Financial statements

1 Jan.–31 Dec. 2003

Uponor Corporation

Bringing comfort to life

Contents

Review by the Board of Directors

Markets

Demand for Uponor's product lines in the construction sector remained at a satisfactory level during 2003, and much the same way as in 2002. Demand in the EU remained on average at the previous year's level, albeit characterised by large differences within the region. Housing construction in North America remained robust.

Germany is still the largest single residential construction market area in terms of value, although volume has fallen by almost half of its peak level in 1999. During 2003, residential housing construction in Germany continued to decline, although the second half of the year saw subtle signs of recovery. One and two-family housing construction decreased less than housing construction in general. The number of residential building permissions rose from the 2002 level.

In other large markets, such as the UK, Spain and Nordic countries, demand remained good in residential housing-construction, while the company's new market areas in Russia and the Baltic countries remained buoyant. Portugal made an exception to this overall trend, with its market facing a downturn.

Demand for infrastructure and environment solutions remained unchanged or showed a slight growth in most European market areas, despite the unusually long winter holding up sales in Central and Northern Europe.

Net sales

In 2003, Uponor posted consolidated net sales of EUR 1,021.0 million (2002: EUR 1,137.2 million), down 10.2 per cent, or EUR 116.2 million over the previous year, due almost completely to first-half divestments and the strong euro. Excluding currency fluctuations and divestments, net sales improved by 4.9 per cent in comparable terms.

Housing Solutions experienced quite a favourable sales performance. Following two weaker years, net sales in Europe rose by 4.8 per cent. Net sales continued their vigorous growth in North America, amounting to 21.0 per cent in U.S. dollars, gathering momentum during the second half of the year, in particular.

Infrastructure and Environment recorded 13.0 per cent lower net sales than a year ago, due to both divestments and declined orders from utilities customers in the UK and Portugal. If divestments and exchange rate changes are taken into account, net sales remained almost at the previous year's level (decrease of 0.4 per cent).

The largest geographical markets and their share of consolidated net sales in 2003 were as follows: North America 18.5 (23.8) per cent, Germany 16.4 (16.6) per cent, other EU 19.7 (17.5) per cent, Scandinavia 14.7 (12.5) per cent, UK and Ireland 11.1 (11.8) per cent, other countries 9.0 (8.8) per cent and Finland 10.6 (9.0) per cent.

Results

Consolidated operating profit reported for the period came to EUR 30.7 (114.2) million, down 73.2 per cent on the previous year, the sharp fall being mainly due to restructuring costs of EUR 54.9 (9.0) million entered in 2003. In addition, the 2002 operating profit included EUR 35.6 million in other operating income, generated by capital gains mostly on property, whereas the corresponding item came to a mere EUR 7.3 million in 2003.

Business profitability improved in comparable terms, due in particular to favourable developments during the second half of the year.

Profit after financial items dropped by 79.4 per cent, to EUR 20.8 (100.7) million. Profit before appropriations and taxes amounted to EUR 20.8 (100.7) million. Taxes totalled EUR 19.2 (36.9) million. Profit for the financial year diminished by 97.6 per cent, to EUR 1.6 (64.2) million.

Non-recurring expenses of around EUR 54.9 (9.0) million incurred in 2003 were entered as operating expenses.

Group net financial expenses totalled EUR 9.9 (13.5) million.

Return on equity was 0.3 (11.8) per cent and return on investment reached 4.9 (14.8) per cent.

Earnings per share came to EUR 0.04 (1.72) and equity per share was EUR 12.69 (14.58).

Year on year, cashflow from business operations increased to EUR 148.0 (124.8) million.

Investment and financing

Gross investments amounted to EUR 36.7 (45.0) million, i.e. EUR 50.4 million less than the value of depreciation. Net investments totalled EUR 1.2 (–24.0) million. Investments were mainly allocated to restructuring businesses, improving productivity and maintenance.

The Group's R&D expenditure remained at the previous year's level, totalling EUR 16.0 (16.0) million, or 1.6 (1.4) per cent of net sales.

With a marked improvement in the Group's financial position, net interest-bearing liabilities decreased from EUR 163.9 million to EUR 84.0 million and solvency ratio rose to 59.8 (58.9) per cent while gearing fell to 18 (30) per cent.

Key events

Nordic countries

2003 marked the first year Uponor was engaged in the marketing of all of its three international housing technology brands – Wirsbo, Unipipe and Ecoflex – in Finland, Sweden, Norway and Denmark under the pan-Nordic organisation. The main focus was on the development of the distribution chain, resulting in a favourable impact on sales.

Central Europe

In line with its new brand strategy, Uponor aims to integrate all of its major system brands into the Uponor brand. Consequently, in March it was the first time that Uponor's German units were housed on the same stand under the Uponor brand at the ISH, the largest international trade fair for plumbing and heating technology. Furthermore, Uponor's leading heating system brand in Germany, Velta, which had been an independent brand, joined Uponor brand offerings at the end of 2003.

In spite of much focus being placed on production restructuring, the Ochtrup unit introduced a plastic-aluminium-multilayer pipe production line based on new technology, with the aim of meeting growing demand.

Other Europe

Uponor's contracts for its pressure pipe systems were extended, as evidenced by the extension by two more years to the end of 2005 of the three-year agreement with Transco for the supply of gas pipe systems, and with Severn Trent Water, a water utility services provider, by two more years to April 2006. Furthermore, Uponor's subsidiary Radius Plastics, the provider of telecom installation ducting systems, concluded agreements with British Telecom and Pirelli, the leading cable manufacturer in Europe, for the supply of so-called microglide products for installing broadband into buildings.

In the UK, Uponor began to provide its customers with special installation and maintenance services for utility pipe systems, which met with a favourable reception.

All of Uponor's businesses in Russia and the Baltic countries were arranged under one unit. In Estonia, the operations belonging to different divisions were merged into one company, while the Russian unit in Moscow moved into new premises featuring appropriate training facilities.

North America

Demand remained at a good level for Uponor's plastic radiant floor heating and plumbing systems. Uponor streamlined marketing by combining under a single management the sales of other brands sold alongside the Wirsbo brand.

The company continued to develop further its partnership programmes, the most popular of which is Wirsbo Advantage with over 800 installation firms as members. The year also saw the launch of a new training programme, Mini-Camp II, focusing on technical training for installation firms and wholesalers, so that they might gain a deeper knowledge of radiant floor heating.

With the increasing logistics efficiencies achieved, Uponor closed down its Utah-based distribution facilities, redeploying their operations to an extended distribution centre in Minnesota. The Minnesota plant launched a large-scale expansion investment programme in production, due for completion in the first few months of 2004, coupled with several other investments in order to shorten throughput times.

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

Other issues

At the end of the year, Uponor launched an ERP project aimed, in the initial stage, at establishing new, harmonised operating models and policies, while the overall aim is to implement modifications for enterprise resource planning systems. The project's first phase will be completed during the beginning of the current year.

Restructuring

At the beginning of the year, Uponor divested two of its non-core businesses. In February, Uponor sold its 51 per cent holding in a manufacturer of in-house and house drainage systems, Uponor Hausabflusstechnik GmbH and its subsidiaries, to Magnaplast Beteiligungs GmbH & Co KG, established by minority shareholders, for EUR 6.5 million. The deal, which included production plants in Germany and Poland, took effect at the beginning of the year.

In March, Uponor sold its shareholding in Uponor ETI Company, a U.S. subsidiary specialising in municipal water and sewage systems, to the PW Eagle group for USD 30–34 million, of which USD 22 million was paid cash at closing on 14 March. The deal involves the company's four production plants in the eastern and central part of the USA.

As a result of the above divestments, Uponor's annual net sales fell by approximately EUR 135 million and staff by around 445 employees.

In early 2003, Uponor initiated a restructuring programme in Continental Europe, with the aim of streamlining operations. In Germany, it transferred the production of installation panels for radiant floor heating systems from the closed Buchholz/Mendt plant to the Ochtrup factory and moved injection moulding production to the Hassfurt unit. The Westheim plant discontinued the manufacture of fittings, and the manufacture of pipe-in-pipe products was transferred to Ochtrup. In Sweden, the Virsbo plant expanded its PEX pipe production, resulting from the discontinuation of radiant floor heating and plumbing systems in Maintal, Germany.

A decision was made to withdraw from the development of the solar panel business in Sweden, due to insufficient prospects for profitable international growth.

As a result of the introduction of a new organisation in early June, Housing Solutions Central Europe, began to reorganise, combining key functions, previously managed by separate units, such as marketing, production and logistics, under one management. This project for building up a new organisation proceeded according to plans during 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 Szekszárd, Hungary.

The Nordic countries underwent a number of operational efficiency enhancing projects as part of normal business development, and in response to intensified competition. The business unit for decentralised sewage treatment was dissolved and the businesses will be managed by the local companies in each country. The focus of the loss-making installation of NoDig systems for piping renovation was placed on product and system sales.

At the end of the year, Uponor began to take measures to centralise its production in Portugal on the Vila Nova de Gaia unit. The Vila do Conde plant will be closed down during the first quarter of 2004.

The Group's restructuring measures led to the reduction in the number of Group employees by around 330 in 2003.

Personnel

Uponor's long-standing President and CEO, Jarmo Rytilahti, stepped down on 31 July 2003, in line with his Executive Contract, but will act as Senior Executive Advisor reporting to the Board's Chairman until his retirement in September 2004.

Uponor Corporation's Board of Directors elected Jan Lång (46), M.Sc. (Econ.), as the company's new CEO who took up his duties on 1 August 2003.

The number of the Group's employees decreased by close to 500 during 2003. The Group had a staff of 4,803 (5,302) at the end of the year, while the reported average number of employees came to 4,962 (5,393).

The geographical breakdown of personnel was as follows: Germany 1,536 (32.0%), North America 655 (13.6%), Scandinavia 900 (18.7%), Finland 494 (10.3%), other EU 475 (9.9%), UK and Ireland 495 (10.3%), and other countries 248 (5.2%).

Administration and audit

The 2003 Annual General Meeting (AGM) re-elected Matti Niemi, Pekka Paasikivi and Horst Rahn for a term of one year and elected Anne-Christine Silfverstolpe Nordin and Aimo Rajahalme as new members. Hannu Kokkonen and Niilo Pellonmaa, the long-standing members who withdrew from the Board, acted until 17 March 2003 as the first and second Deputy Chairman, respectively. Pekka Paasikivi chaired the Board of Directors during the rest of 2003 and Horst Rahn has acted as Deputy Chairman since 17 March 2003.

The AGM appointed KPMG Wideri Oy Ab, Authorised Public Accountants, as the company's auditor, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor.

The 2003 AGM also approved the Board's proposal for the alterations of the company's Articles of Association. Consequently, the company adopted Uponor Corporation as an English equivalent to its corporate name. The amendments also applied to the provisions governing aspects relating to the Board of Directors, the rights to sign on behalf of the company and notice of the shareholders' meeting. In addition, it altered the company's object to better align with the company's strategy, extending it to cover systems solutions for housing, infrastructure and environmental technologies.

On 2 September, the Board of Directors set up a new Executive Committee for the Group, consisting of CEO Jan Lång; CFO and Deputy CEO Jyri Luomakoski; Executive Vice President, Corporate Development Kari Norbäck; as well as Division Presidents Jim Bjork (Housing Solutions North America), Jukka Kallioinen (Infrastructure and Environment Europe) and Dieter Pfister (Housing Solutions Europe). The previous management group, which consisted of corporate functions, and the internal Divisional Boards were suppressed.

Uponor revised rules applying to its Corporate Governance to be in line with the recommendation issued jointly by the Central Chamber of Commerce, HEX Helsinki Exchanges and the Confederation of Finnish Industry and Employers (TT). Approved by the Board of Directors in December, the revised Corporate Governance came into force on 1 January 2004.

Share capital and shares

In accordance with the Articles of Association, the company's minimum share capital amounts to EUR 33,637,590 and maximum capital to EUR 132,550,360. The company can increase or reduce its share capital within these limits, without amending its Articles of Association.

At the beginning of the financial year, Uponor Corporation's share capital came to EUR 75,834,444 and the number of shares totalled 37,917,222. Based on the AGM's decision, the company reduced its share capital by EUR 1,000,000 in March by invalidating 500,000 treasury shares. At the end of the financial year, Uponor Corporation's share capital amounted to EUR 74,834,444 and the number of shares totalled 34,417,222. In January 2004, the company increased its share capital by EUR 542,000 as a result of share subscriptions based on stock options, with the result that its share capital increased to EUR 75,376,444 and the number of shares to 37,688,222. With a nominal value of EUR 2, each share entitles its holder to one vote at the shareholders' meeting.

The 2003 AGM authorised the Board of Directors to issue one or several convertible bonds, grant stock options and increase share capital through one or several rights issues. Based on this authorisation, the company's share capital can be increased by a maximum of EUR 10 million. The Board is also authorised to sell a maximum of 1,800,000 treasury shares bought back by the company. During the financial year, the Board of Directors did not exercise these authorisations which are valid until 17 March 2004.

Own shares

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 to strengthen its capital structure or finance investments, in consideration of any company acquisitions and other industrial restructuring, or it can dispose of them in some other way or invalidate them. Based on previous authorisations, the company held 911,000 own shares at the beginning of the financial year, of which 500,000 were invalidated by the AGM in March 2003.

During the year, Uponor Corporation bought back a total of 234,000 own shares traded on the Helsinki Exchanges, for EUR 4.6 million. At the end of the year, it held 645,000 own shares, at a total nominal value of EUR 1,290,000, accounting for 1.7 per cent of the share capital and total votes at the end of the year. The share buybacks have no significant effect on the distribution of shareholdings and votes in the company. Treasury shares carry no balance-sheet value in the financial statements.

Stock option plan

The number of shares subscribed during the financial year, under Uponor Corporation's valid stock option plan, totalled 271,000, each share carrying a nominal value of EUR 2. The number of shares subscribed based on A stock options totalled 194,000 and that on B stock options totalled 77,000. The subscription price for A stock options and B stock options amounted to EUR 15.46 and EUR 19.75, respectively. The unexercised stock options based on the company's stock option plan entitle their holders to subscribe for 289,000 new shares, corresponding to a further share capital increase of EUR 578,000. The share subscription period will expire on 31 August 2004.

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.

Management shareholding

The members of the Board of Directors, CEO and his deputy, as well as corporations known to the company, in which they exercise influence, held a total of 180,368 Uponor shares on 31 December 2003. These shares accounted for 0.5 per cent of the share capital and total votes at the end of the year. In addition, the stock options granted to the Deputy CEO account for 5 per cent of all the stock options issued by Uponor Corporation. The stock options held by the Deputy CEO on 31 December 2003 entitle their holder to subscribe for a maximum of 21,000 shares, corresponding to 0.06 per cent of the total number of shares and votes on 31 December 2003.

Events after the financial year

The increase of share capital by EUR 542,000, corresponding to the 271,000 shares subscribed under Uponor's stock option plan 1999/2002, was registered with the Trade Register on 19 January 2004. The new shares were traded on the Helsinki Exchanges as of 20 January. As a result of the increase, the company's share capital amounts to EUR 75,376,444 and the number of shares totals 37,688,222.

On 3 February, Uponor announced a letter of intent to divest, on an MBO basis, its cable and tap water protection pipe businesses, as well as certain industrial-product and metal components businesses in Germany, to Dieter Pfister, President of Housing Solutions Europe Division, who plans to resume as an entrepreneur. With a combined staff of around 110 in Hassfurt, Schweinfurt and Ochtrup, these businesses' net sales total approximately EUR 16.7 million. The parties aim at closing the deal by the end of March.

3 February also saw the announcement of the Board's decision to approve the management's proposal for replacing the Group's divisional organisation with a regional one. This change aims at streamlining the organisational structure, speeding up decision-making and providing the impetus for the establishment of hamonised, Group-wide processes. The regional organisation will strengthen Uponor's market position and the marketing power of its product portfolio.

Outlook

The large-scale restructuring programme initiated at the end of 2003 is to complete, mainly during 2004, a series of changes initiated at the merger of Asko and Uponor in late 1999, with the aim of making Uponor a streamlined, efficient and integrated international company. This restructuring, coupled with the development of the uniform operating model, will tie up resources and involve great challenges in the years to come.

Construction markets that began to show signs of picking up during the latter part of 2003 are expected to continue to develop favourably, and the volume of housing renovation projects in the EU is expected to continue to grow faster than that of new housing projects. In Germany, the housing construction volumes are not expected to decline any more. Market prospects in the Nordic countries and the UK are likely to remain good, whereas the currently buoyant demand in Spain is predicted to weaken slightly. With housing construction in North America remaining extremely active for the last few years, growth is expected to remain at a healthy level during 2004, albeit slowing down slightly. Renovation and modernisation projects are also expected to increase in value.

The restructuring measures already taken and the new ones, partly underway are expected to have a favourable effect on the company's financial performance during the current year. Market prospects too are somewhat brighter than a year ago. Consequently, the Group's cashflow is expected to remain strong and the 2004 operating profit and profit margin are expected to improve, excluding restructuring expenses.

Income statement

	Note	Uponor Group 2003	Uponor Group 2002	Uponor Corporation 2003	Uponor Corporation 2002
Net sales		1 021,0	1 137,2	2,3	3,4
Cost of goods sold		740,0	805,5	1,2	1,3
Gross profit		**281,0**	**331,7**	**1,1**	**2,1**
Marketing costs		168,9	167,3	-	-
Administration costs		58,0	58,9	7,3	9,3
Other operating income	**1.1.**	6,8	35,7	1,1	11,2
Other operating costs		16,0	16,0	8,4	3,7
Depreciation of group goodwill		14,2	11,0	-	-
Expenses		**250,3**	**217,5**	**14,6**	**1,8**
Operating profit		**30,7**	**114,2**	**-13,5**	**0,3**
Financial expenses and income	**1.5.**	-9,9	-13,5	30,4	45,3
Profit before extraordinary items		**20,8**	**100,7**	**16,9**	**45,6**
Extraordinary items	**1.6.**	-	-	22,0	25,8
Profit before appropriations and taxes		**20,8**	**100,7**	**38,9**	**71,4**
Appropriations				0,3	1,0
Income taxes	**1.7.**	19,2	36,9	4,8	9,0
Minority share		0,0	-0,4	-	-
Profit for the period		**1,6**	**64,2**	**34,4**	**63,4**

Balance sheet

	Note	Uponor Group 31.12.2003	Uponor Group 31.12.2002	Uponor Corporation 31.12.2003	Uponor Corporation 31.12.2002
Assets					
Fixed assets					
Intangible assets					
Intangible rights		6,4	7,9	-	-
Goodwill		2,7	3,4	-	-
Consolidation goodwill		75,9	91,2	-	-
Other capitalised long-term expenditure		0,4	0,3	0,6	0,8
Intangible assets	**2.1.**	**85,4**	**102,8**	**0,6**	**0,8**
Tangible assets					
Land and water areas		46,4	58,7	2,1	2,3
Buildings and structures		164,6	192,6	9,9	11,9
Plant and machinery		120,6	159,4	0,7	0,8
Other tangible assets		5,8	8,4	-	-
Advance payments and investment in progress		11,8	13,5	-	-
Tangible assets	**2.1.**	**349,2**	**432,6**	**12,7**	**15,0**
Securities and long-term investments					
Shares in subsidiaries	**3.1.**	-	-	296,3	285,9
Shares in associated companies	**3.2.**	2,0	2,4	-	-
Other shares and holdings		8,9	8,0	3,7	3,7
Other investments		3,5	1,2	225,3	252,8
Securities and long-term investments	**2.1., 2.2.**	**14,4**	**11,6**	**525,3**	**542,4**
Total fixed assets		**449,0**	**547,0**	**538,6**	**558,2**
Current assets					
Inventories					
Raw materials and consumables		23,7	28,4	-	-
Finished products / goods		109,7	137,6	-	-
Advance payments		2,1	0,5	-	-
Inventories		**135,5**	**166,5**	-	**-**
Accounts receivables					
Trade receivables		134,5	139,4	0,7	0,5
Loan receivables		0,9	11,3	18,0	32,8
Accruals	**2.4.**	28,1	34,7	3,1	1,9
Deferred tax assets	**2.14.**	18,0	18,9	0,1	0,1
Other receivables		6,3	2,7	39,9	46,0
Accounts receivables	**2.3.**	**187,8**	**207,0**	**61,8**	**81,3**
Liquid assets					
Cash in hand and at bank		16,9	6,3	8,0	0,4
Liquid assets		**16,9**	**6,3**	**8,0**	**0,4**
Total current assets		**340,2**	**379,8**	**69,8**	**81,7**
Total assets		**789,2**	**926,8**	**608,4**	**639,9**

	Note	Uponor Group 31.12.2003	Uponor Group 31.12.2002	Uponor Corporation 31.12.2003	Uponor Corporation 31.12.2002
Liabilities and shareholders' equity					
Shareholders' equity					
Restricted equity					
Share capital		74,8	75,8	74,8	75,8
Share issue		4,5	-	4,5	-
Other restricted equity		107,6	103,4	112,6	111,8
Restricted equity		**186,9**	**179,2**	**191,9**	**187,6**
Unrestricted equity					
Retained earnings		281,5	296,7	285,3	282,0
Profit for the period		1,6	64,2	34,4	63,4
Unrestricted equity		**283,1**	**360,9**	**319,7**	**345,4**
Total shareholders' equity	**2.5.**	**470,0**	**540,1**	**511,6**	**533,0**
Minority interest		**0,9**	**5,4**	**-**	**-**
Accumulated appropriations	**2.6.**	**-**	**-**	**3,1**	**3,4**
Obligatory provisions		**31,4**	**11,4**	**0,5**	**0,5**
Liabilities					
Long-term liabilities					
Bonds		26,0	26,0	26,0	26,0
Loans from financial institutions		20,1	33,8	-	16,7
Loans from pension funds		13,3	13,9	7,8	8,8
Other long-term liabilities		0,3	27,4	-	-
Long-term liabilities	**2.7., 2.8.**	**59,7**	**101,1**	**33,8**	**51,5**
Deferred tax liability	**2.14.**	**33,9**	**41,5**	**-**	**-**
Short-term liabilities					
Annual loan instalments		1,9	16,4	1,0	4,3
Advances received		2,7	4,9	0,0	0,0
Trade payables		69,4	72,6	0,6	0,7
Accruals	**2.10.**	75,7	82,4	3,4	2,6
Other short-term liabilities		43,6	51,0	54,3	43,9
Short-term liabilities	**2.9.**	**193,3**	**227,3**	**59,3**	**51,5**
Total liabilities		**286,9**	**369,9**	**93,1**	**103,0**
Total liabilities and shareholders equity		**789,2**	**926,8**	**608,3**	**639,9**

Cash flow statement

	Uponor Group		Uponor Corporation	
	1 Jan - 31 Dec 2003	1 Jan - 31 Dec 2002	1 Jan - 31 Dec 2003	1 Jan - 31 Dec 2002
	MEUR		MEUR	
Cash flow from operations				
Net cash from operations				
Profit for the period	1,6	64,2	34,4	63,4
Depreciation	87,1	74,7	1,0	1,3
Sales gains from the sale of fixed assets	-7,2	-35,3	-1,1	-10,2
Cash flow adjustment items	18,8	7,1	-0,3	-1,0
Group contributions	-	-	-22,0	-25,8
Net cash from operations	**100,3**	**110,7**	**12,0**	**27,7**
Change in working capital				
Receivables	15,1	10,9	19,5	16,5
Inventories	31,9	-1,6	-	-
Non-interest-bearing liabilities	0,7	4,8	0,6	-2,9
Change in working capital	**47,7**	**14,1**	**20,1**	**13,6**
Cash flow from operations	**148,0**	**124,8**	**32,1**	**41,3**
Cash flow from investments				
Share acquisitions	0,0	-2,6	-	-2,1
Share divestments	20,8	30,9		
Investment in fixed assets	-36,7	-42,4	-0,5	-2,4
Income from sales of fixed assets	14,7	38,1	3,0	23,0
Cash flow from investments	**-1,2**	**24,0**	**2,5**	**18,5**
Cash flow before financing	**146,8**	**148,8**	**34,6**	**59,8**
Cash flow from financing				
Change in long-term receivables	-2,3	1,1	16,5	-2,3
Change in long-term liabilities	-40,1	-85,6	-21,0	-45,9
Change in short-term liabilities	-38,7	-49,2	11,1	-13,1
Share issue	4,5	-	4,5	-
Dividend payments	-55,5	-29,9	-55,5	-29,9
Dividends to minority shareholders	-	-2,0	-	-
Cash flow from treasury shares	-4,6	-7,2	-4,6	-7,2
Group contributions	-	-	22,0	25,8
Cash flow from financing	**-136,7**	**-172,8**	**-27,0**	**-72,6**
Exchange rate differences for liquid assets	**0,5**	**-0,8**	**-**	**-**
Change in liquid assets	**10,6**	**-24,8**	**7,6**	**-12,8**
Liquid assets at 1 January	6,3	31,1	0,4	13,2
Liquid assets at 31 December	16,9	6,3	8,0	0,4
Changes according to balance sheet	**10,6**	**-24,8**	**7,6**	**-12,8**

Accounting principles

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

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 Finnish marks at the average rate of exchange for the accounting period, while the balance sheet is based on the current exchange rate at the end of the accounting period. Any conversion differential arising from this, and other conversion differentials due to changes in subsidiary shareholders' equity are shown as an increase or reduction in unrestricted shareholders' equity. In addition to this, exchange rate differentials relating to parent company loans to foreign subsidiaries, which compensate shareholders' equity, have been corrected in the conversion 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. The parent company assigned some of its own shares in public trading during the preceding year. The net trading profit earned from such assignment after income taxes has been recorded in the premium fund of the parent company. Treasury shares have been eliminated from the calculation of key figures.

Notes to the financial statements

1. Notes to the income statement	Uponor Group 2003	Uponor Group 2002	Uponor Corporation 2003	Uponor Corporation 2002
1.1. Other operating income				
Gains from sales of fixed assets	7,2	35,3	1,1	10,2
Royalties	-	0,3	-	0,3
Earnings share from associated companies	-0,4	0,1	-	-
Other income	-	-	-	0,7
	6,8	**35,7**	**1,1**	**11,2**
1.2. Personnel costs				
Salaries and fringe benefits	166,1	177,8	2,0	1,9
Pension expenses	9,3	9,1	0,1	0,3
Other personnel costs	35,9	38,0	0,1	0,2
	211,3	**224,9**	**2,2**	**2,4**
Salaries and emoluments paid to the Managing Directors and Board members				
Salaries and emoluments	4,5	6,9	0,6	0,5
Bonus payments	0,9	0,9	0,1	0,1
	5,4	**7,8**	**0,7**	**0,6**
1.3. Depreciation according to plan				
Intangible rights	2,4	2,8	-	-
Goodwill	0,6	0,6	-	-
Consolidation goodwill	14,2	11,0	-	-
Other capitalised long-term expenditure	0,1	0,1	0,3	0,5
Land and water areas	0,7	1,5	-	-
Buildings and structures	21,3	9,5	0,5	0,6
Plant and machinery	44,9	45,3	0,2	0,2
Other tangible assets	2,9	3,9	-	-
	87,1	**74,7**	**1,0**	**1,3**
1.4. Depreciation by operation				
Manufacturing	61,5	51,1	0,5	0,6
Sales and marketing	6,1	6,8	-	-
Administration	4,2	4,7	0,5	0,7
Other	1,1	1,1	-	-
Consolidation goodwill	14,2	11,0	-	-
	87,1	**74,7**	**1,0**	**1,3**
1.5. Financial income and expenses				
Dividend income				
- Subsidiaries	-	-	28,3	43,6
- Others	0,9	0,8	1,3	1,2
Interest and financial income				
- Subsidiaries	-	-	12,9	13,5
- Associated companies	0,5	0,5	-	-
- Others	1,6	2,8	1,1	1,0
	3,0	**4,1**	**43,6**	**59,3**
Interest and financial costs				
- Subsidiaries	-	-	1,4	1,2
- Others	11,0	15,1	6,2	6,3
Exchange differences				
- Realised	-1,6	-1,8	-0,5	0,6
- Unrealised	-0,3	-0,7	-5,0	-7,1
	12,9	**17,6**	**13,1**	**14,0**
Net financial costs	**-9,9**	**-13,5**	**30,5**	**45,3**

	Uponor Group 2003	Uponor Group 2002	Uponor Corporation 2003	Uponor Corporation 2002
1.6. Extraordinary income				
Group contributions	-	-	22,0	25,8
	-	**-**	**22,0**	**25,8**
1.7. Taxes				
For the financial period	22,3	29,0	4,8	8,2
For previous financial periods	0,1	0,8	-	0,8
Change in deferred taxation	-3,2	7,1	-	-
	19,2	**36,9**	**4,8**	**9,0**

2. Notes to the balance sheet

2.1. Fixed assets

Uponor Corporation	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	4,3	1,9	29,1	8,2	2,0	-	289,6
Increases	-	0,2	-	-	0,2	-	-	11,0
Decreases	-	-0,1	-0,2	-1,4	-0,1	-	-	-0,6
Acquisition costs 31 Dec	0,2	4,4	1,7	27,7	8,3	2,0	-	300,0
Accrued depreciation and value adjustments	0,2	3,5	-	17,5	7,4	2,0		
Depreciation for the financial period		0,3	-	0,4	0,2	-		
Accrued depreciation	0,2	3,8	-	17,9	7,6	2,0	-	-
Revaluations	-	-	0,4	0,1	-	-	-	-
Book value	**0,0**	**0,6**	**2,1**	**9,9**	**0,7**	**-**	**-**	**300,0**

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	36,5	23,1	144,6	3,7	**207,9**	2,4	8,0
Structural changes	-0,4	-1,1	-1,4	0,0	**-2,9**	-	-
Conversion difference	-0,4	-0,5	-1,1	0,0	**-2,0**	0,0	-
Increases	1,0	0,2	0,2	0,2	**1,6**	-	1,9
Decreases	0,2	-1,0	-9,5	0,1	**-10,2**	0,4	1,0
Transfers between items	0,1	-0,1	0,0	0,0	**-**	-	-
Acquisition costs 31 Dec	36,5	22,7	151,8	3,8	**214,8**	2,0	8,9
Accrued depreciation and value adjustments	28,5	19,9	53,4	3,4	**105,2**	-	-
Structural changes	-0,4	-1,1	-0,6	0,0	**-2,1**		
Conversion difference	-0,4	-0,5	-0,6	0,0	**-1,5**		
Accrued depreciation of decreases and transfers	0,0	1,1	9,5	-0,1	**10,5**	-	-
Depreciation for the financial period	2,4	0,6	14,2	0,1	**17,3**	-	-
Accrued depreciation	30,1	20,0	75,9	3,4	**129,4**	0,0	0,0
Book value	**6,4**	**2,7**	**75,9**	**0,4**	**85,4**	**2,0**	**8,9**

	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	55,1	271,5	543,7	32,3	13,5	**916,1**
Structural changes	-2,3	-8,8	-58,1	-0,8	-0,4	**-70,4**
Conversion difference	-2,8	-7,2	-22,5	-1,7	-0,7	**-34,9**
Increases	0,2	2,5	29,0	1,4	0,9	**34,0**
Decreases	0,1	5,1	15,2	1,4	0,3	**22,1**
Transfers between items	-6,6	4,6	3,6	-0,3	-1,2	**0,1**
Acquisition costs 31 Dec	43,5	257,5	480,5	29,5	11,8	822,8
Accrued depreciation and value adjustments	7,6	86,8	386,1	23,8	-	**504,3**
Structural changes	-0,9	-3,0	-39,8	-0,4	-	**-44,1**
Conversion difference	-0,4	-2,5	-15,2	-1,3	-	**-19,4**
Accrued depreciation of decreases and transfers	0,2	-2,0	-14,1	-1,3	-	**-17,2**
Depreciation for the financial period	0,7	21,3	44,9	2,9	-	**69,8**
Accrued depreciation	7,2	100,6	361,9	23,7	0,0	**493,4**
Revaluations	10,1	7,7	2,0	-	-	**19,8**
Book value	**46,4**	**164,6**	**120,6**	**5,8**	**11,8**	**349,2**
Balance sheet value of production plant and machinery			108,5			

	Uponor Group		Uponor Corporation	
	2003	**2002**	**2003**	**2002**
2.2. Long-term investments				
Loans receivables				
- Subsidiaries	-	-	224,6	251,5
- Associated companies	-	9,7	-	-
- Others	0,6	1,2	0,7	1,2
	0,6	**10,9**	**225,3**	**252,7**

	Subsidiaries		Associated companies	
	2003	2002	2003	2002
2.3. Receivables from subsidiaries and associated companies				
Uponor Corporation				
Loan receivables	242,6	284,4	-	-
Accruals	0,1	0,1	-	-
Other receivables	39,4	45,2	-	-
	282,1	**329,7**	**-**	**-**

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

	Uponor Group		Uponor Corporation	
	2003	2002	2003	2002
2.4. Accrued income				
Taxes	14,2	15,2	2,1	0,9
Discounts received	4,6	5,8	-	-
Interest	1,0	0,8	0,9	0,8
Other	8,3	12,9	0,1	0,2
	28,1	**34,7**	**3,1**	**1,9**
2.5. Changes in shareholders' equity				
Restricted shareholders' equity				
Share capital on 1 January	75,8	76,4	75,8	76,4
Cancelling of shares	-1,0	-0,6	-1,0	-0,6
Share capital on 31 December	**74,8**	**75,8**	**74,8**	**75,8**
Capital reserve on 1 January			111,6	111,0
Cancelling of shares			1,0	0,6
Premium on shares issued, 31 December			**112,6**	**111,6**
Revaluation reserve on 1 January			0,2	0,2
Decrease			0,2	-
Revaluation reserve on 31 December			**0,0**	**0,2**
Share issue			**4,5**	**-**
Non-restricted shareholders' equity on 1 January			345,4	319,1
Dividend payments			-55,5	-29,9
Treasury shares			-4,6	-7,2
Profit for financial period			34,4	63,4
Non-restricted shareholders' equity on 31 December			**319,7**	**345,4**
Other restricted shareholders' equity on 1 January	103,4	105,2		
Changes in revaluation reserve	-1,3	-1,2		
Transfer from non-restricted shareholders' equity	4,5	-1,2		
Share issue	4,5	-		
Transfer from share capital	1,0	0,6		
Other restricted shareholders' equity on 31 December	**112,1**	**103,4**		
Non-restricted shareholders' equity on 1 January	360,9	344,0		
Dividend payments	-55,5	-29,9		
Conversion differences	-14,9	-11,4		
Transfer to restricted shareholders' equity	-4,5	1,2		
Treasury shares	-4,5	-7,2		
Profit for financial period	1,6	64,2		
Non-restricted shareholders' equity on 31 December	**283,1**	**360,9**		
Of which not distributable in dividends	**42,9**	**43,1**		

	Uponor Group		Uponor Corporation	
	2003	2002	2003	2002
2.6. Accumulated appropriations				
- Intangible assets			0,1	0,2
- Buildings and structures			2,6	2,8
- Plant and machinery			0,4	0,4
			3,1	**3,4**

2.7. Loans

Falling due in following financial period				
- Loans from financial institutions	0,9	11,9	-	-
- Pension loans	1,0	4,3	1,0	4,3
- Other loans	0,2	0,2	-	-
	2,1	**16,4**	**1,0**	**4,3**

2.8. Long-term loans

Due in five years				
- Loans from financial institutions	1,8	3,6	-	-
- Pension loans	10,0	10,2	3,7	4,2
	11,8	**13,8**	**3,7**	**4,2**

Serial bond I/2001	First tranche
Serial bond not exceeding EUR 100 million	Loan amount: EUR 26 million
Nominal annual interest 6.25 %	Issue price 99.937

Term: 20 November 2001 to 20 November 2005
The loan is unsecured.
Redemption in full on 20 November 2005

	Subsidiaries		Associated companies	
	2003	2002	2003	2002
2.9. Liabilities to subsidiaries and associated companies				
Uponor Corporation				
Trade payables	0,4	0,4	-	-
Other short-term liabilities	32,7	39,1	-	-
	33,1	**39,5**		

	Uponor Group		Uponor Corporation	
	2003	2002	2003	2002
2.10. Accrued liabilities				
Staff costs	23,6	22,0	0,5	0,7
Interest	0,4	0,8	0,8	0,7
Taxes	13,6	21,3	1,8	-
Discounts	7,2	7,7	-	-
Others	30,9	30,6	0,3	1,2
	75,7	**82,4**	**3,4**	**2,6**

2.11. Secured loans

Pledged assets	0,7	0,8	-	-
Mortgages	9,1	23,4	-	-
	9,8	**24,2**		

	Uponor Group		Uponor Corporation	
	2003	**2002**	**2003**	**2002**
2.12. Exchange and interest rate risk management				
Derivatives contracts				
Interest derivatives				
Interest rate options, bought	96,7	82,7	96,7	82,7
Interest rate options, sold	120,4	111,3	120,4	111,3
Interest rate swaps	10,0	10,0	10,0	10,0
Foreign currency derivatives				
Forward agreements	12,4	5,0	12,4	5,0
Currency swaps	-	17,0	-	17,0
Commodity derivatives				
Forward agreements	1,7	1,1	-	-
2.13. Contingent liabilities				
Pledges at book value				
- on own behalf	0,7	0,8	-	-
Mortgages issued				
- on own behalf	9,2	23,3	-	-
Guarantees issued				
- on behalf of a subsidiary	-	-	39,8	70,0
- on behalf of an associated company	9,3	-	-	-
- on behalf of others	3,2	3,3	9,3	-
Other contingent liabilities	8,8	4,9	-	-
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	7,7	2,3	0,2	0,3
Maturing later	50,1	51,3	1,6	2,3
	57,8	**53,6**	**1,8**	**2,6**
2.14. Deferred tax liabilities and assets				
Deferred tax assets				
- Consolidation procedures	0,0	0,0		
- Consolidated companies	18,0	18,9		
	18,0	**18,9**		
Deferred tax liabilities				
- Appropriations	17,8	18,0		
- Consolidation procedures	-	-		
- Consolidated companies	16,1	23,5		
	33,9	**41,5**		
	15,9	**22,6**		

3. Shares and holdings

3.1. Subsidiaries

Name	Domicile and country		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. i.v.L.	Budapest	HU		100,0
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.U.	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 Abwassertechnik GmbH i.L.	Emstek	DE		75,5
Uponor Klärtechnik GmbH	Marl	DE		100,0
Hewing GmbH	Ochtrup	DE		100,0
Cronatherm Verwaltungsgesellschaft mbH	Buchholz-Mendt	DE		100,0
Cronatherm GmbH & Co. KG	Buchholz-Mendt	DE		100,0
WIRSBO Pex GmbH	Maintal	DE		100,0
Wirsbo Verwaltungsgesellschaft mbH	Norderstedt	DE		100,0
Wirsbo-VELTA GmbH & Co. KG	Norderstedt	DE		100,0
Polytherm VertriebsGmbH	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. i.L.	Missisauga	CA		100,0
Sörberg GmbH & Co. KG	Haßfurt	DE		100,0
Uponor A/S	Hadsund	DK	100,0	100,0
Uponor Eesti Oü	Tallinn	EE	100,0	100,0
Nereus Oy	Uusikaupunki	FI	100,0	100,0
Jita Oy	Virrat	FI	100,0	100,0
Kiinteistö Oy Porin Asko-talot	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
Kiinteistö Oy Porin Puuvillan Vanha Värjäämö	Pori	FI		89,6
Asunto Oy Forssan Kuhalankatu 2	Forssa	FI		60,3
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 S.r.l.	Badia Polesine	IT	100,0	100,0
Uponor Latvia SIA	Riga	LV	100,0	100,0
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, Lda.	Vila Nova de Gaia	PT	100,0	100,0
Uponor Construcão e Ambiente, 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	Fristad	SE	100,0	100,0
Uponor Innovation AB	Fristad	SE	100,0	100,0
Uponor Wirsbo AB	Virsbo	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

Name	Domicile and country		Parent company stake	Group stake
Uponor Limited	England	UK	100,0	100,0
Wirsbo UK Limited	England	UK		100,0
nrg2 Limited	England	UK		100,0
Uponor Aldyl Limited	England	UK		100,0
Uponor Housing Solutions Limited	England and Wales	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, Inc.	Illinois	US		100,0
Uponor Canada Inc.	Regina	CA		100,0
Radiant Technology, Inc.	New York	US		100,0
Unicor Pipe Systems Ltd. i.L.	Toronto	CA		100,0
Uponor Aldyl Company, Inc.	Delaware	US		100,0

3.2. Associated companies

Name	Domicile and country		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
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

Segment information

Breakdown by segment 2003

Net sales	2003 MEUR	Share, %	2002 MEUR	Change, %
Pipe Systems	999,7	97,9	1 112,9	-10,2
Real Estate	21,1	2,1	23,7	-11,0
Other/internal	0,2	0,0	0,6	-66,7
Uponor Group total	**1 021,0**	**100,0**	**1 137,2**	**-10,2**

Operating profit	2003 MEUR	Share, %	2002 MEUR	Change, MEUR
Pipe Systems	28,3	92,2	83,9	-55,6
Real Estate	12,8	41,7	30,9	-18,1
Other/elimination	-10,4	-33,9	-0,6	-9,8
Uponor Group total	**30,7**	**100,0**	**114,2**	**-83,5**

Investment	2003 MEUR	Share, %	2002 MEUR	Change, MEUR
Pipe Systems	35,2	95,9	43,1	-7,9
Real Estate	1,0	2,7	1,4	-0,4
Other/elimination	0,5	1,4	0,5	0,0
Uponor Group total	**36,7**	**100,0**	**45,0**	**-8,3**

Personnel at 31.12.	2003 Number	Share, %	2002 Number	Change, %
Pipe Systems	4 740	98,7	5 239	-9,5
Real Estate	35	0,7	36	-2,8
Other	28	0,6	27	3,7
Uponor Group total	**4 803**	**100,0**	**5 302**	**-8,6**

Group key financial figures

	2003	2002	2001	2000	1999
Consolidated income statement, MEUR					
Net sales	1 021,0	1 137,2	1 192,4	1 355,6	1 346,8
Operating expenses	910,0	984,0	1 035,3	1 174,9	1 175,5
Depreciation according to plan	87,1	74,7	78,2	78,4	79,4
Other operating income	6,8	35,7	12,3	10,4	15,5
Operating profit	30,7	114,2	91,2	112,7	107,4
Financial income and expenses	-9,9	-13,5	-16,2	-15,9	-18,7
Profit after financial items	20,8	100,7	75,0	96,8	88,7
Extraordinary items	-	-	-9,7	9,0	22,3
Profit before appropriations and taxes	20,8	100,7	65,3	105,8	111,0
Book result	1,6	64,2	36,6	77,4	76,3
Consolidated balance sheet, MEUR					
Non-current assets	373,1	455,8	534,6	556,3	637,1
Consolidation goodwill	75,9	91,2	101,7	111,9	122,3
Inventories	135,5	166,5	173,0	187,6	211,5
Cash and deposits	16,9	6,3	31,1	28,6	57,3
Other liquid assets	187,8	207,0	232,6	246,0	238,7
Restricted equity	186,9	179,2	181,6	181,9	184,5
Non-restricted equity	283,1	360,9	344,0	354,6	310,4
Minority interest	0,9	5,4	8,4	8,0	9,1
Obligatory provisions	31,4	11,4	12,1	14,9	16,8
Interest-bearing long-term liabilities	59,5	100,2	191,7	243,3	365,5
Interest-bearing short-term liabilities	41,5	70,0	122,2	96,0	116,5
Non-interest-bearing liabilities	185,9	199,7	213,0	231,7	264,1
Balance sheet total	789,2	926,8	1 073,0	1 130,4	1 266,9
Other key figures					
Operating profit, %	3,0	10,0	7,6	8,3	8,0
Profit after financial items, %	2,0	8,9	6,3	7,1	6,6
Profit before appropriations and taxes, %	2,0	8,9	5,5	7,8	8,2
Return on Equity (ROE), %	0,3	11,8	8,2	12,8	13,3
Return on Investment (ROI), %	4,9	14,8	11,3	13,2	12,4
Solvency, %	59,8	58,9	49,8	48,3	39,9
Gearing, %	18	30	53	57	84
Net interest-bearing liabilities, MEUR	84,0	163,9	282,8	310,7	424,7
- % of net sales	8,2	14,4	23,7	22,9	31,5
Change in net sales, %	-10,2	-4,6	-12,0	0,7	15,6
Exports from Finland, MEUR	20,4	20,6	21,0	49,4	103,1
Net sales of foreign subsidiaries, MEUR	900,9	1 043,4	1 070,5	1 156,8	1 125,4
Total net sales of foreign operations, MEUR	903,4	1 047,6	1 075,1	1 188,1	1 146,9
Share of foreign operations, %	88,5	92,1	90,2	87,6	85,2
Personnel at 31 December	4 803	5 302	5 486	5 899	7 307
Average no. of personnel	4 962	5 393	5 723	6 513	7 451
Investments, MEUR	36,7	45,0	55,7	83,6	154,3
- % of net sales	3,6	4,0	4,7	6,2	11,5

Information on shares and shareholders

In 2003, the volume of Uponor Corporation shares traded on the Helsinki Exchanges totalled 13,955,847, valued EUR 280.8 million. The year-end share quotation amounted to EUR 25.00 and the market capitalisation of the outstanding shares was EUR 935.4 million. At year-end, Uponor had 3,998 foreign shareholders, their shareholding in Uponor accounting for 30.0 % (30.7 %).

Shareholders by category on 31 December 2003

Category	No. of shares	% of shares
Private non-financial corporations	10,334,533	27.6
Public non-financial corporations	10,129	0.0
Financial and insurance corporations	6,436,051	17.2
General government	5,195,219	13.9
Non-profit institutions	1,306,084	3.5
Households	2,898,162	7.8
Foreign (including nominee registrations)	11,236,555	30.0
Other (joint account, waiting list)	489	0.0
	37,417,222	100.0

Shareholders by size of holding on 31 December 2003

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1 - 100	66,271	0,2	917	22.9
101 - 1,000	906,939	2,4	2,191	54.8
1,001 - 10,000	2,189,113	5,9	743	18.6
10,001 -	34,254,899	91,5	147	3.7
	37,417,222	100.0	3,998	100.0

Major shareholders on 31 December 2003

Shareholder	Shares	% of shares	% of votes
Henki-Sampo Life Insurance Company	2,804,985	7.5	7.6
Kaleva Mutual Insurance Company	169,700	0.4	0.4
Oras Administration Ltd	2,392,564	6.4	6.5
Oras Technology Ltd	2,392,463	6.4	6.5
Oras Marketing Ltd	2,392,463	6.4	6.5
Oras Ltd	1,058,400	2.8	2.9
Varma Mutual Pension Insurance Company	2,006,552	5.3	5.4
Ilmarinen Mutual Pension Insurance Company	1,043,500	2.8	2.8
Tapiola Mutual Pension Insurance Company	733,000	1.9	1.9
Tapiola General Mutual Insurance Company	597,500	1.6	1.6
Tapiola Mutual Life Insurance Company	263,200	0.7	0.7
Tapiola Corporate Life Insurance Company Ltd	101,100	0.3	0.3
Odin Norden	407,900	1.0	1.0
Odin Finland	143,900	0.3	0.3
Others	20,408,895	54.5	55.5
	36,772,222	98.3	100.0
Own shares held by the company	645,000	1.7	-
Total	37,417,222	100.0	100.0

Nominee registered shares on 31 December 2003

Nordea Bank Finland Plc	8,798,090	23.5	23.9
Svenska Handelsbanken AB (publ.)	936,102	2.5	2.5
HSS/Skandinaviska Enskilda Banken AB (publ.)	562,831	1.5	1.5
Others	239,641	0.6	0.7
	10,536,664	28.1	28.6

The maximum number of votes which may be cast at the Annual General Meeting is 36,772,222 (status on 31 December 2003
At the end of the financial period the company held a total of 645,000 own shares corresponding to the same number of vot
These shares do not entitle to vote in the Annual General Meeting.

Share-specific key figures

	2003	2002	2001	2000	1999
Share capital, MEUR	75,4	75,8	76,4	77,4	77,4
Number of shares at 31 December, in thousands	37 417	37 917	38 217	38 717	38 717
Number of shares adjusted for share issue, in thousands					
- at end of year	37 043	37 006	37 377	38 237	38 532
- average	36 904	37 269	37 829	38 521	38 075
Nominal value of shares, EUR	2,00	2,00	2,00	2,00	2,00
Adjusted equity, MEUR	470,9	545,5	534,0	544,5	504,1
Share trading, MEUR	280,8	270,0	184,4	203,4	363,0
Share trading, in thousands	13 956	13 511	10 621	10 860	22 865
- of average number of shares, %	37,8	36,3	28,1	28,2	60,1
Market value of share capital, MEUR	935,4	720,9	716,6	725,9	681,5
Adjusted earnings per share (fully diluted), EUR	0,04	1,72	1,15	1,74	1,58
Equity per share, EUR	12,69	14,58	14,06	14,03	12,85
Dividend, MEUR	74,1	55,5	29,9	30,6	25,8
Dividend per share, EUR	*) 2,00	1,50	0,80	0,80	0,67
Effective share yield, %	8,0	7,7	4,3	4,3	3,8
Dividend per earnings, %	5 000,0	87,2	69,6	46,0	42,3
P/E ratio	625,0	11,3	16,3	10,8	11,1
Issue-adjusted share prices, EUR					
- highest	26,02	24,85	19,30	21,00	17,83
- lowest	16,80	16,51	14,30	15,80	12,28
- average	20,12	19,98	17,36	18,73	15,88

* Proposal of the Board of Directors

The definitions of key ratios are shown on page 28.

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

Share issues	2003	2002	2001	2000	1999
Directed issues, MEUR	-	-	-	-	0,7
- issue premium	-	-	-	-	2,5
Subscription price, EUR	-	-	-	-	8,9

Definitions of key ratios

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

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

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

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

Net interest-bearing liabilities = Interest-bearing liabilities - cash, bank receivables and financial assets

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

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

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

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

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

Share trading progress = Number of shares traded during the financial year in relation to average value of the said number of shares

Market value of shares = Number of shares at end of financial period x last trading price

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

Proposal of the Board of Directors

According to the balance sheet as of 31 December 2003, Group profits amount to EUR 283,109,000, of which EUR 240,162,000 may be distributed. The distributable profit of Uponor Corporation is EUR 319,677,236.40.

The Board of Directors proposes that a dividend of EUR 2.00 per share be paid on the 2003 accounting period.

Vantaa, 3 February 2004

Pekka Paasikivi
Chairman

Matti Niemi

Horst Rahn

Aimo Rajahalme

Anne-Christine Silfverstolpe Nordin

Jan Lång
Managing director

Auditor's certificate

The above financial statements have been prepared in accordance with generally accepted accounting principles in Finland. Our auditors' report has been issued today.

Vantaa, 3 February 2004

KPMG Wideri Oy Ab
Authorised Public Accountants

Sixten Nyman
Authorised Public Accountant