

Q1/2004:

Restructuring and buoyant demand improved Uponor's performance

- Net sales EUR 247.2 (232.1) million. Reported growth at 6.5%, comparable growth at 19.2%
- Operating profit EUR 14.2 (10.0) million. Reported growth at 41.0%, comparable growth at 57.5%
- Profit after financial items EUR 12.5 (7.7) million, or 5.1% (3.3%) of net sales
- Cash flow from business operations continued its strong improvement: EUR -6.7 (-25.1) million
- Earnings per share EUR 0.22 (0.14)

Comparable figures have been adjusted for the effects of divestments and exchange rate changes.

CEO Jan Lång comments on the Q1 performance:

- Early 2004 has been characterised by a favourable climate. During the first quarter, we reported satisfactory levels of demand for our products in all our main markets. Demand exceeded our expectations in our two key market areas, Germany and the U.S, where we have been able to increase our market share, according to our estimates.

- We have been successful in meeting market requirements by introducing new products and system upgrades that appeal to our customers. When it comes to Germany, in particular, this favourable development is also partly due to our successful maintenance and development of our sales and marketing organisation during difficult times as well.

- Our profitability performance and restructuring programme are progressing as planned. We also completed the planned reinforcements in top management during the first quarter, forming solid foundations for continuing the process of creating a single, unified Uponor.

Interim report for January – March 2004:

General

With Uponor's business environment developing favourably in the first quarter of 2004, markets have continued the revival that began in the second half of 2003. The Group's sales and profitability, which showed an encouraging trend during the second half of 2003, continued to strengthen in the first quarter of 2004, when compared with the same period in 2003.

Uponor's most important market segment, housing construction, continued a highly satisfactory performance in the Nordic countries, North America and the U.K. during the report period. Housing construction also picked up in Germany, as the number of building permits for single-family houses grew by around 12 per cent last year. A significant proportion of this growth was due to a momentary change in government aid policy applied to building permits, and the resultant greater number of building permits granted is not necessarily an indication of markets returning to their pre-recession levels.

Demand for infrastructure and environment solutions remained satisfactory in the Nordic countries, while picking up in the U.K. and Germany. Elsewhere in continental Europe, markets remained relatively flat as a whole, despite becoming increasingly more depressed in Spain and Portugal.

Financial reporting

Uponor will use a segment-based structure, applied since the financial year 1999, in its financial reporting. This means that it will report net sales and profit by the Pipe Systems segment and the Real Estate segment. In addition, according to its new regional organisation effective since 1 March 2004, the company will provide more detailed information on its core business Pipe Systems, such as net sales by region.

The new regional organisation consists of the following four geographical areas: Central Europe, Nordic, Europe – West, East, South and North America.

- Central Europe involves all Uponor's businesses in Germany, Switzerland, Austria, the Benelux countries, Poland and Belarus, also including plastic and metal fittings manufacture in Finland and Sweden (Kungsör), as well as the machinery business, but excluding the Infrastructure and Environment business in Central Europe.
- The Nordic region consists of the Pipe Systems business in Finland, Sweden, Denmark and Norway, as well as the Infrastructure and Environment business in Poland.
- Europe – West, East, South encompasses Uponor's businesses in other European countries, Infrastructure and Environment business in Germany, and exports and sales in countries where Uponor has neither production nor established sales offices.
- North America comprises Uponor's Housing Solutions business in the U.S., Canada and Mexico.

Uponor will adopt the International Financial Reporting Standards (IFRS) as of January 2005; i.e., the company will release its first-quarter interim report for 2005, with relevant comparatives, in accordance with IFRS. More detailed information on the IFRS adoption can be found in Uponor's Annual Report 2003 and on the corporate website at <http://www.uponor.com/investors>.

Strategic goals and focus areas

Uponor's long-term goal is to emerge as a world-leading brand in solutions for housing and environment infrastructure. With determined efforts, the company is transforming from a multi-brand company managed in a decentralised way to an integrated corporation, working under the Uponor-brand, specialising in housing and environmental infrastructure solutions, and applying uniform business processes, based on customer needs, throughout its market areas.

One of Uponor's primary short-term strategic cornerstones is to transform corporate structures in such a way that they support the company's long-term strategy, while bolstering the maintenance and development of competitiveness in the dynamic market environment. Every effort currently made by Uponor, such as carrying through its restructuring programme, is aimed at providing a solid foundation for future growth and higher profitability.

The key goal in business development is to focus activities on the company's core businesses and to fully exploit the product and market potential identified in them, with the aim of further strengthening the company's position in the market for its main applications. Uponor aims to achieve market leadership or a healthy second place in all of its markets. When judging near-term business investments and goals, Uponor gives priority to businesses with good prospects for profitable growth on an international scale.

Uponor has embarked on structural and organisational changes that will strengthen its market position and reinforce relationships with customers through, for example, considerably more efficient supply chain and delivery processes. For instance, the new regional organisation, launched in February to replace the divisional structure and remove one organisational layer, will make it be faster and more efficient to implement changes and help the company benefit more of its market position.

In strategic terms, Uponor is quite well positioned, as evidenced by its strong position in the main world markets. The Group operates in all main markets for housing solutions in Europe and North America – primarily underfloor heating and plumbing systems – and currently holds the number one or two position in many of those markets. In the Infrastructure and Environment business, Uponor focuses on European markets, where it holds the strongest position in the Nordic countries.

As part of the restructuring programme under way, Uponor is analysing the role of those businesses less relevant to the Group's development in light of the vision for the future Uponor.

Separate from the regional organisation, Other Businesses include Real Estate, mainly operating in Finland, and the municipal pipe systems business by Municipal Americas in the U.S. and South America. Other Businesses are not among the Group's core businesses.

Net sales and profit

Uponor's January–March 2004 consolidated net sales came to EUR 247.2 million (Q1/2003: EUR 232.1 million), up by 6.5 per cent on a year earlier. In comparable terms, net sales grew organically by 19.2 per cent, taking into account divestments and exchange rate changes.

The growth in net sales was due to a number of factors. First, with favourable market conditions, demand remained buoyant in North America, the Nordic countries and the U.K., and recovered in Germany. Second, recent upgrades and improvements in product and system offerings have proved successful. Third, sales in North America were also boosted by the postponement until early 2004 of some deliveries of products ordered in late 2003, as capacity expansions did not fully meet rapidly growing demand.

The Pipe Systems segment posted net sales of EUR 241.8 (226.4) million, up 6.8 per cent, with North America and Germany showing the strongest growth. Both underfloor heating and plumbing systems experienced robust growth.

Net sales of Pipe Systems by region

	2004 Q1	2003 Q1	Reported change, %
Central Europe	88.7	70.7	+25.5%
Nordic	56.5	52.8	+ 7.0 %
Europe – West, East, South	75.4	67.9	+11.0%
North America, EUR	33.9	24.4	+38.9%
(North America, USD	41.9	26.5	+58.2%)
Other (Municipal Americas), EUR	8.8	27.7	- 68.2%

Real Estate's net sales of EUR 5.3 (5.5) million remained more or less unchanged year on year.

Consolidated operating profit totalled EUR 14.2 (10.0) million, accounting for 5.7 (4.3) per cent of net sales, 41.0 per cent higher than a year ago. If divestments and currency fluctuations are taken into account, operating profit improved by 57.5 per cent in comparable terms. Operating profit (EBITA) accounted for 6.8 (5.6) per cent of net sales.

This improvement was due mainly to higher sales volumes, the shift toward a more profitable product portfolio and the effects of the restructuring programme.

Profit after financial items came to EUR 12.5 (7.7) million, accounting for 5.1 (3.3) per cent of net sales. Profit before taxes amounted to EUR 12.5 (7.7) million, while profit for the period totalled EUR 8.2 (5.1) million.

Earnings per share (also in diluted terms) were EUR 0.22 (0.14). Equity per share was EUR 11.04 (12.98) and, in diluted terms, EUR 11.01 (12.97).

Cash flow from business operations continued its strong improvement, amounting to EUR –6.7 (–25.1) million.

Uponor's business is characterised by seasonal fluctuations. For this reason, the net sales and profit figures for the first quarter of the year, the low season, do not provide a solid foundation for predicting company performance for the financial year as a whole.

Investment and financing

The Group's gross investments rose slightly to EUR 8.1 (7.4) million, which was mostly earmarked for normal business development initiatives during, for example, the restructuring programme.

Net interest-bearing liabilities totalled EUR 167.7 (199.3) million at the end of the period. Solvency ratio stood at 49.4 (53.8) per cent, while gearing remained at 41 (41). The lower solvency ratio was due to significantly higher dividends of EUR 74.1 (55.5) million paid out at the end of the report period.

Net financial expenses fell to EUR 1.7 (2.3) million.

Markets

Central Europe

Early 2004 has been a period of favourable developments in Central Europe. Housing construction in Germany, the largest market, has picked up, especially when it comes to the single-family house target group important to Uponor. The number of building permits for single-family houses was 12.1 per cent higher in 2003 than in 2002, while the corresponding figure for permits for all residential buildings was 8.6 per cent. The strong growth was due mainly to changes in government subsidies in Germany applied to housing construction in 2003, with the increase in building permits stimulating markets as early as the second half of 2003. This favourable effect is expected to level off and fade during the current year.

Heavy increases in copper prices have contributed to Uponor's success not only in Central Europe but also in other market areas, further strengthening the position of plastic systems over copper ones. Many installers who have experienced the benefits of plastic and plastic-aluminium pipe systems, such as highlighted in the range of fittings and systems Uponor upgrades on an ongoing basis, tend to become their permanent users. As the market leader, Uponor capitalised on this trend during the first quarter.

Nordic

In the Nordic countries, Finland, Sweden and Denmark showed the most favourable development, mainly stimulated by active housing construction. Demand for infrastructure and environment solutions remained satisfactory. Thanks to successful marketing efforts, Uponor managed to enhance its sales in all four countries. Marketing products under the Uponor umbrella brand has enhanced Uponor's recognition and position as a supplier of comprehensive housing and building solutions.

Europe – West, East, South

Demand in the market for housing solutions remained at a healthy level in the U.K. and the Iberian Peninsula, and demand continued to grow in the Baltic countries and Russia. In Germany, the market for infrastructure and environment solutions took off; in particular, systems for decentralised sewage water treatment experienced a brisk growth in demand. In the U.K., demand for gas pipes recovered from the previous year's level, whereas the Spanish and Portuguese municipal markets contracted due to a slack January and February.

North America

Housing construction has remained lively in both the U.S. and Canada. The first quarter did not yet show any signs of the slight slowdown in the U.S. market that was predicted for this year. Both of Uponor's main products – underfloor heating and plumbing systems – showed a vigorous growth in sales. Underfloor heating systems won increasing popularity through the launch of new products that simplify the design and installation of heating systems and improve system performance. The growth in sales of plumbing systems was also supported by high prices of the competing copper material.

Key events

Central Europe

The Uponor Velta underfloor heating systems and the Rapex Multi pipe that suits for both plumbing and heating installations increased their sales strongly throughout Central Europe. In addition, the new Velta Minitec system for renovation and modernisation projects met with a favourable response when introduced to the markets. During the report period, Uponor Velta won a contract for supplying the BMW Dynamic Center Dingolfing site in Germany, with a total floor area of 125,000 m², with a heating system.

Of Uponor's new products, the best performers were the Unipipe Eco underfloor heating system consisting of a multi-layer pipe, specifically designed for floor heating, with the required components, and a new kind of Unipipe pipe-positioning panel, for which customers may opt for a preferred insulation.

Nordic

In the Nordic countries, Uponor won two major supply contracts during the report period: one for a large-diameter water supply pipeline, worth NOK 10 million (EUR 1.2), in Bodø, northern Norway; and the other for a 10-kilometre-long no-dig renovation using OmegaLiner in Copenhagen, Denmark.

Winning increasing popularity across Europe, the Unipipe multi-layer composite pipe system also increased its sales in Denmark, and several wholesalers are going to include the system in their product range. Uponor extended its campaign for leak-proof installations, launched in Sweden last year, into Norway. The campaign highlights the importance of superior fitting technique in the prevention of water damage. In Finland, Onninen selected Uponor as 'Heating and Plumbing Products Supplier of 2003'.

Europe – West, East, South

In the Europe – West, East, South region, Uponor's underfloor heating and plumbing systems were the most successful in the U.K. and the Iberian Peninsula, the latter region showing strong growth in sales of plumbing systems and plastic fittings, in particular.

North America

As part of the product launch onto the North American market, Uponor began the first deliveries of its combined underfloor heating and cooling system during the report period. In a survey conducted by *Contractor Magazine*, the Uponor Wirsbo brand was noted, for the second time, as the 'Best Radiant Floor Heating and PEX Plumbing System Brand' by over 65 per cent (64 per cent in 2001) of the respondents. In order to meet the vigorously growing demand for underfloor heating and plumbing systems, Uponor initiated large-scale capacity expansion projects in 2003. These are progressing as planned.

Other issues

Product and systems training schemes have been one of Uponor's focus areas in marketing. During the period, Uponor's units in Europe provided more than 1,500 installers, building maintenance companies, and customers with such training. In North America, around 300 contractor customers participated in the Home Comfort Team event held for loyal customers in Las Vegas.

During the first quarter, Uponor was an exhibitor at a number of major trade fairs, the largest one being the Expocomfort Mostra Convegno exhibition in Italy. Uponor's main theme at the fairs has been displaying the new product range of a single, integrated Uponor.

Restructuring

In line with its strategy, Uponor continued to implement its restructuring programme. At the end of March, Uponor concluded the MBO agreement for divesting, among other things, its cable and tap water protection pipe businesses in Germany. The company's projects in Germany and Spain to streamline production and concentrating production in larger plants are progressing as planned.

In the U.K., Uponor closed down its Crawley office and concentrated its housing solutions in Lutterworth. In France, the company re-deployed all its operations at the St. Etienne plant. Proceeding as planned, the streamlining programme in Spain and Portugal launched last year will be completed in spring. Closing down three warehouses and centralising warehouse operations in a single warehouse serving both countries has improved operating efficiencies and customer service.

Personnel

The reported average number of the Group's employees came to 4,731 (5,147), while the period-end staff totalled 4,745 (4 940 on 31 March 2003 and 4,803 on 31 Dec. 2003). The staff reduction was due to the restructuring programme and the MBO in Germany. By region, the number of employees grew only in North America.

Annual General Meeting

Held in Helsinki on 17 March 2004, the 2004 AGM adopted Uponor's parent-company and consolidated financial statements for 2003 and discharged Board members and the CEOs from liability. It also decided to distribute a per-share dividend of EUR 2.00 for 2003. The dividend payment date was 20 March 2004.

The number of Board members remained at five. The AGM re-elected Matti Niemi, Pekka Paasikivi, Aimo Rajahalme and Anne-Christine Silfverstolpe Nordin as Board members for a term of one year and elected Rainer S. Simon as a new Board member. Mr. Paasikivi continues as Chairman and Mr. Niemi was elected as Vice Chairman.

KPMG Wideri Oy Ab, Authorised Public Accountants, continues as the Company's auditor, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor.

The AGM also approved the Board's proposal for reducing share capital by invalidating own shares, and authorised the Board to decide to buy back own shares.

Share capital and shares

At the beginning of the report period, Uponor Corporation's share capital amounted to EUR 74,834,444 and the number of shares totalled 37,417,222. In January 2004, the company increased its share capital by EUR 542,000 as a result of share subscriptions based on stock options. The 2004 AGM decided to reduce the company's share capital by EUR 1,120,000 by invalidating 560,000 own shares. The reduction of share capital was registered with the Trade Register on 22 March 2004. On 31 March 2004, the company's share capital amounted to EUR 74,256,444, while the number of shares totalled 37,128,222. With a nominal value of EUR 2, each share entitles the holder to one vote at the shareholders' meeting.

In addition, the AGM authorised the Board to decide to buy back own shares. The company may use such shares for strengthening its capital structure or financing investments, in consideration of any company acquisitions and other industrial restructuring, or it can dispose of them in some other way or invalidate them. This authorisation will be valid for one year. The company did not buy back own shares during the report period.

On 31 March 2004, the number of previously bought own shares totalled 85,000, their combined nominal value amounting to EUR 170,000, accounting for 0.2 per cent of the share capital and total votes. The share buybacks have had no significant effect on the distribution of shareholdings and votes in the company.

In March, Grantham, Mayo, Van Otterloo & Co. LLC (GMO), a U.S. corporation, announced that its holding in Uponor Corporation had risen to 5.14 per cent on 16 March 2004. According to the announcement, the funds managed by GMO held a total of 1,906,966 Uponor shares.

Stock option plan

On the basis of Uponor Corporation's present stock option plan, the company has granted 560,000 A and B stock options to 50 key employees, entitling them to subscribe for an equal number of the company's shares, each at a par value of EUR 2. By the end of the report period, a total of 271,000 subscriptions for new shares, based on the stock option plan, have been recorded.

The subscription prices for stock option A and stock option B are EUR 13.46 and EUR 17.75, respectively. The shares are payable at subscription. The subscribed shares entitle their holders to receive dividends for 2004; other share-based entitlements will become effective once the share capital increase is registered with the Trade Register. The share subscription period will expire on 31 August 2004.

Events after the report period

The post-report period saw subscriptions for 108,000 new shares, based on Uponor's stock option plan. The number of shares subscribed based on A stock options totalled 22,000, at the subscription price of EUR 13.46 per share, and the number of shares subscribed based on B stock options totalled 86,000, at the subscription price of EUR 17.75 per share. The share capital increase of EUR 216,00, corresponding to the share subscriptions, will be registered with the Trade Register in April 2004. The unexercised stock options based on the company's stock option plan entitle their holders to subscribe for 181,000 new shares, corresponding to a further share capital increase of EUR 362,000.

In the Nordic countries, Uponor continued its restructuring programme. In Sweden, the company entered into labour union consultation procedures for closing the Vårgårda plant and transferring its production to the nearby Fristad plant, with a view to enhancing the efficiency of manufacturing and logistics within the Nordic region.

Near-term outlook

Near-term prospects look stable, as there seem to be no major changes in the developments of economies or construction markets on the horizon – neither ups nor downs. Early 2004 has been characterised by brisk demand in several market areas. Demand is expected to remain at a healthy level, but full-year demand is anticipated to level off slightly from the high peak of the first quarter.

Progressing as planned, Uponor's large-scale restructuring programme, which has been under way for a few years now, is to be completed during the current year for the most part. A number of efficiency gains and improvements resulting from the programme will bear fruit already this year, and all of the effects will be fully reflected in the company's financial performance in 2005.

The Group's cash flow is expected to remain strong and the 2004 operating profit and profit margin are expected to improve, excluding restructuring expenses.

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Annex: Tables

Tables:

Income statement	1-3	1-3	1-12
MEUR	2004	2003	2003
Net sales	247.2	232.1	1,021.0
Other operating income	0.6	4.1	6.8
Gross Profit	76.5	67.2	281.0
Operating profit	14.2	10.0	30.7
Financial expenses, net	1.7	2.3	9.9
Profit after financial items	12.5	7.7	20.8
Extraordinary income	0.0	0.0	0.0
Extraordinary costs	0.0	0.0	0.0
Profit before taxes	12.5	7.7	20.8
Profit for the period (1)	8.2	5.1	1.6
Balance sheet	31 Mar.	31 Mar.	31 Dec.
MEUR	2004	2003	2003
Intangible assets	81.9	98.3	85.4
Tangible assets	344.5	388.4	349.2
Securities and long-term investments	14.4	11.6	14.4
Inventories	148.2	166.6	135.5
Cash in hand and at bank	13.1	12.2	16.9
Other current assets	230.4	222.1	187.8
Shareholders' equity	409.0	480.3	470.0
Minority interest	0.9	1.1	0.9
Obligatory provisions	32.6	15.4	31.4
Long-term liabilities	89.6	117.2	93.6
Short-term liabilities	300.4	285.2	193.3
Balance sheet total	832.5	899.2	789.2
Cash flow statement	1-3	1-3	1-12
MEUR	2004	2003	2003
Cash flow from operations			
Net profit for the period	8.2	5.1	1.6
Sales gains	-0.6	-4.1	-7.2
Depreciations	14.4	16.5	87.1
Change in net working capital	-28.7	-42.6	47.7
Cash Flow adjustment items	0.0	0.0	18.8
	-6.7	-25.1	148.0
Cash flow from investments			
Gross investments in fixed assets	-8.1	-7.4	-36.7
Acquisition of shares	0.0	0.0	0.0
Proceeds from sales of shares	0.0	26.3	20.8
Proceeds from sales of fixed assets	5.3	9.9	14.7
	-2.8	28.8	-1.2
Cash flow from financing			
Dividends	-74.1	-55.5	-55.5

Net change of loans	79.6	57.3	-81.1
Others	0.2	0.4	0.4
	5.7	2.2	-136.2
Change in cash	-3.8	5.9	10.6
Liquid assets at 1. January	16.9	6.3	6.3
Liquid assets at end of period	13.1	12.2	16.9
Changes according to balance sheet	-3.8	5.9	10.6
Investments	1-3	1-3	1-12
MEUR	2004	2003	2003
Gross investments	8.1	7.4	36.7
- % of net sales	3.3%	3.2%	3.6%
Depreciation	14.4	16.5	87.1
Disposal of fixed assets	4.7	5.7	6.3
Personnel	1-3	1-3	1-12
	2004	2003	2003
- average number	4,731	5,147	4,962
- at the end of period	4,745	4,940	4,803
Financial indicators	1-3	1-3	1-12
	2004	2003	2003
Earnings per share, EUR	0.22	0.14	0.04
- fully diluted, EUR	0.22	0.14	0.04
Return on equity, %	7.5	4.0	0.3
Return on investment, %	10.0	5.8	4.9
Solvency ratio, %	49.4	53.8	59.8
Gearing, %	41	41	18
Equity per share, EUR	11.04	12.98	12.69
- fully diluted, EUR	11.01	12.97	12.68
Trading price of shares			
- low, EUR	24.20	16.85	16.80
- high, EUR	27.55	20.21	26.02
- average, EUR	25.85	18.24	20.12
Shares traded			
- 1000 pcs	8,917	4,678	13,956
- MEUR	230.5	85.3	280.8
Contingent liabilities	31 Mar.	31 Mar.	31 Dec.
MEUR	2004	2003	2003
Group:			
Pledges			
- on own behalf	0.7	0.7	0.7
Mortgages	5.3	14.7	9.2
Guarantees			
- on behalf of others	3.3	3.8	3.2

- on behalf of associated companies	9.1	-	9.3
Leasing liabilities	54.6	54.6	57.8
Other contingent liabilities	10.7	5.0	8.8
Parent company:			
Guarantees			
- on behalf of a subsidiary	35.1	57.7	39.8
- on behalf of others			9.3
Futures contracts	31 Mar.	31 Mar.	31 Dec.
MEUR	2004	2003	2003
Interest derivatives			
- Interest rate options, bought	89.5	80.9	96.7
- Interest rate options, sold	114.1	108.4	120.4
- Interest rate swaps	10.0	10.0	10.0
Foreign currency derivatives			
- Forward agreements	23.3	6.9	12.4
Currency swaps	2.3	19.9	-
Electricity derivatives	1.6	2.0	1.7
Own shares	31 Mar.	31 Mar.	31 Dec.
	2004	2003	2003
Own shares held by the company	85000	416000	645000
- combined nominal value, EUR	170000	832000	1290000
- of share capital/voting rights, %	0.2%	1.1%	1.7%
Net sales by segment	1-3	1-3	1-12
MEUR	2004	2003	2003
Pipe Systems	241.8	226.4	999.7
Real Estate	5.3	5.5	21.1
Others	0.1	0.2	0.2
Group total	247.2	232.1	1,021.0
Operating profit by segment	1-3	1-3	1-12
MEUR	2004	2003	2003
Pipe Systems	15.4	9.1	28.3
Real Estate	2.3	3.3	12.8
Others	-3.5	-2.4	-10.4
Group total	14.2	10.0	30.7

(1) The taxes have been calculated to correspond the result for the period.

The figures of this interim report have not been audited.