	-	-
Conversion difference	-0.7	-0.4	-1.9	0.1	**-2.9**	0.0	-
Increases	2.4	0.1	2.1	-0.8	**3.8**	0.1	-
Decreases	0.1	0.4	0.9	-1.7	**-0.3**	21.0	1.2
Acquisition costs 31 Dec	36.5	23.1	144.6	3.7	**207.9**	2.4	8.0
Accrued depreciation and value adjustments	26.6	19.8	43.6	1.8	**91.8**	-	-
Structural changes	0.0	0.0	0.0	0.0	**0.0**		
Conversion difference	-0.6	-0.5	-0.9	0.0	**-2.0**		
Accrued depreciation of decreases and transfers	-0.2	-0.2	-0.3	1.5	**0.8**	-	-
Depreciation for the financial period	2.8	0.6	11.0	0.1	**14.5**	-	-
Accrued depreciation	28.6	19.7	53.4	3.4	**105.1**	0.0	0.0
Book value	**7.9**	**3.4**	**91.2**	**0.3**	**102.8**	**2.4**	**8.0**

	Land and water areas	Buildings and structures	Plant and machinery	Other tangible assets	Advance payments and investment in progress	**Tangible assets**
Acquisition costs 1 Jan	57.2	287.0	543.0	33.2	20.5	**940.9**
Structural changes	0.0	0.1	0.4	0.0	0.0	**0.5**
Conversion difference	-1.8	-3.0	-23.1	-1.9	-1.4	**-31.2**
Increases	1.3	5.0	36.7	2.4	-5.4	**40.0**
Decreases	1.6	17.6	13.3	1.4	0.2	**34.1**
Acquisition costs 31 Dec	55.1	271.5	543.7	32.3	13.5	**916.1**
Accrued depreciation and value adjustments	6.7	79.9	366.1	22.5	-	**475.2**
Structural changes	-	-	0.1	-	-	**0.1**
Conversion difference	-0.6	-0.8	-14.5	-1.4	-	**-17.3**
Accrued depreciation of decreases and transfers	-	-1.8	-10.9	-1.1	-	**-13.8**
Depreciation for the financial period	1.5	9.5	45.3	3.9	-	**60.2**
Accrued depreciation	7.6	86.8	386.1	23.9	0.0	**504.4**
Revaluations	11.2	7.9	1.8	-	-	**20.9**
Book value	**58.7**	**192.6**	**159.4**	**8.4**	**13.5**	**432.6**
Balance sheet value of production plant and machinery			143.5			

	Uponor Group		**Uponor Oyj**	
	2002	**2001**	**2002**	**2001**
2.2. Long-term investments				
Loan receivables				
- Subsidiaries	-	-	251.5	252.8
- Associated companies	9.7	9.7	-	-
- Others	1.2	1.3	1.2	1.1
	10.9	**11.0**	**252.7**	**253.9**

	Subsidiaries		**Associated companies**	
	2002	**2001**	**2002**	**2001**
2.3. Receivables from subsidiaries and associated companies				
Uponor Oyj				
Loan receivables	284.4	288.7	-	-
Trade receivables	-	1.2	-	-
Accruals	0.1	0.0	-	-
Other receivables	45.2	59.2	-	-
	329.7	**349.1**	**-**	**-**

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

	Uponor Group		Uponor Oyj	
	2002	2001	2002	2001
2.4. Accrued income				
Taxes	15.2	22.9	0.9	1.0
Discounts received	5.8	5.3	-	-
Interest	0.8	0.2	0.8	0.2
Other	12.9	9.0	0.2	0.0
	34.7	**37.4**	**1.9**	**1.2**
2.5. Changes in shareholders' equity				
Restricted shareholders' equity				
Share capital on 1 January	76.4	77.4	76.4	77.4
Cancelling of shares	-0.6	-1.0	-0.6	-1.0
Share capital on 31 December	**75.8**	**76.4**	**75.8**	**76.4**
Capital reserve on 1 January			111.0	110.0
Cancelling of shares			0.6	1.0
Premium on shares issued, 31 December			**111.6**	**111.0**
Revaluation reserve on 1 January			0.2	0.2
Decrease			-	-
Revaluation reserve on 31 December			**0.2**	**0.2**
Non-restricted shareholders' equity on 1 January			319.1	308.1
Dividend payments			-29.9	-30.5
Treasury shares			-7.2	-15.1
Profit for financial period			63.4	56.6
Non-restricted shareholders' equity on 31 December			**345.4**	**319.1**
Other restricted shareholders' equity on 1 January	105.2	104.5		
Changes in revaluation reserve	-1.2	-0.5		
Transfer to non-restricted shareholders' equity	-1.2	0.2		
Transfer from share capital	0.6	1.0		
Other restricted shareholders' equity on 31 December	**103.4**	**105.2**		
Non-restricted shareholders' equity on 1 January	344.0	354.6		
Dividend payments	-29.9	-30.5		
Conversion differences	-11.4	-1.5		
Transfer from restricted shareholders' equity	1.2	-0.2		
Treasury shares	-7.2	-15.1		
Profit for financial period	64.2	36.7		
Non-restricted shareholders' equity on 31 December	**360.9**	**344.0**		
Of which not distributable in dividends	**43.1**	**40.0**		
2.6. Accumulated appropriations				
- Intangible assets			0.2	0.2
- Buildings and structures			2.8	3.5
- Plant and machinery			0.4	0.3
- Other tangible assets			0.0	0.0
			3.4	**4.0**

	Uponor Group		Uponor Oyj	
	2002	2001	2002	2001

2.7. Loans

Falling due in following financial period				
- Loans from financial institutions	11.9	20.6	-	9.5
- Pension loans	4.3	7.7	4.3	7.7
- Other loans	0.2	0.5	-	-
	16.4	**28.8**	**4.3**	**17.2**

2.8. Long-term loans

Due in five years				
- Loans from financial institutions	3.6	6.7	-	-
- Pension loans	10.2	10.5	4.2	6.9
- Other loans	-	0.3	-	-
	13.8	**17.5**	**4.2**	**6.9**

Serial bond I/2000
Serial bond not exceeding EUR 100 million
Nominal annual interest 6.25 %
Term: 20 November 2000 to 20 November 2005
The loan is unsecured.
Redemption in full on 20 November 2005

First tranche
Loan amount: EUR 26 million
Issue price 99.937

	Subsidiaries		Associated companies	
	2002	2001	2002	2001

2.9. Liabilities to subsidiaries and associated companies

Uponor Oyj

Trade payables	0.4	0.3	-	-
Other short-term liabilities	39.1	53.8	-	-
	39.5	**54.1**		

	Uponor Group		Uponor Oyj	
	2002	2001	2002	2001

2.10. Accrued liabilities

Staff costs	22.0	18.2	0.7	0.3
Interest	0.8	1.0	0.7	0.6
Taxes	21.3	23.9	-	5.0
Discounts	7.7	6.1	-	-
Others	30.6	39.7	1.2	-
	82.4	**88.9**	**2.6**	**5.9**

2.11. Secured loans

Pledged assets	0.8	7.9
Mortgages	23.4	28.0
	24.2	**35.9**

Notes to the financial statements

2.12. Exchange and interest rate risk management

Derivatives contracts

Interest derivatives				
Interest rate options, bought	82.7	94.7	82.7	94.7
Interest rate options, sold	111.3	128.8	111.3	128.8
Interest rate swaps	10.0	10.0	10.0	10.0
Foreign currency derivatives				
Forward agreements	5.0	10.0	5.0	9.3
Currency swaps	17.0	5.0	17.0	5.0
Commodity derivatives				
Forward agreements	1.1	-	-	-

2.13. Contingent liabilities

Pledges at book value				
- on own behalf	0.8	7.9	-	-
Mortgages issued				
- on own behalf	23.3	28.0	-	-
Guarantees issued				
- on behalf of a subsidiary	-	-	70.0	162.9
- on behalf of others	3.3	4.1	-	-
Other contingent liabilities	4.9	0.0	-	-

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

Leasing and renting liabilities

Maturing in the following year	2.3	2.2	0.3	0.3
Maturing later	51.3	56.2	2.3	1.8
	53.6	**58.4**	**2.6**	2.1

2.14. Deferred tax liabilities and assets

Deferred tax assets		
- Consolidation procedures	-	14.4
- Consolidated companies	18.9	8.3
	18.9	**22.7**
Deferred tax liabilities		
- Appropriations	18.0	17.6
- Consolidation procedures	0.0	2.9
- Consolidated companies	23.5	18.5
	41.5	**39.0**
	22.6	**16.3**

3. Shares and holdings

3.1. Subsidiaries

Name	Domicile		Parent company stake	Group stake
Uponor Aldyl S.A.	Buenos Aires	AR	100.0	100.0
130167 Canada Inc.	Montreal	CA	100.0	100.0
Uponor Beteiligungs GmbH	Hassfurt	DE	100.0	100.0
Uponor Müanyag Csörendszer Kft.	Budapest	HU		100.0
Aldyl Dégáz Kft.	Szeged	HU		60.0
Uponor Polska Sp. z o.o.	Sochaczew	PL		100.0
Uponor Bor Sp. z o.o.	Sochaczew	PL		100.0
Uponor Resiplast, S.A.	Barcelona	ES		100.0
Uponor Hispania, S.A.	Móstoles	ES		100.0
Uponor Czech s.r.o.	Prague	CZ		100.0
Uponor (Deutschland) GmbH	Hassfurt	DE		100.0
Uponor Anger GmbH	Marl	DE		100.0
Uponor Hausabflusstechnik GmbH	Emstek	DE		51.0
Uponor Magnaplast Sp. z o.o.	Sieniawa Zarska	PL		51.0
Uponor Abwassertechnik GmbH	Emstek	DE		75.5
Uponor Klärtechnik GmbH	Marl	DE		100.0
Hewing GmbH	Ochtrup	DE		100.0
Cronatherm Verwaltungs GmbH	Buchholz-Mendt	DE		100.0
Cronatherm GmbH & Co. KG	Buchholz-Mendt	DE		100.0
Wirsbo Pex GmbH	Heusenstamm	DE		100.0
Wirsbo Verwaltungs GmbH	Norderstedt	DE		100.0
Wirsbo-VELTA GmbH & Co. KG	Norderstedt	DE		100.0
Polytherm Vertriebs GmbH	Ochtrup	DE		100.0
Uponor S.A.R.L.	Saran	FR		100.0
Uponor Rohrsysteme GmbH	Hassfurt	DE		100.0
PR Consulting & Marketing GmbH	Hassfurt	DE		100.0
Unicor GmbH Rahn Plastmaschinen	Hassfurt	DE		100.0
Unicor Extrusionstechnik GmbH	Zella-Mehlis	DE		100.0
Unicor Plastic Machinery, Inc.	Missisauga	CA		100.0
Sörberg GmbH & Co. KG	Hassfurt	DE		100.0
Uponor A/S	Hadsund	DK	100.0	100.0
Uponor Eesti AS	Tallinn	EE	100.0	100.0
Osaühing 3E	Tallinn	EE		100.0
Insinööritoimisto Nereus Oy Ab	Uusikaupunki	FI	100.0	100.0
Jita Oy	Virrat	FI	100.0	100.0
Kiinteistö Oy Porin Askotalot	Pori	FI	79.1	79.1
Renor Oy	Lahti	FI	100.0	100.0
Oy Finla Ab	Tampere	FI		100.0
Varastotalo Oy	Tampere	FI		100.0
Kiinteistö Oy Trikootalot	Tampere	FI		100.0
Kiinteistö Oy Keskuskatu 20	Heinola	FI		100.0
Asunto Oy Forssan Kuhalankatu 2	Forssa	FI		82.5
Asko Norge AS	Oslo	NO		100.0
Asko i Fristad AB	Borås	SE		100.0
KB Sekanten	Borås	SE		100.0
Uponor Suomi Oy	Nastola	FI	100.0	100.0
Uponor Holding S.A.	Lyon	FR	100.0	100.0
Uponor France S.A.	St. Etienne de St. Geoirs	FR		100.0
S.C.I. Village les Apprets	St. Etienne de St. Geoirs	FR		100.0
Uponor Limited (*	Bishopstown	IE	100.0	100.0
Uponor (Cork) Limited (*	Bishopstown	IE		100.0
Uponor Exports Limited	Dublin	IE		100.0
Uponor S.r.l.	Badia Polesine	IT	100.0	100.0
Uponor Latvia SIA	Riga	LV	100.0	100.0

Notes to the financial stataments

Name	Domicile		Parent company stake	Group stake
Uponor UAB	Vilnius	LT	100.0	100.0
Uponor B.V.	Amsterdam	NL	100.0	100.0
Uponor AS	Furuflaten	NO	100.0	100.0
Uponor Portugal - Sistemas para Fluidos, Lda.	Vila Nova de Gaia	PT	100.0	100.0
Uponor Construcão e Ambiente – Sistemas de Tubagens, S.A.	Vila Nova de Gaia	PT		100.0
ZAO Uponor Rus	St. Petersburg	RU	100.0	100.0
Sörberg Produktion AB	Kungsör	SE	100.0	100.0
Uponor AB	Borås	SE	100.0	100.0
Vårgårda Plast AB	Vårgårda	SE		100.0
Uponor Innovation AB	Borås	SE	100.0	100.0
Uponor Wirsbo AB	Surahammar	SE	100.0	100.0
Uponor Wirsbo A/S	Glostrup	DK		100.0
Uponor Wirsbo AS	Vestby	NO		100.0
Uponor Magyarország Kft.	Budapest	HU		100.0
WA Vertriebs GmbH	Guntramsdorf	AT		100.0
Uponor Limited	England	UK	100.0	100.0
Uponor Housing Solutions Limited	England and Wales	UK		100.0
Wirsbo UK Limited	England	UK		100.0
Uponor UK Export Limited	England	UK		100.0
Uponor Aldyl Limited	England	UK		100.0
Radius Plastics Limited	Northern Ireland	UK		100.0
Uponor North America, Inc.	Delaware	US	100.0	100.0
Hot Water Systems North America, Inc.	Delaware	US		100.0
Uponor Wirsbo Company	Illinois	US		100.0
Uponor Canada Inc.	Regina	CA		100.0
Radiant Technologies, Inc.	New York	US		100.0
Stadler Corp.	Massachusetts	US		100.0
Thermal Ease Hydronic Systems, Inc.	Washington	US		100.0
Unicor Pipe Systems Inc.	Toronto	CA		100.0
Unicor Pipe Systems, Inc.	Minnesota	US		100.0
Uponor ETI Company	Colorado	US		100.0
Mid-States Plastics, Inc.	Kentucky	US		100.0
Uponor Aldyl Company, Inc.	Delaware	US		100.0

3.2 Associated companies

Name	Domicile		Parent company stake	Group stake
Bostads Ab Gyllene Svanen Asunto Oy	Tammisaari	FI		50.0
Bostads Ab Silversvanen Asunto Oy	Tammisaari	FI		50.0
Punitec GmbH & Co. KG	Gochsheim	DE		45.0
Punitec Verwaltungs GmbH	Gochsheim	DE		45.0
Kiinteistö Oy Lahden Teollisuuskeskus	Lahti	FI		37.4
Asunto Oy Porin Purjesato	Pori	FI		37.1
HTC-Lahti Oy	Lahti	FI		33.3
Kiinteistö Oy Silkkirivi	Ikaalinen	FI		33.3
Kiinteistö Oy Puolikivi	Ikaalinen	FI		32.3
Kiinteistö Oy Lahden Vesijärvenkatu 36	Lahti	FI		24.0
Kiinteistö Oy Neilikkapolku	Vantaa	FI		20.5

*) In accordance with the provisions of Section 17 of the Republic of Ireland Companies (Amendment) Act 1986, Uponor Oyj has given an irrevocable guarantee in respect of the financial year from 1 January to 31 December 2002 with regard to the liabilities as referred to in Section 5 (c) of the said Act for this subsidiary.

Proposal by the Board of Directors

According to the balance sheet as of 31 December 2002, Group profits amount to EUR 360,879,000, of which EUR 317,743,000 may be distributed. The distributable profit of Uponor Oyj is EUR 345,380,097.35.

The Board of Directors proposes that a dividend of EUR 1.50 per share be paid on the 2002 accounting period.

Vantaa, 4 February 2003

Pekka Paasikivi
Chairman

Hannu Kokkonen

Matti Niemi

Niilo Pellonmaa

Horst Rahn

Jarmo Rytilahti
Managing Director

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 2002. The financial statements prepared by the Board of Directors and the Managing Director include the report of Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements and the parent company's administration.

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

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

Vantaa, 4 February 2003

KPMG WIDERI OY AB

Sixten Nyman
Authorised Public Accountant

Corporate governance

Uponor's corporate governance formulates guidelines for Group operations at Group, Division and Legal Unit level, based on the Finnish Companies Act, other legislation, rules and regulations applicable to public companies, and its Articles of Association. In addition, corporate governance is based on recommendations issued by the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers.

Group Board of Directors

The Parent Company's Board of Directors comprises 5–7 members elected at the Annual General Meeting for a term of one year. The 2002 AGM elected five Board members. The Board members are not employed by the Company. The Board elects one of its members to serve as Chairman.

The Board of Directors convenes at least six times per year. In 2002 the Board held 12 meetings, two of which were teleconferences.

In accordance with the 2002 AGM's decision, the annual emoluments paid to Board members are as follows: Chairman EUR 27,600, Deputy Chairman EUR 19,200, and other members of the Board EUR 16,800. All members are further entitled to a remuneration of EUR 180 for each meeting. Additionally, the AGM decided that approximately 40 per cent of the annual emoluments should be paid in terms of company shares acquired on behalf and in the name of the Board members and approximately 60 per cent should be paid in cash.

Law defines the basic duties of the Board of Directors. Besides these statutory duties, the Board of Directors approves matters such as the Group's strategic plan, budget, acquisitions, divestments, external financing arrangements and significant investment projects.

Division Boards

The Division Boards consist of 3–5 members, mainly representing the Group management and Divisions other than the Division in question. The Parent Company's CEO chairs the Division Boards. In 2002 Division Boards held 4–6 meetings. The main responsibility of each Division Board is to assist in formulating the Division strategy, supervise its implementation and provide adequate resources for the Division to implement its strategy. Furthermore, the Division Board approves the Division's strategic plan, budget and significant projects.

Legal Unit Boards

The Boards of the Legal Units focus on the statutory obligations imposed by local legislation. The operational and strategic issues of the Units are managed, as the case may be, either by the Division Board in question or by Division management in co-operation with Unit management.

Financial Administration and Auditing

The Group's financial control and auditing comprises three functions: financial control by the Group financial administration, independent internal auditing and external audit of the accounts.

Group Financial Administration

The Parent Company's Board of Directors approves the Group financial management policies, including financing, risk management and accounting policies, as well as reporting guidelines.

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 and interim reports.

Internal Auditing

The Group's independent Internal Audit function 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 assess their compliance with the Group financial and operational policies. It reports to the Division Board in question and to the Group management. The Group's audit log covers all Group Divisions and Units.

External Auditing

The Parent Company's AGM elects the company's auditor. Together with the auditor, the Group management arranges auditing of Group Legal Units in accordance with local legislation. The auditors report directly to the Legal Units they have audited and submit a copy of each report to the Group Financial Administration. These reports are included in the audit log.

The 2002 AGM appointed the authorised public accountant firm KPMG Wideri Oy Ab to serve as auditor of the company for the year 2002. Mr. Sixten Nyman, Authorised Public Accountant, bears principal responsibility for the company's audit.

Insider Regulations

Uponor Oyj's insider regulations comply with the Guidelines for Insiders issued jointly by the Helsinki Exchanges, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. The Company's permanent, extended register of insiders comprises members of the Board of Directors, the CEO, the Deputy Managing Director and CFO, the Executive Vice President, Corporate Development, the Secretary to the Board of Directors and the auditor. The company maintains its insider register in the Finnish Central Securities Depository Ltd's SIRE system. The company also maintains a secondary, non-public register of insiders, including persons employed by the Group Administration and Division management.

Uponor Oyj Board of Directors at 1 January 2003

Left to right: Pekka Paasikivi, Chairman, Niilo Pellonmaa, 2nd Vice Chairman, Horst Rahn, Matti Niemi and Hannu Kokkonen, 1st Vice Chairman.

Pekka Paasikivi
b. 1944, Chairman, Oras Oy.
Chair of the Board, Uponor Oyj from 30 September 1999. Member of the Board from 23 September, 1999.
Uponor shares: 76,955.

Member of the Supervisory Board, Finpro Oy.
Member of the Board, Federation of Finnish Metal, Engineering and Electro-technical Industries (MET).
Member of the Board, Confederation of Finnish Industry and Employers.
Deputy Chair of the Board, Hollming Oy.
Member of the Board, Okmetic Oyj.
Member of the Board, Raute Oyj.
Deputy Chair of the Supervisory Board, Varma-Sampo Mutual Pension Insurance Company.

Hannu Kokkonen
b. 1947, M. Sc. (Pol.Sci.), Managing Director, If P&C Insurance Company Ltd.
1st Vice Chairman of the Board,
Uponor Oyj from 7 April, 1995.
Uponor shares: 331.

Member of the Board, Employers' Confederation of Service Industries ECSI.
Member of the Board, Federation of Finnish Insurance Companies,
(until 31 December 2002).
Member of the Board, Turku Chamber of Commerce.
Member of the Board, Turku University Foundation.
Chair of the Board, Insurance Employers' Association.
Deputy Chair of the Board, Kaleva Mutual Insurance Company.

Matti Niemi
b. 1947, B.Sc. (Econ.), Deputy CEO,
Varma-Sampo Mutual Pension Insurance Company.
Member of the Board, Uponor Oyj from
21 April, 1994.
Uponor shares: 289.

Member of the Board, ICL Invia Oyj, (until 10 September, 2002).
Member of the Board, M-real Corporation.
Member of the Supervisory Board, Sampo Life Insurance Company Limited

Niilo Pellonmaa
b. 1941, M.Sc. (Econ.)
2nd Vice Chairman of the Board, Uponor Oyj from 27 April, 2000. Member of the Board, Uponor Oyj from 1 February 1983.
Uponor shares: 500, indirectly 4,000 shares.

Member of the Board, Kemira Oyj.
Chair of the Board, PMJ Automec Oyj.
Chair of the Board, Rocla Oyj.

Horst Rahn
b. 1939, M.Sc. (Eng.)
Member of the Board, Uponor Oyj from
21 March 2000.
Uponor shares: 100,000.

The members of the Board are elected for a term of one year, and they are not included in the Uponor stock option plan.

The personal shareholding and that of companies in which they hold a controlling interest is indicated for insiders at Uponor Oyj at 31 December 2002, together with their personal option rights and most important posts held in other organisations.

Management at 1 January 2003

Jarmo Rytilahti
b. 1944,
B.Sc. (Econ.)
President and CEO.
Employed by Uponor Group since 1982.
Uponor shares: 968, indirectly 51,500.
Option rights:
A 28,000 and B 28,000.

Jyri Luomakoski
b. 1967,
MBA
Senior Executive Vice President and CFO, Deputy Managing Director
Chairman,
Municipal Americas.
Employed by
Uponor Group since 1996.
Uponor shares: 800.
Option rights:
A 14,000 and B 14,000.

Kari Norbäck
b. 1944,
M.Sc. (Eng.)
Executive Vice President,
Corporate Development.
Employed by
Uponor Group since 1985.
Uponor shares: none.
Option rights:
A 14,000 and B 14,000.

Marja Hanski
b. 1954,
LL.M., B.Sc. (Econ.)
Executive Vice President,
Legal Affairs, Secretary to the Board of Directors.
Employed by
Uponor Group since 1993.
Uponor shares: none.
Option rights:
A 3,500 and B 3,500.

Dieter Pfister
b. 1961,
Controller (RKW)
President,
Housing Solutions Europe.
Employed by
Uponor Group since 1999.

Jim Bjork
b. 1959,
B.A., MBA
President,
Housing Solutions North America.
Employed by
Uponor Group since 1990.

Jukka Kallioinen
b. 1958,
M.Sc. (Eng.), eMBA
President,
Infrastructure and Environment Europe.
Employed by
Uponor Group since 1984.

Hannu Katajamäki
b. 1952,
M.Sc. (Eng.)
President, Real Estate.
CEO, Renor Oy.
Employed by
Uponor Group since 1987.

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