

Financial statements

1 Jan.–31 Dec. 2004

Uponor Corporation

Bringing
comfort
to life



 **Uponor**

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Review by the Board of Directors

Markets

Construction-sector markets continued their satisfactory and steady trends during 2004. Although demand varied by region, Europe and North America – Uponor's main market areas – showed favourable market development as a whole.

Germany's residential construction market remained relatively stable despite the continued decline in the total construction market; the reduction in housing starts was partly offset by an increase in renovation and modernisation projects. When it came to residential construction activity, Uponor experienced two, relatively buoyant periods between fairly quiet periods early and late in the year: demand in the spring and summer was boosted by the launch of a large number of construction projects based on building permits granted during 2002–03.

In other important European markets, such as the Nordic countries, the U.K. and Iberian Peninsula, residential construction volumes largely remained at the previous year's satisfactory level. Clear improvements in the Swedish and Spanish markets for housing solutions constituted a major exception to this overall trend.

In North America, residential construction saw its second successive record year in 2004: the number of housing starts remained at an unusually high level, with no signs of the expected slowdown despite higher interest rates.

Similarly, the municipal infrastructure market remained stable in the Nordic countries and the U.K., i.e. areas where Uponor is involved in the municipal and environmental infrastructure business on a large scale.

Net sales

In 2004, Uponor posted consolidated net sales of EUR 1,072.8 million (2003: EUR 1,021.0 million), which was 5.1 per cent higher than the previous year. The growth was mainly achieved through satisfactory market situation and good demand for Uponor's products. In comparable terms, net sales grew organically by 11.0 per cent, taking account of business divestments, restructuring costs and exchange-rate changes.

North America and Central Europe were the Regions experiencing the strongest growth, however, also the other Regions increase their net sales and achieved the long-term targets.

Distribution of net sales from 1 Jan to 31 Dec 2004:

	2004 Jan-Dec	2003 Jan-Dec	Reported change, %	Comparable change, %
Central Europe	334.4	310.4	7.7	12.6
Nordic	290.6	274.4	5.9	6.4
Europe – West, East, South	330.0	300.0	10.0	9.3
North America, EUR	155.1	132.7	16.9	27.7
(North America, USD	193.0	151.2	27.7	27.7)
Others, EUR	60.7	83.9		
Eliminations	-98.0	-80.4		
Total	1,072.8	1,021.0	5.1	11.0

The largest geographical markets and their share of consolidated net sales in 2004 were as follows: North America 17.3 (18.5) per cent, other EU 20.6 (19.7) per cent, Germany 15.8 (16.4) per cent, Scandinavia 14.7 (14.7) per cent, UK and Ireland 11.6 (11.1) per cent, Finland 10.4 (10.6) per cent and other countries 9.6 (9.0) per cent.

The sales for the last quarter of 2004 were, as expected, below the development of the beginning of the year. The net sales totalled EUR 243.3 (247.7) million, i.e. 1.8 per cent lower as previous year. In comparable terms the net sales increased with 5.0 per cent.

Distribution of net sales from 1 Oct to 31 Dec 2004:

	2004 Oct-Dec	2003 Oct-Dec	Reported change, %	Comparable change, %
Central Europe	73.9	77.2	-4.2	0.5
Nordic	69.8	65.5	6.6	6.2
Europe – West, East, South	78.4	69.9	12.2	12.4
North America, EUR	39.4	38.0	3.8	14.4
(North America, USD	51.8	45.3	14.4	14.4)
Others, EUR	5.8	16.9		
Eliminations	-24.0	-19.8		
Total	243.3	247.7	-1.8	5.0

Results

Consolidated operating profit reported for the period came to EUR 97.9 (30.7) million, which is 9.1 per cent of the net sales. The profit was up 219.9 per cent on the previous year. In comparable terms the profit improved with 22.2 per cent. The results of the restructuring and efficiency measures are starting to bear fruit.

Profit for October-December 2004 was EUR 13.2 (-32.5) million. The 2003 figure includes provisions for the restructuring programme, change in comparable terms was -10.2 per cent.

Profit after financial items increased by 344.9 per cent, to EUR 92.3 (20.8) million. Profit before appropriations and taxes amounted to EUR 92.3 (20.8) million. Taxes totalled EUR 31.4 (19.2) million. Profit for the financial year was EUR 60.9 (1.6) million.

Group net financial expenses decreased to EUR 5.6 (9.9) million as a result of improved balance.

Return on equity was 13.6 (0.3) per cent and return on investment reached 19.2 (4.9) per cent.

Earnings per share came to EUR 0.82 (0.02) and equity per share was EUR 5.68 (6.34). The difference in the per share figures from last year derives from the bonus issue effected in 2004.

Year on year, cash flow from business operations totalled EUR 113.4 (148.0) million.

Investment and financing

Gross investments amounted to EUR 37.8 (36.7) million, i.e. EUR 20.6 million less than the value of depreciation. The amount of net investments was due to divestments negative, i.e. EUR -76.4 (1.2) million. Investments were mainly allocated to restructuring businesses, improving productivity and maintenance. The largest investments were allocated to the enhancements in production capacity in North America.

The Group's R&D expenditure remained at the previous year's level, totalling EUR 16.0 (16.0) million, or 1.5 (1.6) per cent of net sales.

With a marked improvement in the Group's financial position, net interest-bearing liabilities decreased as a result of favourable cash flow and divestments. The solvency ratio was 62.4 (59.8) per cent and gearing was 5 (18) per cent.

Restructuring

In 2004, Uponor implemented an extensive restructuring programme with a view to establishing larger, specialised production units and integrating production and logistics beyond regional borders. The programme also aimed to achieve higher profitability and focus on markets and products that provide Uponor with the prospect of achieving the leading position in the industry.

Covering both the housing solutions and infrastructure and environment businesses, the restructuring programme was mainly completed during 2004 as planned, reducing the Group's staff by around 400.

One of the most significant individual measures involved in the programme included discontinuing the manufacture of Unipipe composite pipe systems in Ahlen, Germany, and Móstoles, Spain, and concentrating the production to Zella-Mehlis, Germany. As a result, the Ahlen plant was closed down.

In early 2004, Uponor divested its cable and tap water protection pipe businesses and certain industrial-product and metallic component businesses in Germany on an MBO basis. In addition, the company discontinued downstream equipment manufacture in the pipe extrusion line and divested the business before the summer.

As part of its more focused product offerings, Uponor decided to discontinue globally the manufacture and marketing of its tap water and underfloor heating pipe systems based on the PEX-b technology, resulting in a focus on PEX-a and PEX-c pipes, whose features are ideal for underfloor heating and tap water systems. Deliveries of PEX-b pipes from the Móstoles plant came to an end in the late summer, while their sales in North America ceased at the end of the year. The plant in southwestern Canada will be closed during the first quarter of 2005.

Uponor decided to discontinue its municipal infrastructure business in Portugal and Spain in the first months of 2005, and close the plant in Vila Nova de Gaia (Porto), Portugal, and sales offices in Spain. This withdrawal is due mainly to the business's weak market position and poor profitability.

In the Nordic countries, Uponor closed an MBO deal to divest its municipal infrastructure pipe production in Furufälten, northern Norway. In Sweden, Uponor moved production from the Vårgårda plant, closed at the end of the year, to the Fristad plant. Additional investments improved the Fristad production unit's capabilities to serve the markets in the whole Nordic region. These restructuring measures sought to strengthen Uponor's Nordic market position and profitability by enhancing logistics operations and streamlining the organisational structure.

Other events

Municipal Americas

In September, Uponor closed a deal to exit its gas pipe business in the U.S., whereby its wholly owned subsidiary, Uponor Aldyl Company, Inc., sold its business including the majority of the related assets and liabilities to PW Poly, a U.S. company, for around EUR 12.5 million (USD 15 million). With a staff of 165, Uponor Aldyl posted net sales of over USD 40 million (EUR 36 million) in 2003. The company was part of Uponor's Municipal Americas division, with which Uponor integrated the Group's municipal infrastructure businesses in North and South America in 2002 with the aim of gradually abandoning the businesses.

Exit from the real estate business

Late November saw Uponor's withdrawal from the domestic real estate business, when it divested its real estate subsidiary, Renor Ltd, to Grouse Holding Oy, a Finnish company. The debt-free sale price amounted to around EUR 90 million, the majority of which was paid at closing while the remaining EUR 18 million will be paid during the next seven years. Simultaneously, Uponor sold its 10.4 per cent holding in Sato-Yhtymä Oyj, a building services company, to Varma Mutual Pension Insurance Company for around EUR 14.8 million. These two deals generated around EUR 86.3 million in cash flow for 2004.

With a staff of 30 on the date of the agreement, the divested real estate subsidiary posted annual net sales of roughly EUR 18 million.

This divestment marked an end to the industrial restructuring process initiated within the Group in the mid-1990s, whereby Uponor, at that time named Asko Group, decided to abandon its non-core businesses and focus on the Uponor plastic pipe business.

Training for professional installers and engineers

Uponor continued its heavy investment in training professional installers and engineers. Such training is aimed at providing designers with information on Uponor's housing solutions and their benefits both in adding living comfort and in building projects, while improving installers' knowledge of modern installation tools and methods with the aim of streamlining project implementation and improving project turnaround times. The year saw extensions in training programmes, and especially in customer loyalty programmes for authorised Uponor installers. New training centres and facilities were opened in countries including the U.K., France, Finland and Russia.

Training is also playing a more important role in the municipal infrastructure business. A case in point is an extensive road show covering nine cities in Denmark arranged for municipal engineering professionals last year, providing them with information on Uponor's new wastewater systems.

Greater production capacity

In addition to the restructuring programme and streamlined operations management, challenges for 2004 included increasing Uponor's production capacity in order to support its strongly expanding business operations. In North America, Uponor implemented its greatest ever capacity increase, expanding the pipe production capacity by the end of 2004 by more than half over the beginning of the year and restoring delivery reliability to a satisfactory level.

Higher raw-material prices

Sharp price increases in raw materials, including a range of resins and metals, affected Uponor's business and profitability during the report year. These higher prices were particularly due to stronger materials demand in Asia and Eastern Europe. Also the prices of many resin types used for plastic pipes showed an extraordinary upward trend, which had the most marked effect on Uponor's municipal infrastructure business that uses a proportionately large amount of plastics in product manufacture. Uponor has passed most raw-material price increases onto selling prices.

Price increases were also noted in the otherwise quite stable prices for resins used for PEX pipe systems within the housing solutions business. In the meantime, copper prices have long remained at high levels, encouraging a switchover from copper tubing to plastic pipe systems in plumbing installations.

New products

The year saw a few highlights in the launch of product and solution innovations, such as the Velta Minitec radiant underfloor heating system for renovation projects targeted at the first stage at the German market, and new control units and boxes for radiant underfloor heating systems for easier planning and installation launched in the North American market. Introduced in Central Europe, new underfloor-heating design software common to Uponor's main brands met with a very favourable reception in the market. In the Nordic countries, Uponor introduced its municipal-engineering customers to ProFuse pipes with a peelable protective outer skin, which can be used to improve the cost-efficiency of water supply network installation and maintenance.

Personnel

As a result of streamlining efforts and divestments due to the restructuring programme, the number of the Group's employees continued to fall. The Group had a staff of 4,475 (4,803) at the end of the year, while the reported average number of employees came to 4,684 (4,962).

The geographical breakdown of personnel was as follows: Germany 1,385 (30.9 per cent), Scandinavia 860 (19.2 per cent), North America 581 (13.0 per cent), the UK and Ireland 490 (10.9 per cent), Finland 429 (9.6 per cent), other EU 455 (10.2 per cent), and other countries 275 (6.2 per cent).

At the end of the year, Uponor carried out a Group-wide working-climate survey among its employees with the aim of providing tools to develop employee competencies and well-being.

Administration and audit

The 2004 Annual General Meeting (AGM) on 17 March re-elected Anne-Christine Silfverstolpe Nordin, Matti Niemi, Pekka Paasikivi and Aimo Rajahalme as members of the Board of Directors and elected Rainer S. Simon as a new member. Horst Rahn withdrew from Board membership. During 2004, Pekka Paasikivi chaired the Board of Directors and Horst Rahn acted as Deputy Chairman until 17 March 2004, since when Matti Niemi has held deputy chairmanship. 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.

At the beginning of March, Uponor adopted a new organisational structure replacing its divisional organisation with a regional one, with a view to creating a more simplified and coherent corporate structure and speeding up decision-making processes. The resulting organisational coherence helps create more consistent Group-wide processes and supports Uponor's efforts to build a more unified company. One organisation responsible for all of the business operations in each geographical area will also strengthen Uponor's market position and the marketing power of the company's product portfolio, with the new organisation being divided into the four following regions: Nordic, Central Europe, Europe – West, East, South and North America. The Group functions supporting the regional organisation-based business management – Finance and Administration, Supply Chain, Human Resources, and Marketing and Development – ensure the creation of consistent processes and guidelines for Group-wide management and development.

At the end of 2003, Uponor revised its Corporate Governance practices to be in line with the recommendation issued by the Central Chamber of Commerce, Helsinki Stock Exchange 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

At the beginning of 2004, Uponor Corporation's share capital came to EUR 74,834,444 and the number of shares totalled 37,417,222, while the year-end share capital was worth EUR 149,640,888 with the number of shares totalling 74,820,444. With a nominal value of EUR 2, each share entitles its holder to one vote at the shareholders' meeting.

The share capital and shares underwent several changes during 2004, resulting mainly from share subscriptions based on the company's stock option plan. In addition, the Annual General Meeting of March decided to reduce the share capital by cancelling treasury shares and the Extraordinary General Meeting (EGM) of November decided to double the share capital and the number of shares, based on a bonus issue. The table below provides more detailed information on changes in the share capital.

Changes in share capital in 2004

Date	Cause	Change, EUR	Share capital, EUR	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
19 Nov. 2004	Increase (bonus issue 1:1)	74,820,444	149,640,888	74,820,444
31 Dec. 2004			149,640,888	74,820,444

Under the stock option plan 1999/2002, 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 2004, the number of new shares subscribed totalled 282,000. The number of shares subscribed

based on A stock options totalled 89,500 and that on B stock options 192,500, 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.

Uponor Corporation's stock option plan 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 a total of EUR 1,106,000. A total of 7,000 shares were left unsubscribed. The stock option plan had no dilution effect on the value of a share. The company has no other stock option plans in place and the Board of Directors has no valid authorisation to decide to issue new stock options.

The AGM of 17 March decided to reduce the share capital by EUR 1,120,000 through invalidation without payment, a total of 560,000 treasury shares, whereas the EGM of 16 November decided to increase the share capital from EUR 74,820,444 to EUR 149,640,888, based on a bonus issue of EUR 74,820,444. The bonus issue was executed by issuing one bonus share for each existing share without payment, the number of bonus shares totalling 37,410,222 each at a nominal value of EUR 2. The share capital increase was implemented by transferring an amount equal to the combined nominal value of the bonus shares, or EUR 74,820,444, from the capital reserve to the share capital. The new bonus shares entered in shareholders' book-entry securities accounts on 22 November 2004 entitle their holders to a full dividend for 2004. Other share-based entitlements took effect upon the registration of the share capital increase with the Trade Register on 19 November 2004. The bonus issue did not change the proportions of shareholding and voting rights. However, the bonus issue required Uponor to alter its Articles of Association with respect to its minimum and maximum share capital. Accordingly, based on the EGM's decision, the company's new minimum share capital is EUR 75,000,000 and maximum share capital EUR 300,000,000, within which limits the company may increase or reduce its share capital without amending its Articles of Association.

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 cancel them. This authorisation will be valid until 17 March 2005. The Board of Directors has no other authorisations.

Own shares

Pursuant to the authorisation given by the AGM, the Board of Directors decided on 8 December 2004 to buy back a maximum of 2,000,000 own shares. At the beginning of the report year, the company held a total of 645,000 own shares (treasury shares) bought back based on previous authorisations, 560,000 of which the AGM invalidated in March 2004. The number of the remaining treasury shares doubled to 170,000 shares as a result of the bonus issue.

In December 2004, Uponor Corporation bought back a total of 355,000 own shares, traded on the Helsinki Stock Exchange, for EUR 4.9 million. At the end of the report year, it held 525,000 treasury shares, at a total nominal value of EUR 1,050,000, accounting for 0.7 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. Treasury shares carry no balance-sheet value in the financial statements.

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 379,418 Uponor shares on 31 December 2004. These shares accounted for 0.5 per cent of the share capital and total votes.

Share-based incentive programme

In April, Uponor Corporation's Board of Directors decided to launch a new incentive programme aimed at Executive Committee members, who would have the opportunity to receive a share-based reward in 2007, 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 80,000 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 other Executive Committee members, half of the shares earned are subject to 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.

Events after the financial year

On 1 February Uponor decided on measures to exit the municipal infrastructure business in France and give up the factory in Eastern France. The factory employs approximately 90 persons. The decision was based on the poor profitability of the business and its unpromising outlook.

Outlook

Uponor has entered 2005 as a stronger and more streamlined company. Initiated in late 2003, the Group's restructuring programme was mainly completed during 2004 as planned, involving revamping corporate structures, concentrating business to larger units and focusing on growth areas and products.

Efforts to create a unified Uponor are still underway, with the near-term emphasis on establishing and adopting consistent policies and processes beyond regional borders while harmonising and strengthening the Uponor corporate culture and brand. The required measures will continue to tie up the company's resources and present long-term challenges to personnel, but once these are completed, Uponor will have the efficiency required for an international company to cater for its customers' needs on a competitive basis, while providing customised products and services based on those needs.

The construction market, especially residential construction with related utility water and energy supply and sewer projects, is expected to stay steady during the current year. Uponor does not expect any major movements up or down in the large European markets, although prospects for the German residential construction market seem somewhat bleaker than a year ago. In North America, the market for residential construction is expected to remain brisk, albeit more subdued due to a tighter economic policy. In Europe, renovation and modernisation projects are expected to play a more significant role in stabilising overall demand.

The strength of the euro against the US dollar will curtail consolidated net sales, since North American operations account for 17 per cent of the Group turnover. Exchange rates will have only a minor effect on the North American organisation because it mainly operates on a local scale and production factor prices are chiefly determined in local currencies.

Uponor expects its organic business growth to continue in Europe and North America in line with its targets. The Group expects its cash flow from business operations to remain strong and operating profit and margin to improve from 2004 levels.

From the beginning of 2005, Uponor will prepare IFRS-compliant financial statements, the January–March interim report being the first of these. In March, it will also publish a report containing IFRS accounting principles, comparative data from 2004 and a review of the IFRS's major effects on financial reporting and statements.

Income statement

	Note	Uponor Group		Uponor Corporation	
		2004	2003	2004	2003
Net sales		1,072.8	1,021.0	1.9	2.3
Cost of goods sold		732.8	740.0	1.0	1.2
Gross profit		340.0	281.0	0.9	1.1
Marketing costs		163.8	168.9	-	-
Administration costs		55.5	58.0	11.5	7.3
Other operating income	1.1.	3.6	6.8	5.5	1.1
Other operating costs		16.0	16.0	3.5	8.4
Depreciation of group goodwill		10.4	14.2	-	-
Expenses		242.1	250.3	9.5	14.6
Operating profit		97.9	30.7	-8.6	-13.5
Financial expenses and income	1.5.	-5.6	-9.9	32.2	30.4
Profit before extraordinary items		92.3	20.8	23.6	16.9
Extraordinary items	1.6.	-	-	13.5	22.0
Profit before appropriations and taxes		92.3	20.8	37.1	38.9
Appropriations				2.8	0.3
Income taxes	1.7.	31.4	19.2	1.1	4.8
Minority share		-	-	-	-
Profit for the period		60.9	1.6	38.8	34.4

Balance sheet

		Uponor Group		Uponor Corporation	
	Note	31/12/2004	31/12/2003	31/12/2004	31/12/2003
Assets					
Fixed assets					
Intangible assets					
Intangible rights		5.4	6.4	-	-
Goodwill		2.3	2.7	-	-
Consolidation goodwill		64.6	75.9	-	-
Other capitalised long-term expenditure		0.3	0.4	0.5	0.6
Intangible assets	2.1.	72.6	85.4	0.5	0.6
Tangible assets					
Land and water areas		19.6	46.4	-	2.1
Buildings and structures		93.5	164.6	-	9.9
Plant and machinery		104.9	120.6	0.2	0.7
Other tangible assets		4.5	5.8	-	-
Advance payments and investment in progress		13.2	11.8	-	-
Tangible assets	2.1.	235.7	349.2	0.2	12.7
Securities and long-term investments					
Shares in subsidiaries	3.1.	-	-	206.8	296.3
Shares in associated companies	3.2.	-	2.0	-	-
Other shares and holdings		0.6	8.9	0.5	3.7
Other investments		20.4	3.5	191.3	225.3
Securities and long-term investments	2.1., 2.2.	21.0	14.4	398.6	525.3
Total fixed assets		329.3	449.0	399.3	538.6
Current assets					
Inventories					
Raw materials and consumables		24.8	23.7	-	-
Work in progress		-	-	-	-
Finished products / goods		111.2	109.7	-	-
Advance payments		2.0	2.1	-	-
Inventories		138.0	135.5	-	-
Accounts receivables					
Trade receivables		130.3	134.5	2.1	0.7
Loan receivables		4.7	0.9	53.8	18.0
Accruals	2.4.	24.6	28.1	1.2	3.1
Deferred tax assets	2.14.	13.1	18.0	0.4	0.1
Other receivables		8.9	6.3	41.0	39.9
Accounts receivables	2.3.	181.6	187.8	98.5	61.8
Liquid assets					
Cash in hand and at bank		29.5	16.9	17.1	8.0
Liquid assets		29.5	16.9	17.1	8.0
Total current assets		349.1	340.2	115.6	69.8
Total assets		678.4	789.2	514.9	608.4

	Note	Uponor Group		Uponor Corporation	
		31/12/2004	31/12/2003	31/12/2004	31/12/2003
Liabilities and shareholders' equity					
Shareholders' equity					
Restricted equity					
Share capital		149.6	74.8	149.6	74.8
Share issue		-	4.5	-	4.5
Other restricted equity		40.9	107.6	46.9	112.6
Restricted equity		190.5	186.9	196.5	191.9
Unrestricted equity					
Retained earnings		170.3	281.5	207.4	285.3
Profit for the period		60.9	1.6	38.8	34.4
Unrestricted equity		231.2	283.1	246.2	319.7
Total shareholders' equity	2.5.	421.7	470.0	442.7	511.6
Minority interest		-	0.9	-	-
Accumulated appropriations	2.6.	-	-	0.3	3.1
Obligatory provisions		11.9	31.4	1.5	0.5
Liabilities					
Long-term liabilities					
Bonds		-	26.0	-	26.0
Loans from financial institutions		6.6	20.1	-	-
Loans from pension funds		5.8	13.3	-	7.8
Other long-term liabilities		10.1	0.3	-	-
Long-term liabilities	2.7., 2.8.	22.5	59.7	-	33.8
Deferred tax liability	2.14.	26.0	33.9	-	-
Short-term liabilities					
Annual loan instalments		22.5	1.9	22.0	1.0
Advances received		2.5	2.7	-	-
Trade payables		73.0	69.4	2.0	0.6
Accruals	2.10.	77.7	75.7	3.2	3.4
Other short-term liabilities		20.6	43.6	43.2	54.3
Short-term liabilities	2.9.	196.3	193.3	70.4	59.3
Total liabilities		244.8	286.9	70.4	93.1
Total liabilities and shareholders equity		678.4	789.2	514.9	608.4

Cash flow statement

	Uponor Group		Uponor Corporation	
	1 Jan - 31 Dec 2004	1 Jan - 31 Dec 2003	1 Jan - 31 Dec 2004	1 Jan - 31 Dec 2003
	MEUR		MEUR	
Cash flow from operations				
Net cash from operations				
Profit for the period	60.9	1.6	38.8	34.4
Depreciation	58.4	87.1	0.8	1.0
Sales gains from the sale of fixed assets	-3.6	-7.2	-3.6	-1.1
Cash flow adjustment items	0.4	18.8	-1.8	-0.3
Group contributions	-	-	-13.5	-22.0
Net cash from operations	116.1	100.3	20.7	12.0
Change in working capital				
Receivables	6.2	15.1	-18.7	19.5
Inventories	-2.5	31.9	-	-
Non-interest-bearing liabilities	-6.4	0.7	1.2	0.6
Change in working capital	-2.7	47.7	-17.5	20.1
Cash flow from operations	113.4	148.0	3.2	32.1
Cash flow from investments				
Share acquisitions	-	-	-11.9	-
Share divestments	86.3	20.8	84.9	-
Investment in fixed assets	-37.8	-36.7	-0.2	-0.5
Income from sales of fixed assets	27.9	14.7	16.7	3.0
Cash flow from investments	76.4	-1.2	89.5	2.5
Cash flow before financing	189.8	146.8	92.7	34.6
Cash flow from financing				
Change in long-term receivables	-20.3	-2.3	34.0	16.5
Change in long-term liabilities	-27.2	-40.1	-33.8	-21.0
Change in short-term liabilities	-22.6	-38.7	9.9	11.1
Share issue	4.6	4.5	4.6	4.5
Dividend payments	-106.9	-55.5	-106.9	-55.5
Cash flow from treasury shares	-4.9	-4.6	-4.9	-4.6
Group contributions	-	-	13.5	22.0
Cash flow from financing	-177.3	-136.7	-83.6	-27.0
Exchange rate differences for liquid assets	0.1	0.5	-	-
Change in liquid assets	12.6	10.6	9.1	7.6
Liquid assets at 1 January	16.9	6.3	8.0	0.4
Liquid assets at 31 December	29.5	16.9	17.1	8.0
Changes according to balance sheet	12.6	10.6	9.1	7.6

Accounting principles

Accounting principles

The consolidated financial statements of Uponor Corporation are prepared in accordance with the Finnish accounting principles, which are based on the fourth and seventh directives of the European Community.

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 treated as conversion differentials in the consolidated accounts. Conversion differentials realised in connection with substantial returns of capital are released to income in the exchange rate differentials of the income statement.

Net sales

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

Extraordinary income and expenses

Extraordinary income and expenses comprise items, which are exceptional from the point of view of regular business operations and which relate to one-time significant transactions. 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 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	20 – 40 years
Machinery and equipment (*)	10 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

*) Depreciation time for the production machineries and equipment acquired before 2004 will remain 5 – 15 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.

Provisions

Provisions on the balance sheet comprise those expenses to which a commitment has been made but which have not yet been realised, such as pension or environmental liabilities and the costs of business closures and restructuring. Changes in provisions are shown in the profit and loss account under the appropriate expense item.

Cash flow statement

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

Derivative instruments

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

Treasury shares

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

Notes to the financial statements

	Uponor Group		Uponor Corporation	
	2004	2003	2004	2003
1. Notes to the income statement				
1.1. Other operating income				
Gains from sales of fixed assets	3.6	7.2	3.6	1.1
Earnings share from associated companies	-	-0.4	-	-
Other income	-	-	1.9	-
	3.6	6.8	5.5	1.1
1.2. Personnel costs				
Salaries and fringe benefits	172.8	166.1	3.7	2.0
Pension expenses	8.7	9.3	0.3	0.1
Other personnel costs	36.3	35.9	0.3	0.1
	217.8	211.3	4.3	2.2
Salaries and emoluments paid to the Managing Directors and Board members				
Salaries and emoluments	4.8	4.5	0.6	0.6
Bonus payments	0.8	0.9	0.2	0.1
	5.6	5.4	0.8	0.7
1.3. Depreciation according to plan				
Intangible rights	1.9	2.4	-	-
Goodwill	0.5	0.6	-	-
Consolidation goodwill	10.4	14.2	-	-
Other capitalised long-term expenditure	0.1	0.1	0.2	0.3
Land and water areas	0.2	0.7	-	-
Buildings and structures	12.3	21.3	0.4	0.5
Plant and machinery	31.3	44.9	0.2	0.2
Other tangible assets	1.7	2.9	-	-
	58.4	87.1	0.8	1.0
1.4. Depreciation by operation				
Manufacturing	38.7	61.5	0.4	0.5
Sales and marketing	5.5	6.1	-	-
Administration	2.8	4.2	0.4	0.5
Other	1.0	1.1	-	-
Consolidation goodwill	10.4	14.2	-	-
	58.4	87.1	0.8	1.0

	Uponor Group		Uponor Corporation	
	2004	2003	2004	2003
1.5. Financial income and expenses				
Dividend income				
- Subsidiaries	-	-	25.4	28.3
- Others	0.9	0.9	1.3	1.3
Interest and financial income				
- Subsidiaries	-	-	11.5	12.9
- Associated companies	-	0.5	-	-
- Others	1.9	1.6	0.9	1.1
	2.8	3.0	39.1	43.6
Interest and financial costs				
- Subsidiaries	-	-	1.6	1.4
- Others	8.8	11.0	5.3	6.2
Exchange differences				
- Realised	0.6	-1.6	0.6	-0.5
- Unrealised	-0.2	-0.3	-0.6	-5.0
	8.4	12.9	6.9	13.1
Net financial costs	-5.6	-9.9	32.2	30.5
1.6. Extraordinary income				
Group contributions	-	-	13.5	22.0
	-	-	13.5	22.0
1.7. Taxes				
For the financial period	30.9	22.3	1.4	4.8
For previous financial periods	0.1	0.1	-	-
Change in deferred taxation	0.4	-3.2	-0.3	-
	31.4	19.2	1.1	4.8

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	4.4	1.7	27.7	8.3	2.0	-	300.0
Increases	-	0.1	-	-	0.1	-	-	11.9
Decreases	-	-0.1	-1.7	-9.4	-0.3	-	-	-104.6
Acquisition costs 31 Dec	0.2	4.4	-	18.3	8.1	2.0	-	207.3
Accrued depreciation and value adjustments	0.2	3.7	-	17.9	7.7	2.0	-	-
Depreciation for the financial period	-	0.2	-	0.4	0.2	-	-	-
Accrued depreciation	0.2	3.9	-	18.3	7.9	2.0	-	-
Revaluations	-	-	-	-	-	-	-	-
Book value	-	0.5	-	-	0.2	-	-	207.3

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	22.7	151.8	3.8	214.8	2.0	8.9
Structural changes	-0.7	-0.3	0.0	-0.1	-1.1	-2.0	-4.2
Conversion difference	-0.1	-0.1	0.0	0.0	-0.2	-	-
Increases	1.4	0.1	0.0	0.1	1.6	-	0.5
Decreases	4.0	1.9	3.4	0.0	9.3	-	4.6
Transfers between items	-0.2	0.0	0.0	-0.1	-0.3	-	-
Acquisition costs 31 Dec	32.9	20.5	148.4	3.7	205.5	-	0.6
Accrued depreciation and value adjustments	29.4	19.8	75.9	3.4	128.5	-	-
Structural changes	0.0	-0.1	0.0	-0.1	-0.2	-	-
Conversion difference	-0.1	-0.1	0.0	0.0	-0.2	-	-
Accrued depreciation of decreases and transfers	-3.7	-1.9	-2.5	0.0	-8.1	-	-
Depreciation for the financial period	1.9	0.5	10.4	0.1	12.9	-	-
Accrued depreciation	27.5	18.2	83.8	3.4	132.9	-	-
Book value	5.4	2.3	64.6	0.3	72.6	-	0.6

	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	43.5	257.5	480.5	29.5	11.8	822.8
Structural changes	-9.2	-52.6	-5.6	-0.1	-0.6	-68.1
Conversion difference	0.0	0.5	-1.9	-0.4	-0.2	-2.0
Increases	0.2	3.8	26.8	1.2	3.4	35.4
Decreases	4.9	39.2	53.8	3.2	0.3	101.4
Transfers between items	-6.6	6.0	-2.2	-0.5	-0.7	-4.0
Acquisition costs 31 Dec	23.0	176.0	443.8	26.5	13.4	682.7
Accrued depreciation and value adjustments	5.0	100.7	358.7	23.2	0.2	487.8
Structural changes	-	-6.0	1.7	0.1	-	-4.2
Conversion difference	-0.1	0.1	-1.7	-0.4	-	-2.1
Accrued depreciation of decreases and transfers	-1.7	-24.5	-50.1	-2.6	-	-78.9
Depreciation for the financial period	0.2	12.3	31.3	1.7	-	45.5
Accrued depreciation	3.4	82.6	339.9	22.0	0.2	448.1
Revaluations	-	0.1	1.0	-	-	1.1
Book value	19.6	93.5	104.9	4.5	13.2	235.7

Balance sheet value of production plant and machinery

94.4

	Uponor Group 2004	2003	Uponor Corporation 2004	2003
2.2. Long-term investments				
Loans receivables				
- Subsidiaries	-	-	172.8	224.6
- Associated companies	-	-	-	-
- Others	20.4	0.6	18.5	0.7
	20.4	0.6	191.3	225.3
	2004	Subsidiaries 2003	Associated companies 2004	2003
2.3. Receivables from subsidiaries and associated companies				
Uponor Corporation				
Loan receivables	226.6	242.6	-	-
Accruals	0.1	0.1	-	-
Other receivables	41.0	39.4	-	-
	267.7	282.1	-	-

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

	Uponor Group		Uponor Corporation	
	2004	2003	2004	2003
2.4. Accrued income				
Taxes	13.8	14.2	1.0	2.1
Discounts received	4.6	4.6	-	-
Transaction proceeds and compensation	-	-	-	-
Interest	0.4	1.0	0.3	0.9
Other	5.8	8.3	0.2	0.1
	24.6	28.1	1.5	3.1
2.5. Changes in shareholders' equity				
Restricted shareholders' equity				
Share capital on 1 January	74.8	75.8	74.8	75.8
Subscription issue	1.1	-	1.1	-
Bonus issue	74.8	-	74.8	-
Cancelling of shares	-1.1	-1.0	-1.1	-1.0
Share capital on 31 December	149.6	74.8	149.6	74.8
Capital reserve on 1 January			112.6	111.6
Issue premium			8.0	-
Bonus issue			-74.8	-
Cancelling of shares			1.1	1.0
Premium on shares issued, 31 December			46.9	112.6
Revaluation reserve on 1 January			-	0.2
Decrease			-	0.2
Revaluation reserve on 31 December			-	0.0
Share issue			-	4.5
Non-restricted shareholders' equity on 1 January			319.7	345.4
Dividend payments			-106.9	-55.5
Cancellation of revaluations			-0.5	-
Treasury shares			-4.9	-4.6
Profit for financial period			38.8	34.4
Non-restricted shareholders' equity on 31 December			246.2	319.7
Other restricted shareholders' equity on 1 January	112.1	103.4		
Issue premium	8.0	-		
Share issue	-4.5	4.5		
Reduction of share capital	1.1	-		
Changes in revaluation reserve	-	-1.3		
Transfer from non-restricted shareholders' equity	-1.0	4.5		
Transfer from share capital	-	1.0		
Bonus issue	-74.8	-		
Other restricted shareholders' equity on 31 December	40.9	112.1		
Non-restricted shareholders' equity on 1 January	283.1	360.9		
Dividend payments	-106.9	-55.5		
Conversion differences	-1.5	-14.9		
Transfer to restricted shareholders' equity	1.0	-4.5		
Cancellation of revaluations	-0.5	-		
Treasury shares	-4.9	-4.5		
Profit for financial period	60.9	1.6		
Non-restricted shareholders' equity on 31 December	231.2	283.1		
Of which not distributable in dividends	28.9	42.9		
2.6. Accumulated appropriations				
- Intangible assets			0.1	0.1
- Buildings and structures			-	2.6
- Plant and machinery			0.2	0.4
			0.3	3.1

	Uponor Group		Uponor Corporation	
	2004	2003	2004	2003
2.7. Loans				
Falling due in following financial period				
- Bonds	22.0	-	22.0	-
- Loans from financial institutions	0.5	0.9	-	-
- Pension loans	-	1.0	-	1.0
- Other loans	-	0.2	-	-
	22.5	2.1	22.0	1.0

2.8. Long-term loans

Due in five years				
- Loans from financial institutions	-	1.8	-	-
- Pension loans	5.8	10.0	-	3.7
	5.8	11.8	-	3.7

Serial bond I/2001
Serial bond not exceeding EUR 100 million
Nominal annual interest 6.25 %
Term: 20 November 2001 to 20 November 2005
The loan is unsecured.
Redemption in full on 20 November 2005

First tranche EUR 26 million
Loan amount 31.12.2004: EUR 22 million
Issue price 99.937

	2004	Subsidiaries 2003	Associated companies 2004	2003
2.9. Liabilities to subsidiaries and associated companies				
Uponor Corporation				
Trade payables	0.3	0.4	-	-
Other short-term liabilities	41.4	32.7	-	-
	41.7	33.1		

	Uponor Group		Uponor Corporation	
	2004	2003	2004	2003
2.10. Accrued liabilities				
Staff costs	23.9	23.6	0.6	0.5
Taxes	20.4	13.6	0.7	1.8
Discounts	7.5	7.2	-	-
Interest	0.5	0.4	0.5	0.8
Others	25.4	30.9	1.4	0.3
	77.7	75.7	3.2	3.4

2.11. Secured loans

Pledged assets	0.6	0.7	-	-
Mortgages	3.4	9.1	-	-
	4.0	9.8		

	Uponor Group		Uponor Corporation	
	2004	2003	2004	2003
2.12. Exchange and interest rate risk management				
Derivatives contracts				
Interest derivatives				
Interest rate options, bought	45.0	96.7	45.0	96.7
Interest rate options, sold	45.0	120.4	45.0	120.4
Interest rate swaps	-	10.0	-	10.0
Foreign currency derivatives				
Forward agreements	7.7	12.4	7.7	12.4
Currency swaps	-	-	-	-
Commodity derivatives				
Forward agreements	2.1	1.7	-	-
2.13. Contingent liabilities				
Pledges at book value				
- on own behalf	0.6	0.7	-	-
Mortgages issued				
- on own behalf	3.4	9.2	-	-
Guarantees issued				
- on behalf of a subsidiary	-	-	23.9	39.8
- on behalf of an associated company	-	9.3	-	-
- on behalf of others	13.1	3.2	10.6	9.3
Other contingent liabilities	12.5	8.8	-	-
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	9.8	7.7	0.4	0.2
Maturing later	40.5	50.1	2.2	1.6
	50.3	57.8	2.6	1.8
2.14. Deferred tax liabilities and assets				
Deferred tax assets				
- Consolidation procedures	1.3	0.0		
- Consolidated companies	11.8	18.0		
	13.1	18.0		
Deferred tax liabilities				
- Appropriations	11.8	17.8		
- Consolidation procedures	1.6	-		
- Consolidated companies	12.6	16.1		
	26.0	33.9		

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
Uponor-Velta Verwaltungs GmbH	Norderstedt	DE		100.0
Uponor-Velta GmbH & Co. KG	Norderstedt	DE		100.0
Polytherm Vertriebs GmbH	Ochtrup	DE		100.0
Uponor S.A.R.L.	Saran	FR		100.0
Uponor Rohrsysteme GmbH	Haßfurt	DE		100.0
PR Consulting & Marketing GmbH	Haßfurt	DE		100.0
Unicor GmbH Rahn Plastmaschinen	Haßfurt	DE		100.0
Unicor Extrusionstechnik GmbH	Zella-Mehlis	DE		100.0
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
Jita Oy	Virrat	FI	100.0	100.0
Nereus Oy	Uusikaupunki	FI	100.0	100.0
Uponor Business Solutions Oy	Vantaa	FI		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
Asko Norge AS	Oslo	NO	100.0	100.0
Uponor AS	Vestby	NO	100.0	100.0
Uponor Portugal, Lda.	Vila Nova de Gaia	PT	100.0	100.0
Uponor Construção e Ambiente, S.A.	Vila Nova de Gaia	PT		100.0
ZA O Uponor Rus	St. Petersburg	RU	100.0	100.0
Asko i Fristad AB	Borås	SE	100.0	100.0
KB Sekanten	Borås	SE		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	Virso	SE	100.0	100.0
Uponor Wirsbo A/S	Glostrup	DK		100.0
Uponor Wirsbo AS	Vestby	NO		100.0
Uponor Magyarország Kft.	Budapest	HU		100.0
WA Vertriebs GmbH	Guntramsdorf	AT		100.0
Uponor Limited	England	UK	100.0	100.0
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

Name	Domicile and country		Parent com- pany stake	Group stake
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
Tulsa Pipe Plant, Inc.	Delaware	US		100.0

3.2. Associated companies

Name	Domicile and country		Parent com- pany stake	Group stake
Punitec GmbH & Co. KG	Gochsheim	DE		45.0
Punitec Verwaltungs GmbH	Gochsheim	DE		45.0

Segment information

Breakdown by segment 2004

Net sales	2004	Share, %	2003	Change, %
	MEUR		MEUR	
Pipe Systems	1,052.5	98.2	999.7	5.3
Real Estate	19.7	1.8	21.1	-6.6
Other/internal	0.6	0.0	0.2	200.0
Uponor Group total	1,072.8	100.0	1,021.0	5.1

Operating profit	2004	Share, %	2003	Change, MEUR
	MEUR		MEUR	
Pipe Systems	102.4	104.6	28.3	74.1
Real Estate	6.3	6.4	12.8	-6.5
Other/elimination	-10.8	-11.0	-10.4	-0.4
Uponor Group total	97.9	100.0	30.7	67.2

Investment	2004	Share, %	2003	Change, MEUR
	MEUR		MEUR	
Pipe Systems	36.8	97.4	35.2	1.6
Real Estate	-	-	1.0	-1.0
Other/elimination	1.0	2.6	0.5	-
Uponor Group total	37.8	100.0	36.7	0.6

Personnel at 31.12.	2004	Share, %	2003	Change, %
	Number		Number	
Pipe Systems	4,442	99.3	4,740	-6.3
Real Estate	-	-	35	-100.0
Other	33	0.7	28	17.9
Uponor Group total	4,475	100.0	4,803	-6.8

Group key financial figures

	2004	2003	2002	2001	2000
Consolidated income statement, MEUR					
Net sales	1,072.8	1,021.0	1,137.2	1,192.4	1,355.6
Operating expenses	920.1	910.0	984.0	1,035.3	1,174.9
Depreciation according to plan	58.4	87.1	74.7	78.2	78.4
Other operating income	3.6	6.8	35.7	12.3	10.4
Operating profit	97.9	30.7	114.2	91.2	112.7
Financial income and expenses	-5.6	-9.9	-13.5	-16.2	-15.9
Profit after financial items	92.3	20.8	100.7	75.0	96.8
Extraordinary items	-	-	-	-9.7	9.0
Profit before appropriations and taxes	92.3	20.8	100.7	65.3	105.8
Book result	60.9	1.6	64.2	36.6	77.4
Consolidated balance sheet, MEUR					
Non-current assets	264.7	373.1	455.8	534.6	556.3
Consolidation goodwill	64.6	75.9	91.2	101.7	111.9
Inventories	138.0	135.5	166.5	173.0	187.6
Cash and deposits	29.5	16.9	6.3	31.1	28.6
Other liquid assets	181.6	187.8	207.0	232.6	246.0
Restricted equity	190.5	186.9	179.2	181.6	181.9
Non-restricted equity	231.2	283.1	360.9	344.0	354.6
Minority interest	-	0.9	5.4	8.4	8.0
Obligatory provisions	11.9	31.4	11.4	12.1	14.9
Interest-bearing long-term liabilities	12.6	59.5	100.2	191.7	243.3
Interest-bearing short-term liabilities	40.0	41.5	70.0	122.2	96.0
Non-interest-bearing liabilities	192.2	185.9	199.7	213.0	231.7
Balance sheet total	678.4	789.2	926.8	1,073.0	1,130.4
Other key figures					
Operating profit, %	9.1	3.0	10.0	7.6	8.3
Profit after financial items, %	8.6	2.0	8.9	6.3	7.1
Profit before appropriations and taxes, %	8.6	2.0	8.9	5.5	7.8
Return on Equity (ROE), %	13.6	0.3	11.8	8.2	12.8
Return on Investment (ROI), %	19.2	4.9	14.8	11.3	13.2
Solvency, %	62.4	59.8	58.9	49.8	48.3
Gearing, %	5	18	30	53	57
Net interest-bearing liabilities, MEUR	23.1	84.0	163.9	282.8	310.7
- % of net sales	2.2	8.2	14.4	23.7	22.9
Change in net sales, %	5.1	-10.2	-4.6	-12.0	0.7
Exports from Finland, MEUR	22.7	20.4	20.6	21.0	49.4
Net sales of foreign subsidiaries, MEUR	952.7	900.9	1,043.4	1,070.5	1,156.8
Total net sales of foreign operations, MEUR	957.5	903.4	1,047.6	1,075.1	1,188.1
Share of foreign operations, %	89.3	88.5	92.1	90.2	87.6
Personnel at 31 December	4,475	4,803	5,302	5,486	5,899
Average no. of personnel	4,684	4,962	5,393	5,723	6,513
Investments, MEUR	37.8	36.7	45.0	55.7	83.6
- % of net sales	3.5	3.6	4.0	4.7	6.2

Information on shares and shareholders

The volume of Uponor shares traded on the Helsinki Exchanges in 2004 totalled 49,723,549, valued at EUR 676.6 million. The share closed at EUR 13.76 and the market capitalisation came to EUR 1,029.5 million. The year-end number of shareholders totalled 5,225, of which foreign shareholders accounted for 31.9 per cent (30.0 per cent).

Shareholders by category on 31 December 2004

Category	No. of shares	% of shares
Private non-financial corporations	19,187,946	25.6
Public non-financial corporations	8,080	0.0
Financial and insurance corporations	11,566,902	15.4
General government	10,303,466	13.8
Non-profit institutions	2,963,774	4.0
Households	6,936,911	9.3
Foreign (including nominee registrations)	23,852,447	31.9
Other (joint account)	918	0.0
	<hr/> 74,820,444	<hr/> 100.0

Shareholders by size of holding on 31 December 2004

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1 - 100	29,374	0.0	423	8.0
101 - 1,000	1,484,036	2.0	3,215	61.2
1,001 - 10,000	4,172,870	5.6	1,377	26.2
10,001 - 100,000	5,301,906	7.1	190	3.6
100,001 - 1,000,000	11,998,593	16.0	40	0.8
1,000,001 -	51,833,665	69.3	10	0.2
	<hr/> 74,820,444	<hr/> 100.0	<hr/> 5,255	<hr/> 100.0

Major shareholders on 31 December 2004

Shareholder	Shares	% of shares	% of votes
Oras Administration Ltd (renamed to Oras Invest Ltd)	14,354,980	19.2	19.3
Oras Ltd	2,116,800	2.8	2.8
Sampo Life Insurance Company	5,609,970	7.5	7.6
Kaleva Mutual Insurance Company	320,000	0.4	0.4
Varma Mutual Pension Insurance Company	4,013,104	5.4	5.4
Ilmarinen Mutual Pension Insurance Company	1,904,036	2.5	2.6
Tapiola Mutual Pension Insurance Company	1,436,800	1.9	1.9
Tapiola General Mutual Insurance Company	745,000	1.0	1.0
Tapiola Mutual Life Insurance Company	406,600	0.5	0.5
Tapiola Corporate Life Insurance Company Ltd	172,400	0.2	0.2
State Pension Fund	1,000,000	1.3	1.3
Odin Forvaltning AS	766,800	1.0	1.0
Odin Finland	259,400	0.3	0.3
Nordea Life Insurance Finland Ltd	570,700	0.8	0.8
Fennia Life Insurance Company	490,000	0.7	0.7
Fennia Mutual Pension Insurance Company	228,806	0.3	0.3
Finnish Cultural Foundation	480,670	0.6	0.6
Others	39,419,378	52.9	53.1
	74,295,444	99.3	100.0
Own shares held by the company	525,000	0.7	-
Total	74,820,444	100.0	100.0

Nominee registered shares on 31 December 2004

Nordea Bank Finland Plc	17,372,103	23.2	23.4
Svenska Handelsbanken AB (publ.)	3,409,381	4.6	4.6
HSS/Skandinaviska Enskilda Banken AB (publ.)	1,616,491	2.2	2.2

Share-specific key figures

Share-specific key figures

	2004	2003	2002	2001	2000
Share capital, MEUR	149.6	75.4	75.8	76.4	77.4
Number of shares at 31 December, in thousands	74,820	74,834	75,834	76,434	77,434
Number of shares adjusted for share issue, in thousands					
- at end of year	74,295	74,086	74,012	74,754	76,474
- average	74,243	73,807	74,538	75,658	77,042
Nominal value of shares, EUR	2.00	2.00	2.00	2.00	2.00
Adjusted equity, MEUR	421.7	470.9	545.5	534.0	544.5
Share trading, MEUR	676.6	280.8	270.0	184.4	203.4
Share trading, in thousands	49,724	27,912	27,022	21,242	21,720
- of average number of shares, %	67.0	37.8	36.3	28.1	28.2
Market value of share capital, MEUR	1,029.5	935.4	720.9	716.6	725.9
Adjusted earnings per share (fully diluted), EUR	0.82	0.02	0.86	0.58	0.87
Equity per share, EUR	5.68	6.34	7.29	7.03	7.02
Dividend, MEUR	²⁾ 52.0	106.9	55.5	29.9	30.6
Dividend per share, EUR	²⁾ 0.70	¹⁾ 1.44	0.75	0.40	0.40
Effective share yield, %	5.1	11.5	7.7	4.3	4.3
Dividend per earnings, %	85.4	7,200.0	87.2	69.6	46.0
P/E ratio	16.8	625.0	11.3	16.3	10.8
Issue-adjusted share prices, EUR					
- highest	15.00	13.01	12.43	9.65	10.50
- lowest	12.10	8.40	8.26	7.15	7.90
- average	13.61	10.06	9.99	8.68	9.37

The definitions of key ratios are shown on page 30.

Notes to the table:

1) includes an extra dividend payment 0,44 euros per share

2) Proposal of the Board of Directors

Figures reported for 2000-2003 have been converted based on the bonus issue 2004

The bonus issue was executed by issuing one bonus share for each existing share without consideration

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

Share issues	2004	2003	2002	2001	2000
Directed issues, MEUR	1.1	-	-	-	-
- issue premium	8.0	-	-	-	-
Subscription price, EUR	8.27	-	-	-	-

Definitions of key ratios

Return on Equity (ROE), %	=	$\frac{\text{Earnings before extraordinary items - tax}}{\text{Shareholders' equity} + \text{Average minority interest}} \times 100$
Return on Investment (ROI), %	=	$\frac{\text{Earnings before extraordinary items} + \text{interest and other financing costs}}{\text{Balance sheet total} - \text{Average non-interest-bearing liabilities}} \times 100$
Solvency, %	=	$\frac{\pm \text{Shareholders' equity} \pm \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$
Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$
Net interest-bearing liabilities	=	Interest-bearing liabilities - cash, bank receivables and financial assets
Earnings per share (EPS)	=	$\frac{\text{Profit before extraordinary items} \pm \text{minority interest of profit} - \text{tax}}{\text{Number of shares adjusted for share issue in financial period}}$
Equity per share ratio	=	$\frac{\text{Shareholders' equity}}{\text{Average number of shares adjusted for share issue at end of year}}$
Dividend per share ratio	=	$\frac{\text{Dividend per share}}{\text{Profit per share}}$
Effective dividend yield	=	$\frac{\text{Dividend per share}}{\text{Share price at end of financial period}} \times 100$
Price-Earnings ratio (P/E)	=	$\frac{\text{Share price at end of financial period}}{\text{Earnings per share}}$
Share trading progress	=	Number of shares traded during the financial year in relation to average value of the said number of shares
Market value of shares	=	Number of shares at end of financial period x last trading price
Average share price	=	$\frac{\text{Total value of shares traded (EUR)}}{\text{Total number of shares traded}}$

Proposal of the Board of Directors

According to the balance sheet as of 31 December 2004, Group profits amount to EUR 231,169,000.00, of which EUR 202,221,000.00 may be distributed. The distributable profit of Uponor Corporation is EUR 246,163,074.77.

The Board of Directors proposes that a dividend of EUR 0.70 per share be paid on the 2004 accounting period.

Vantaa, 2 February 2005

Pekka Paasikivi
Chairman

Matti Niemi

Aimo Rajahalme

Anne-Christine Silfverstolpe Nordin

Rainer S. Simon

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, 2 February 2005

KPMG Oy Ab
Authorised Public Accountants

Sixten Nyman
Authorised Public Accountant

