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Jan–Sept/2004: **Satisfactory performance continues, unchanged guidance**

- Net sales EUR 829.5 (773.3) million. Reported growth at 7.3%, comparable growth at 12.8%
- Operating profit EUR 84.7 (63.1) million. Reported growth at 34.1%, comparable growth at 30.1%
- Profit after financial items EUR 79.7 (58.5) million, accounting for 9.6% (7.6%) of net sales
- Cash flow from business operations EUR 56.0 (44.4) million
- Earnings per share EUR 1.42 (1.04)

Comparable figures have been adjusted for business divestments, restructuring expenses and currency changes. The figures in brackets represent those reported in 2003.

CEO Jan Lång comments on the performance for the period:

- Our profit performance continued to be satisfactory during the report period, which is in line with our expectations. In the favourable market conditions we were able to improve our profitability markedly during the two most important quarters, the second and third.

- Our profit guidance remains unchanged, although consolidated net sales for the rest of the year are expected to be lower than in the comparable period. The stronger upward trend in polymer resin prices towards the end of the autumn will affect the profit performance of our Infrastructure and Environment business in Europe.

- The results we have achieved are proof of our staff's outstanding performance in our extensive restructuring process, coinciding with successful efforts in business development.

(The IR presentation material related to the Jan-Sept 2004 results is available at http://www.uponor.com/investors/investors_10.html after 14.00 GMT+2).

Interim report for January–September 2004:

General

During the third quarter, the situation in the markets for housing and municipal infrastructure solutions remained good or satisfactory in all of the geographic regions in which Uponor operates. Also, demand for those product segments in which Uponor is active remained at a satisfactory level, and the company largely achieved its business-performance targets.

Uponor continues the determined implementation of its core strategy introduced in 2001. In the Capital Markets Day held on 23 September, Uponor specified its near-term strategic action plan, on the one hand referring to its focus on core application offerings development, and the full exploitation of any identified opportunities, such as extensions to product and service offerings. Another key focus area is the allocation of resources to applications that provide Uponor with the prospect of maintaining or attaining a leading market position, at least on the regional level.

When it comes to the management of operations, Uponor aims to transform the Group from a range of independent companies and brands towards a more unified organisation with shared goals, strategies and brand identity across the board. The company has launched an extensive programme for the modernisation of its operations management through upgraded processes and practices, targeting the adoption of a common ERP system within the next few years.

Uponor intends to complete its long-standing restructuring programme, for the most part during the current year, with its final efforts involving the completion of such structural and organisational changes that will provide a solid basis for profitable growth and the creation of a single, unified Uponor.

Net sales

Uponor's January–September 2004 consolidated net sales came to EUR 829.5 million (Jan. – Sept. 2003: EUR 773.3 million), up by 7.3 per cent on a year earlier. In comparable terms, net sales grew organically by 12.8 per cent, taking account of business divestments, restructuring costs and exchange-rate changes.

The Pipe Systems segment recorded net sales of EUR 813.2 (757.1) million, up 7.4 per cent, while the Real Estate segment posted net sales of EUR 15.8 (15.9) million.

Distribution of net sales in Pipe Systems, January–September:

	2004 1–9	2003 1–9	Reported change, %	Comparable change, %
Central Europe	267.4	240.1	+11.4	+14.8
Nordic	220.8	209.0	+5.7	+6.4
Europe – West, East, South	244.6	223.3	+9.6	+8.6
North America, EUR	115.7	94.7	+22.2	+33.4

(North America, USD	141.3	105.9	+33.4	+33.4)
Others (Municipal Americas), EUR	34.3	48.2	– 28.9	+28.9
Eliminations	–69.6	–58.2		

During Q3, consolidated net sales of EUR 292.7 (277.0) million were 5.7 per cent higher than in the previous year. With business divestments, restructuring costs and currency fluctuations taken into account, the comparable growth in net sales came to 8.8 per cent.

In line with expectations, third-quarter net sales rose more modestly than in the first half of the year, whose strong growth was due largely to exceptionally favourable developments in the North American and Central European markets. Following the quieter second quarter, net sales began to rebound in Central Europe during the third quarter, supported chiefly by a boomlet in demand in the German single-family housing construction market. It is thought that this peak in demand was due to the 2003 change in government aid, which gave a boost to the number of building permits granted while also encouraging the launch of renovation and modernisation projects. In the rest of Europe, growth in net sales remained at a healthy level, except for the Nordic countries, which showed strong figures a year ago. In North America, net sales growth levelled off from the extremely high level recorded for the first half.

Distribution of net sales in Pipe Systems in Q3:

	2004 7–9	2003 7–9	Reported change, %	Comparable change, %
Central Europe	91.6	85.4	7.3	13.7
Nordic	79.9	78.7	1.6	2.0
Europe – West, East, South	85.4	78.8	8.3	7.0
North America, EUR	41.5	37.6	10.4	19.4
(North America, USD	50.6	42.3	19.4	19.4)
Others (Municipal Americas), EUR	12.2	11.3	8.3	17.7
Eliminations	–23.3	–19.7		

Profit

The Group’s January–September operating profit amounted to EUR 84.7 (63.1) million, equalling 10.2 (8.2) per cent of consolidated net sales. The reported operating profit increased by 34.1 per cent, whereas the growth in comparable terms was 30.1 per cent, taking account of business divestments, restructuring costs and exchange-rate changes. Operating profit before goodwill amortisation (EBITA) accounted for 11.2 (9.3) per cent of net sales.

July–September operating profit, EUR 39.9 (33.9) million, rose by 17.8 per cent, with comparable growth standing at 16.9 per cent.

The improved operating margin reflects the favourable market situation coupled with a streamlined corporate structure achieved through restructuring, with the resulting cost reductions. Analysed on a market-by-market basis, the best developments were recorded in Germany and North America, their higher net sales having a favourable effect on profitability.

The Group’s profit after financial items for January–September came to EUR 79.7 (58.5) million, accounting for 9.6 (7.6) per cent of consolidated net sales. Profit before taxes totalled EUR 79.7 (58.5) million, including other income and expenses of EUR 2.5 million resulting from divested fixed assets. Profit for the period totalled EUR 52.6 (38.7) million.

Earnings per share (also in diluted terms) were EUR 1.42 (1.04). Equity per share was EUR 12.27 (13.78) and, in diluted terms, EUR 12.27 (13.76).

Cash flow from business operations came to EUR 56.0 (44.4) million.

Investment and financing

The Group’s January–September investment remained stable, with gross investment of EUR 24.4 (24.3) million remaining at the previous year’s level, earmarked mainly for normal business development initiatives. The most significant initiative involved the extension of PEXa pipe production capacity in North America, carried out in several steps, which has increased production capacity by almost a half during the current year.

Net interest-bearing liabilities totalled EUR 106.2 (141.5) million at the end of the period. Solvency ratio stood at 55.2 (57.1) per cent, while gearing was at 23 (28).

Net financial expenses amounted to EUR 5.0 (4.6) million.

Markets and key events

Pipe Systems:

Central Europe

Contrary to the generally subdued construction industry, demand in the German market for single-family houses showed a satisfactory development, reflected in both housing starts and renovation and modernisation projects. The recent change in government aid policy is regarded as the source of this transient peak in demand. Demand for Uponor’s products in this market sector continued its favourable growth. In addition to Germany, Austria and the Benelux countries, whose partnership network underwent a transformation, experienced the most favourable developments.

In particular, Velta radiant underfloor heating systems project sales and Unipipe plumbing systems proved successful, and the OEM business operating under Hewing also showed a good performance.

The introduction of a new cost-saving snap-in fitting for quicker installation of the Unipipe plumbing system as the first company in the market was one of the key events. In Poland, Uponor launched an extensive Unipipe training and marketing campaign.

Nordic

Market growth in the housing solutions sector remained at a satisfactory level, with the municipal infrastructure market showing more subdued growth.

Key events included the international building fair, FinnBuild, held in Finland in late September, where Uponor displayed its latest product offerings. Sales of the universal chamber solution introduced in Denmark in the spring showed excellent development. In the Swedish market, Uponor was the first company to receive Nordtest approval for its Wirsbo plumbing solutions, an asset in marketing efforts and supporting the campaign to promote leak-proof plumbing installations. In Norway, Uponor concluded a major contract for a water supply pipeline in Northern Norway.

Europe – West, East, South

Housing solutions markets became slightly flatter from the previous year’s level. Nevertheless, the Iberian Peninsula provided a stimulating exception, relatively brisk demand there confounding the forecasts. In this respect, Unipipe and Ecoflex solutions sold well, as did plastic fittings designed for multilayer and PEX plumbing systems. In the U.K., sales growth was boosted by improvements in the supply chain, while the Italian market also developed favourably.

Infrastructure and Environment solutions met with a favourable development in the UK and Ireland, with demand recovering for installation systems for telecoms cables. In Germany, demand for one and two-family house wastewater-treatment units in non-urban areas was promoted by government investment grants. In Russia and the Baltic countries, however, intensifying competition slowed down growth in sales.

During the third quarter, Uponor’s sales organisation in Russia started to sell Unipipe products and, as of early 2005, all Russian operations will be conducted by Uponor Rus.

North America

Demand remained great in North America, with no signs of a downward trend in the housing construction market. Demand also remained at a healthy level in Canada, although housing starts were hit by a temporary slip during the third quarter.

Due to continued vigorous growth in demand, Uponor has repeatedly enhanced pipe production capacity in North America. Altogether, thanks to expansion investments, Uponor’s combined production capacity has increased by almost half during the current year. New production extensions are underway during the rest of the year.

Uponor’s strong expansion has prompted the company to launch a comprehensive sales and operations development programme, with related training and the development of information systems. The results of this programme are being implemented during the rest of the year.

The pilot marketing for Uponor’s radiant underfloor cooling system among new customers in the institutional and commercial sectors has shown promise. This system is already popular in Europe.

Other

Increases in plastic resin prices, which have continued for a prolonged period, intensified during the autumn outside normal seasonal fluctuations and are expected to continue for the rest of the year. The Infrastructure and Environment business, in which Uponor is engaged in its Nordic and Europe – West, East, South regions, has not been able to pass equivalent price increases into its product prices, due to fierce competition.

In line with its goals, Uponor divested its U.S gas pipe and fittings systems business on 27 September when the U.S. business of Uponor Aldyl Company, a subsidiary wholly owned by Uponor, and the majority of its assets and liabilities were sold to PW Poly Corporation. The deal was valued at around USD 15 million (EUR 12.5 million), of which USD 12.9 million (EUR 10.7) were paid to Uponor at closing. The deal had no impact on Uponor’s third quarter results. With a staff of 165 reported at the end of 2003, Uponor Aldyl Company’s net sales for the same year exceeded USD 40 million (EUR 36 million).

Real Estate:

In line with its strategy, Uponor aims to dispose of its Real Estate business and is therefore investigating various options for achieving this strategic goal. In an effort to reduce its real property, the company sold its properties for EUR 4.3 (5.1) million during the report period, generating capital gains of EUR 1.2 (3.3) million.

The occupancy ratio of the company’s leased premises remained practically at the same level, 73.7 (73.5) per cent.

Restructuring

Uponor is implementing its restructuring programme as planned, with the aim of completing most of it during the current year. With no announcements of new projects made during July–September, those underway progressed on schedule. Germany saw the completion of investment in automated fittings production and production outsourcing for wall-mounted toilet installation systems, as well as the closure of the Buchholz warehouse. Moving PEXa pipe production from Germany to Sweden is approaching completion, in addition to the transfer of the Swedish plant from Vårgårda to Fristad, which will be completed during January. In Norway, Uponor continued the integration of its housing solutions and infrastructure and environment solutions businesses.

Personnel and organisation

The reported average number of Group employees amounted to 4,732 (5,004), while the period-end staff totalled 4,786 (4.867). This staff reduction was due to restructuring measures, an MBO in Germany and the divestment of Uponor Aldyl Company’s business and assets in the U.S. The number of employees increased in Europe – West, East, South and North America.

Uponor Corporation’s former President and CEO, Jarmo Rytilahti, retired on 10 September. In line with the terms of his Executive Contract, he stepped down as CEO on 1 August 2003 since when he acted as Senior Executive Advisor until his retirement, reporting to Pekka Paasikivi, Chairman of the Board of Directors.

The Real Estate segment, previously run by Mr Rytilahti, became the responsibility of Jyri Luomakoski, CFO and deputy CEO.

Kari Norbäck, Executive Vice President, Corporate Development, and an Executive Committee member, will retire on 1 January 2005. Effective as of 1 November, his responsibilities as an Executive Committee member will be assigned as follows: Jyri Luomakoski, CFO and deputy CEO, will take charge of strategic planning; Georg von Graevenitz, Executive Vice President, Marketing, will be responsible for product and systems development; and Lauri Rintanen, Executive Vice President, Supply Chain, will be in charge of technology.

One of the objectives set for the streamlined corporate structure was to restructure the organisation in an effort to support progress towards uniform Group-wide processes, with the first new process completed during the third quarter, involving the modernisation of research and development. The aim of the reorganised product and systems development is to increase the benefits from R&D spending based, for example, on more efficient and systematic joint use of resources and better targeted resource allocation to strategic key development projects.

Share capital and shares

At the beginning of 2004, Uponor Corporation’s share capital amounted to EUR 74,834,444 with the number of shares totalling 37,417,222. At the end of September, the share capital was worth EUR 74,820,444 with the number of shares totalling 37,410,222. At a nominal value of EUR 2, each share entitles its holder to one vote at the shareholders’ meeting.

The current year has seen several changes in the company’s share capital, as a consequence of share subscriptions based on the stock option plan. In addition, the Annual General Meeting of March decided to reduce the company’s share capital through invalidation of own shares. The table below provides more detailed information on changes in the share capital.

Board authorisations

The AGM authorised the Board of Directors 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. The authorisation will be valid until 17 March 2005. The Board of Directors has no other authorisations.

Own shares

The company did not buy back own shares during the report period. 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 had no significant effect on the distribution of shareholdings and votes in the company.

Stock option plan

Uponor Corporation’s stock option plan 1999/2002 came to an end on 31 August 2004, i.e. related shares may not be subscribed any longer. Under this stock option plan, a total of 553,000 Uponor Corporation shares were subscribed, each at a par value of EUR 2, increasing the company’s share capital by EUR 1,106,000. A total of 7,000 shares remained unsubscribed.

Under the stock option plan, the end of 2003 saw the subscription of 271,000 shares, resulting in the share capital increase of EUR 542,000 registered in the Trade Register in January 2004. During January–September 2004, the number of new shares subscribed totalled 282,000. The number of shares subscribed based on A and B stock options totalled 89,500 and 192,500 respectively, with the respective subscription prices amounting to EUR 13.46 and EUR 17.75. As a result, the share capital increased by EUR 216,000 in April and EUR 348,000 in September. The shares subscribed in 2004 will entitle their holders to receive dividends for 2004; other share-based entitlements became effective upon the registration of the share capital increase with the Trade Register.

The stock option plan had no dilution effect on the value of a share.

Changes in the share capital for 1 January – 30 September 2004:

Date	Cause EUR	Change EUR	Share capital	No. of shares
1 Jan 2004			74,834,444	37,417,222
19 Jan 2004	Increase (stock options)	542,000	75,376,444	37,688,222
22 March 2004	Reduction (invalidation of own shares)	1,120,000	74,256,444	37,128,222
28 April 2004	Increase (stock options)	216,000	74,472,444	37,236,222
23 Sept. 2004	Increase (stock options)	348,000	74,820,444	37,410,222

Share-based incentive programme

In May, Uponor Corporation’s Board of Directors decided to launch a new incentive programme aimed at the Executive Committee, who will have the opportunity to receive a share-based reward in 2007. The reward is based on the attainment of a pre-determined cumulative EBITA target set for the period of three years from 2004 to 2006, corresponding to the maximum net value of 40,000 Uponor shares. The CEO and CFO are not entitled to dispose of the shares earned under this programme during their term of employment, without the consent of the Board of Directors. For the other members of the Executive Committee, half of the shares earned are bound by the same restriction. The Board of Directors has the possibility to raise or reduce the number of shares by ten per cent, depending on whether the company’s other long-term objectives are achieved.

Near-term outlook

During the third quarter, the housing solutions and infrastructure and environment solutions markets did not undergo any major changes, although growth in demand slowed down slightly from the previous quarters' level, as expected. This trend is expected to follow a similar pattern during the rest of the year.

Uponor's net sales for the fourth quarter are expected to be lower than the high level reported a year ago.
With regard to the entire year 2004, the Group's cash flow is expected to remain strong and its operating profit and profit margin are expected to improve, adjusted for restructuring expenses.

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Appendix: Tables

Income statement MEUR	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Net sales	829.5	773.3	1,021.0
Other operating income	3.2	6.8	6.8
Gross profit	267.8	240.7	281.0
Operating profit	84.7	63.1	30.7
Financial expenses, net	5.0	4.6	9.9
Profit after financial items	79.7	58.5	20.8
Profit before taxes	79.7	58.5	20.8
Profit for the period (1)	52.6	38.7	1.6

Balance sheet MEUR	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003
Intangible assets	76.2	91.9	85.4
Tangible assets	331.2	377.3	349.2
Securities and long-term investments	10.4	10.1	14.4
Inventories	152.6	154.2	135.5
Cash in hand and at bank	10.6	12.8	16.9
Other current assets	250.5	249.7	187.8
Shareholders' equity	458.0	507.3	470.0
Minority interest	0.9	1.1	0.9
Obligatory provisions	31.0	20.3	31.4
Long-term liabilities	81.5	100.5	93.6
Short-term liabilities	260.1	266.8	193.3
Balance sheet total	831.5	896.0	789.2

Cash flow statement MEUR	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Cash flow from operations			
Net profit for the period	52.6	38.7	1.6
Sales gains	-3.2	-4.9	-7.2
Depreciation	42.1	47.8	87.1
Change in net working capital	-35.5	-37.2	47.7
Cash flow adjustment items	-	-	18.8
	56.0	44.4	148.0
Cash flow from investments			
Gross investments in fixed assets	-24.4	-24.3	-36.7
Proceeds from sales of shares	-	22.4	20.8
Proceeds from sales of fixed assets	16.3	8.2	14.7
	-8.1	6.3	-1.2
Cash flow from financing			
Dividend	-74.1	-55.5	-55.5
Subscription of shares	4.6	-	-

Net change of loans	16.2	3.3	-81.1
Others	-0.9	8.0	0.4
	-54.2	-44.2	-136.2

Change in cash	-6.3	6.5	10.6
Liquid assets at 1 January	16.9	6.3	6.3
Liquid assets at end of period	10.6	12.8	16.9
Changes according to balance sheet	-6.3	6.5	10.6

Investments MEUR	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Gross investment	24.4	24.3	36.7
- % of net sales	2.9%	3.1%	3.6%
Depreciation	42.1	47.8	87.1
Disposal of fixed assets	13.1	3.3	6.3

Personnel	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
- average number	4,732	5,004	4,962
- at the end of period	4,786	4,867	4,803

Financial indicators	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Earnings per share, EUR	1.42	1.04	0.04
- fully diluted, EUR	1.42	1.04	0.04
Return on equity, %	15.1	9.8	0.3
Return on investment, %	20.2	13.0	4.9
Solvency ratio, %	55.2	57.1	59.8
Gearing, %	23	28	18
Equity per share, EUR	12.27	13.78	12.69
- fully diluted, EUR	12.27	13.76	12.68
Trading price of shares			
- low, EUR	24.20	16.80	16.80
- high, EUR	30.00	21.80	26.02
- average, EUR	28.07	18.92	20.12
Shares traded			
- 1000 pcs	14,689	10,196	13,956
- MEUR	385.5	192.9	280.8

Contingent liabilities MEUR	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003

Group:

Pledges			
- on own behalf	0.6	0.7	0.7
Mortgages	4.5	10.0	9.2
Guarantees			
- on behalf of others	3.6	3.2	3.2
- on behalf of associated companies	8.9	9.5	9.3
Leasing liabilities	49.8	51.5	57.8
Other contingent liabilities	11.8	8.4	8.8
Parent company:			
Guarantees			
- on behalf of a subsidiary	24.5	40.5	39.8
- on behalf of others			9.3

Futures contracts MEUR	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003
Interest derivatives			
- Interest rate options, bought	65.0	78.8	96.7
- Interest rate options, sold	65.0	99.3	120.4
- Interest rate swaps	10.0	125.1	10.0
Foreign currency derivatives			
- Forward agreements	17.9	14.6	12.4
Currency swaps	-	-	-
Electricity derivatives	2.3	1.7	1.7

Own shares	30 Sep. 2004	30 Sep. 2003	31 Dec. 2003
Own shares held by the company	85,000	609,800	645,000
- combined nominal value, EUR	170,000	1,219,600	1,290,000
- of share capital/voting rights, %	0.2%	1.6%	1.7%

Net sales by segment MEUR	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003
Pipe Systems	813.2	757.1	999.7
Real Estate	15.8	15.9	21.1
Others	0.5	0.3	0.2
Group total	829.5	773.3	1,021.0

Operating profit by segment MEUR	Jan-Sep 2004	Jan-Sep 2003	Jan-Dec 2003

Pipe Systems	86.3	60.7	28.3
Real Estate	7.3	9.7	12.8
Others	-8.9	-7.3	-10.4
Group total	84.7	63.1	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.