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Interim report for January–September 2003:

Uponor's Q3 profit performance favourable

- **January-September net sales EUR 773.3m, down 11.2%; in comparable terms, up 3.4%, and up 6.4% in Q3**
- **Operating profit EUR 63.1m, down 39.1%; in comparable terms, a decrease of 3.9 %, and an increase of 17.0% in Q3**
- **Market prospects stopped deteriorating, profit forecast remains unchanged**
- **Management reviewing need for further restructuring initiatives**

Markets

European demand and markets did not experience any major changes during the third quarter. The construction market in most of the continent continued to be satisfactory, while remaining at good levels in the Nordic countries, the U.K. and Spain. In North America, demand remained robust, strengthening further from the second quarter level.

Demand was steady for municipal pipe systems, although remaining at a relatively low level in the Americas and most of Europe. The Portuguese market continued to be weak.

Net sales and profit

Uponor's consolidated net sales for January–September 2003 came to EUR 773.3 million (January–September 2002: EUR 870.8 million), down 11.2 per cent on the previous year. The fall in net sales was mostly due to the first-quarter divestments and the stronger euro against other major currencies, compared to previous year. If divestments and exchange rates are taken into account, consolidated net sales rose by 3.4 per cent in comparable terms.

Third-quarter net sales of EUR 277.0 (302.3) million were down 8.4 per cent on the previous year. In comparable terms, however, net sales improved by 6.4 per cent, if divestments and exchange rate changes are taken into account.

The third-quarter sales performance of the divisions within the Pipe Systems segment was as follows:
- Housing Solutions Europe improved its net sales by 6.2 per cent over the previous year, due mainly to buoyant sales in the Nordic countries, the U.K. and Spain. In particular, sales of the Unipipe plumbing system continued to perform favourably.
- Housing Solutions North America continued its robust growth in net sales, showing an improvement of 21.1 per cent in dollar terms and 4.5 per cent in euros, due mainly to the strong performance of Wirsbo, the company's most important system brand. The favourable sales development of the new Wirsbo products launched in the first half further consolidated Wirsbo brand's market leaderships, with sales of both radiant floor heating and plastic plumbing systems performing well.
- Infrastructure and Environment Europe reported a 11.1 per cent decline in net sales, due to the first-half divestments of sewer system production in Germany and Poland, and the lower-than-expected gas pipe deliveries in the U.K. In comparable terms, excluding the divestments and exchange rate changes, net sales grew by 2.5 per cent.

- Municipal Americas posted a net sales fall of 59.0 per cent in dollar terms, and 64.3 per cent in euro terms, this sharp decline being due to the divestment of the water and sewer systems business in the U.S in the spring. If divestments and exchange rate changes are taken into account, comparable net sales rose by 6.4 per cent.

Consolidated operating profit for the report period accounted for 8.2 (11.9) per cent of net sales, totalling EUR 63.1 (103.7) million, which is 39.1 per cent lower than a year ago when the exceptionally high capital gains of around EUR 27.2 million on property divestments contributed to the operating profit figure. The lower operating profit was attributable to the first-half divestments, exchange rate changes and the too high cost level compared to net sales reported by a few, mainly new businesses. Furthermore, the restructuring costs of EUR 7.1 million expensed during 2003 eroded the company's operating profit. If company and property divestments, one-time restructuring costs and exchange rate changes are excluded, operating profit decreased by 3.9 per cent in comparable terms.

Although the July-September operating profit of EUR 33.9 (35.8) million showed a decline of 5.5 per cent, it grew by 17.0 per cent in comparable terms, if also excluding the restructuring costs expensed during 2003. The increasing role of the housing solutions business, in line with the Group's new strategy, contributed to this favourable development.

Profit after financial items for the period came to EUR 58.5 (93.4) million, accounting for 7.6 (10.7) per cent of consolidated net sales. Profit before taxes amounted to EUR 58.5 (93.4) million, representing 7.6 (10.7) per cent of consolidated net sales. Profit for the period totalled EUR 38.7 (61.5) million.

Earnings per share (diluted) were EUR 1.04 (1.65) and equity per share (diluted) was EUR 13.76 (14.58).

Investment and financing

The Group's investment requirements remained at modest levels. January-September gross investments of EUR 24.3 (26.8) million, or 3.1 (3.1) per cent of consolidated net sales, were made to improve operational efficiency and maintain production capacity.

The Group repaid its debt, which resulted from dividend payments in the spring, by a large amount during the third quarter, as evidenced by net interest-bearing liabilities totalling EUR 141.5 (197.9) million at the end of the report period.

Solvency ratio rose slightly, to 57.1 (53.6) per cent, while gearing ratio decreased to 28 (36) per cent. Net financial expenses fell markedly, to EUR 4.6 (10.3) million.

Key events during the third quarter

Pipe Systems

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

In Germany, Uponor transferred the production of installation panels for its radiant floor heating systems from the closed Buchholz/Mendt plant to the Ochtrup factory and moved the injection moulding production to the Hassfurt unit, with the aim of improving operational efficiency. As a result of the introduction of a new organisation in June, Housing Solutions Central Europe began to reorganise its functions, such as marketing, production and logistics under one management, previously managed by separate units.

In August, Velta, Uponor's leading heating system brand in Germany, won the biggest contract in its history for the supply of an underfloor cooling system to Bangkok's new international airport under construction, marking a major step forward for the water-based cooling system technology developed by Velta. Deliveries for the project began in September and will continue into 2004. The 150,000 m² building is scheduled to be completed in 2005.

In Finland, Uponor entered into joint discussions with its employees (based on the principle of employee information and consultation) involving structural changes and streamlining through investments. The aim is to complete the discussions by the end of November.

At the end of the report period, Uponor's Infrastructure and Environment Europe division launched a project in Portugal for concentrating production and marketing on the Vila Nova de Gaia plant. The Vila do Conde plant will be closed down during the first quarter of 2004.

Housing Solutions North America streamlined its marketing by combining under a single management the sales of other brands sold alongside the Wirsbo brand.

In the U.S., Uponor launched a new training programme, Mini-Camp II, focusing on technical training, so that installation firms and wholesalers might gain a deeper knowledge of radiant floor heating.

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

Due to the lack of profitable growth prospects, Uponor decided to discontinue developing its solar panel business in Sweden.

Real Estate

The occupancy ratio of property – the Group's non-core business – mainly located in Finland – decreased slightly, to 73.5 (80.1) per cent, reflecting subdued demand for industrial premises. January–September property divestments totalled EUR 5.1 (46.0) million, bringing in capital gains of EUR 3.3 (27.2) million.

Personnel and organisation

Aiming at larger, specialised and more efficient units by, for example, streamlining overlapping operations, the restructuring programme underway will affect the Group's manpower requirements. In addition to personnel reductions of 100 announced in the second quarter, the number of employees will decrease further by around 200–230, as a result of redundancies and joint discussions (employee information and consultation) or other similar negotiations carried out during the third quarter.

The reported average number of the Group's employees amounted to 5,004 (5,402), while the period-end staff totalled 4,867 (5,360). The decrease in the number of employees resulted mainly from the divestments in the beginning of 2003.

On 2 September, Uponor Corporation's Board of Directors set up a new Executive Committee for the Group, its members comprising Jan Lång, CEO (as of 1 August 2003); Jyri Luomakoski, CFO and Deputy

CEO; Kari Norbäck, Executive Vice President, Corporate Development; Jim Bjork, Division President (Housing Solutions North America), Jukka Kallioinen, Division President (Infrastructure and Environment Europe) and Dieter Pfister, Division President (Housing Solutions Europe). The purpose is to upgrade business management processes and decision-making within the Group. The previous management group, which consisted of corporate functions, and the internal Divisional Boards were dismantled. Accordingly, Uponor Corporation will amend its Corporate Governance rules.

Share capital and shares

Uponor Corporation's share capital amounts to EUR 74,834,444. With a total of 37,417,222 shares, each share has a nominal value of EUR 2, entitling its holder to one vote.

The 2003 AGM authorised the Board of Directors to decide, within one year, to buy back and dispose of own shares, as well as to issue one or several convertible bonds and issue stock options, and increase share capital through one or several rights issues. In addition, the AGM decided to reduce the company's share capital by EUR 1,000,000 by invalidating 500,000 shares. The reduction of share capital was registered with the Trade Register on 21 March 2003.

Pursuant to the authorisation given by the AGM, the Board of Directors decided on 17 March 2003 to buy back a maximum of 1,400,000 own shares. The company may use such shares 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. During the report period, the company bought back a total of 198,000 own shares for EUR 3,753,874.49, quoted on the Helsinki Exchanges. At the end of the report period, it held 609,800 own shares, at a total nominal value of EUR 1,219,600, accounting for 1.6 per cent of the share capital and total votes. The share buybacks will have no significant effect on the distribution of shareholdings and votes in the company.

The Board of Directors did not exercise its authorisations to issue shares and dispose of own shares during the report period.

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. Pursuant to the share subscriptions based on these stock options, the company's share capital may increase by a maximum of EUR 1,120,000 and the number of shares by a maximum of 560,000.

The current subscription price for stock option A and stock option B is EUR 15.46 and EUR 19.75, respectively. The share subscription price for stock option A is determined by the trade-weighted average of a Uponor share quoted on the Helsinki Exchanges in August 1999, and for B stock option the trade-weighted average quoted in August 2000, both added by 15 per cent. Dividends distributed after August 1999/2000 and before the subscription will be deducted from the subscription price. A dividend is deemed distributed on the record date of each dividend distribution. The shares are payable at subscription and they entitle their holders to a dividend for the same accounting period during which they were subscribed for. Any other shareholder entitlements will become effective once the increase of the share capital has been registered with the Trade Register.

No company shares have yet been subscribed for on the basis of the stock options. The share subscription period will expire on 31 August 2004.

Outlook

No major changes have taken place in market prospects since the release of the previous interim report.

The Group's determined efforts to develop its refocused business, coupled with the restructuring programme initiated in the spring, are gradually being reflected in the Group's sales and profitability. Management is reviewing the need and extent of possible further restructuring to align the Group's business portfolio with its strategic direction.

As stated in the previous interim report, the Group estimates that its core business profitability will be almost at the previous year's level, provided that the one-time costs resulting from the restructuring measures are not taken into account. The Group forecasts that its profit after financial items for the year as a whole will clearly fall behind the 2002 figures, due to exceptionally high capital gains on property recorded for 2002 and this year's restructuring costs.

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Enclosure: Tables

Tables:

Income statement	1-9	1-9	1-12
MEUR	2003	2002	2002
Net sales	773.3	870.8	1,137.2
Other operating income	6.8	30.8	35.7
Operating profit	63.1	103.7	114.2
Financial expenses, net	-4.6	-10.3	-13.5
Profit after financial items	58.5	93.4	100.7
Profit before taxes	58.5	93.4	100.7
Profit for the period (1)	38.7	61.5	64.2

Balance sheet	30 Sep.	30 Sep.	31 Dec.
MEUR	2003	2002	2002
Intangible assets	91.9	105.9	102.8
Tangible assets	377.3	443.1	432.6
Securities and long-term investments	10.1	11.2	11.6
Inventories	154.2	178.2	166.5
Cash in hand and at bank	12.8	13.5	6.3
Other current assets	249.7	275.7	207.0
Shareholders' equity	507.3	542.6	540.1
Minority interest	1.1	7.9	5.4
Obligatory provisions	20.3	10.7	11.4
Long-term liabilities	100.5	154.0	142.5
Short-term liabilities	266.8	312.4	227.4
Balance sheet total	896.0	1,027.6	926.8

Cash flow statement	1-9	1-9	1-12
MEUR	2003	2002	2002
Cash flow from operations			
Net profit for the period	38.7	61.5	64.2
Sales gains	-4.9	-30.5	-35.3
Depreciations	47.8	55.1	74.7
Change in net working capital	-37.2	-14.1	14.1
	44.4	72.0	117.7
Cash flow from investments			
Gross investments in fixed assets	-24.3	-26.8	-42.4
Acquisition of shares	-	-	-2.6
Proceeds from sales of shares	22.4	30.9	30.9
Proceeds from sales of fixed assets	8.2	33.0	38.1
	6.3	37.1	24.0
Cash flow from financing			
Dividends	-55.5	-29.9	-29.9
Net change of loans	3.3	-94.3	-134.8
Others	8.0	-2.5	-1.8
	-44.2	-126.7	-166.5

Change in cash	6.5	-17.6	-24.8
Liquid assets at 1. January	6.3	31.1	31.1
Liquid assets at end of period	12.8	13.5	6.3
Changes according to balance sheet	6.5	-17.6	-24.8

Investments	1-9	1-9	1-12
MEUR	2003	2002	2002
Gross investments	24.3	26.8	45.0
- % of net sales	3.1%	3.1%	4.0%
Depreciation	47.8	55.1	74.7
Disposal of fixed assets	3.3	22.7	25.9

Personnel	1-9	1-9	1-12
	2003	2002	2002
- average number	5,004	5,402	5,393
- at the end of period	4,867	5,360	5,302

Financial indicators	1-9	1-9	1-12
	2003	2002	2002
Earnings per share, EUR	1.04	1.65	1.72
- fully diluted, EUR	1.04	1.65	1.72
Return on equity, %	9.8	15.2	11.8
Return on investment, %	13.0	17.3	14.8
Solvency ratio, %	57.1	53.6	58.9
Gearing, %	28	36	30
Equity per share, EUR	13.78	14.59	14.60
- fully diluted, EUR	13.76	14.58	14.58
Trading price of shares			
- low, EUR	16.80	17.75	16.51
- high, EUR	21.80	24.85	24.85
- average, EUR	18.92	20.62	19.98
Shares traded			
- 1000 pcs	10,196	9,770	13,511
- MEUR	192.9	201.4	270.0

Contingent liabilities	30 Sep.	30 Sep.	31 Dec.
MEUR	2003	2002	2002
Group:			
Pledges			
- on own behalf	0.7	7.1	0.8
Mortgages	10.0	23.8	23.3
Guarantees			
- on behalf of others	3.2	3.5	3.3
- on behalf of associated companies	9.5	-	-

Leasing liabilities	51.5	54.4	53.6
Other contingent liabilities	8.4	-	4.9
Parent company:			
Guarantees			
- on behalf of a subsidiary	40.5	78.8	70.0

Futures contracts	30 Sep.	30 Sep.	31 Dec.
MEUR	2003	2002	2002
Interest derivatives			
- Interest rate options, bought	99.3	95.9	82.7
- Interest rate options, sold	125.1	126.3	111.3
- Interest rate swaps	10.0	10.0	10.0
Foreign currency derivatives			
- Forward agreements	14.6	7.0	5.0
Currency swaps	-	15.5	17.0
Electricity derivatives	1.7	-	1.1

Own shares	30 Sep.	30 Sep.	31 Dec.
	2003	2002	2002
Own shares held by the company	609,800	739,400	911,000
- combined nominal value, EUR	1,219,600	1,478,800	1,822,000
- of share capital/voting rights, %	1.6	2.0	2.4

Net sales by segment	1-9	1-9	1-12
MEUR	2003	2002	2002
Pipe Systems	757.1	852.4	1,112.9
Real Estate	15.9	17.9	23.7
Others	0.3	0.5	0.6
Group total	773.3	870.8	1,137.2

Operating profit by segment	1-9	1-9	1-12
MEUR	2003	2002	2002
Pipe Systems	60.7	74.7	83.9
Real Estate	9.7	23.9	30.9
Others	-7.3	5.1	-0.6
Group total	63.1	103.7	114.2

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

The figures of this interim report have not been audited.