

A photograph of four business professionals (two women and two men) standing in front of a blue background with a white grid pattern that curves around them. The grid lines are thicker and more prominent in the foreground, creating a sense of depth and perspective. The people are dressed in professional attire, including blazers and sweaters. They are all smiling and looking towards the camera. The overall tone is positive and professional.

uponor

ANNUAL REPORT
2008

The right know-how, common
targets and a team that adds value
– we call that partnership

Uponor in brief

Uponor is a leading international provider of plumbing and indoor climate systems for the residential and commercial building markets.

Uponor is present in key European and North American markets, while its products are sold in over a hundred countries. In the Nordic countries, Uponor is also a prominent regional supplier of infrastructure pipe systems.

Uponor offers its customers solutions that are technically advanced, ecologically sustainable, and safe and reliable to own and operate.

Uponor business groups

Housing Solutions



INDOOR CLIMATE SYSTEMS

Integrated radiant heating, cooling and ventilation to create a healthy and comfortable indoor climate that brings savings on your energy bill and helps optimise the use of renewable energy.

- For residential and commercial premises
- For new-build and renovation



PLUMBING SYSTEMS

Complete systems for a healthy and durable indoor plumbing, featuring a quick and reliable installation and a long service life.

- Tap water and other indoor plumbing, including radiator connection pipe systems using modern, non-corrosive plastic and composite materials

Infrastructure Solutions



MUNICIPAL PIPE SYSTEMS

Systems for a reliable and leak-proof transportation of fresh and used water that give savings in installation and operation.

- Wastewater and rainwater management
- Water distribution

Contents

Uponor makes its annual report available through the web at www.uponor.com. You can also find previous years' annual reports and stock exchange bulletins there.

Uponor's IR reports and materials, whether written or webcast, as well as up-to-date share and shareholder data are also available in the investor section of the website.

Follow this link: www.uponor.com > Investors.



Uponor celebrated its 90th anniversary in 2008. Read more on pp. 26-27.

The photographs in this annual report display Uponor employees from different professions around the world.

In the cover, Elke Beckmann, Helena Jansson, Niclas Ferding and Jesús García participating in Uponor's international management meeting in December 2008.



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Year 2008

In 2008, Uponor's operating environment changed, becoming exceptionally challenging due to the powerful slow-down in the international housing construction market. In addition, demand in the commercial and public segments of the market began to slacken towards the end of the year. We continued to implement our long-term strategy focusing on organic growth, global integration and entering new market segments.

Implementation of growth strategy continued

Uponor's market position is relatively strong and we aim to continue organic growth in the current and new markets as well as in new customer and product segments. One of our strategic goals involves business expansion in the high-rise building segment, where the development of resources and the organisation bore fruit in the form of pilot projects implemented across the world, alongside new partnerships. Another key initiative, the introduction of radiant heating/cooling solutions, progressed positively, attracting growing interest. During the year, we entered new markets in the eastern parts of Europe.

Structural reinforcement

In line with our strategy, we divested the UK and Irish infrastructure business in the summer. This also entailed withdrawal from infrastructure operations outside the Nordic countries.

The autumn saw a new business organisation in Europe, with the aim of building a platform for more rapid growth. This new business structure involved the separation of European

housing solutions' Sales & Marketing, Offering Management and Supply Chain into dedicated entities in Europe.

During the year, the introduction of the new enterprise resource planning system proceeded in Europe according to plan. This system already comprises almost all Uponor units.

Savings and adjustments

Due to the weakening market conditions, we initiated a number of adjustment and streamlining measures, including the closure of a manufacturing facility in Canada and moving the Swedish metal fittings plant's production to Central Europe. The cost reduction programme, launched in August, aims to achieve savings of EUR 30 million in 2008-2009, and involves the reduction of our workforce by over 400 people.

Uponor's 90th anniversary

One of the major highlights of Uponor's 90th anniversary year involved the January opening of a new training centre in Germany, featuring e.g. internationally unequalled simulation technology.

Uponor's history of 90 years was published in September.

Changes in management

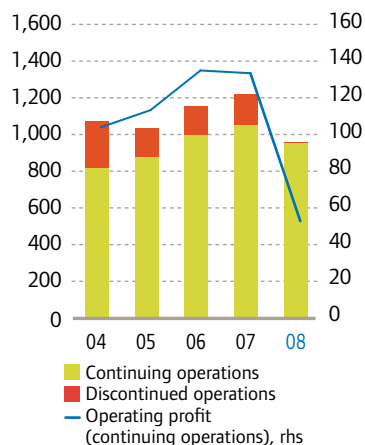
President and CEO since 2003, Jan Lång, resigned in the autumn to accept a position in another company. The Board appointed Jyri Luomakoski (41), long-serving CFO and deputy CEO as the new President and CEO.

Shares and shareholding

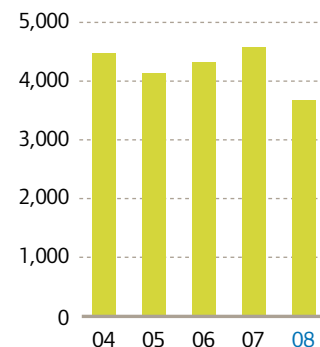
The trading price of the Uponor share declined drastically during the year in line with the weakening outlook for the building and construction sector. The highest quotation for the year was EUR 18.91 (20 Feb. 2008), and the lowest EUR 6.10 (23 Dec. 2008).

Regardless of share price fluctuations, investors showed increasing interest in the Uponor share, and the number of shareholders rose during the year to 18,629 (2007: 12,564). ●

Net sales and operating profit, MEUR



Personnel on 31 December



Important stock exchange and press releases in 2008

- 29 Jan** Uponor opens a training centre for the high-rise segment in Germany
- 7 Feb** Financial statements 2007: Uponor maintained its profitability in volatile markets
- 29 Apr** Q1 2008: Uponor records a slower start to the year in the face of declining markets
- 9 May** Uponor divests infrastructure business in the UK and Ireland
- 11 Jun** Uponor lowers full-year guidance in the face of deteriorating market outlook
- 12 Aug** Q2 2008: Uponor progresses in new segments despite difficult markets
- 12 Aug** Uponor initiates cost reduction programme
- 13 Aug** Uponor's CEO Jan Lång resigns, search for a new CEO started
- 20 Aug** Borealis and Uponor launch first water footprint initiative in the plastics industry
- 1 Sep** Uponor introduces new European organisation
- 4 Sep** Uponor's 90th anniversary: Carpentry workshop turns into a European housing solutions specialist
- 10 Sep** Uponor closes Canadian manufacturing facility
- 29 Oct** Q3 2008: Uponor continues cost management in slow markets
- 6 Nov** Uponor extends its share-based incentive scheme
- 11 Nov** Uponor concentrates metal component manufacture and reduces workforce
- 18 Nov** Uponor plans workforce reductions in Germany
- 8 Dec** Uponor technology cools one of Europe's largest shopping centres
- 16 Dec** Jyri Luomakoski appointed President and CEO of Uponor

Key figures

	2008	2007	2006	2005	2004
Net sales, MEUR ¹⁾	949.2	1,047.4	1,003.7	905.6	909.0
Change in net sales, % ¹⁾	-9.4	4.4	10.8	-0.4	-
Operating profit, MEUR ¹⁾	51.2	135.7	132.9	115.3	87.2
Operating profit, % ¹⁾	5.4	13.0	13.2	12.7	9.6
Profit before taxes, MEUR ¹⁾	41.0	133.1	130.9	112.9	81.3
Profit for the period, MEUR ¹⁾	72.5	101.9	96.5	82.7	88.4
Return on Equity (ROE), %	22.7	30.1	25.3	20.3	21.7
Return on Investment (ROI), %	22.2	39.2	35.8	28.1	27.0
Solvency, %	51.4	50.2	53.6	63.2	57.7
Gearing, %	19.8	25.4	6.3	-6.4	8.5
Net interest-bearing liabilities, MEUR	60.6	84.5	21.7	-26.9	33.6
Personnel (FTE) at 31 December	3,678	4,581	4,325	4,126	4,475
Investments, MEUR ¹⁾	39.0	52.0	50.2	44.6	34.1

Share-specific key figures

Market value of share capital, MEUR	563.7	1,260.6	2,076.6	1,338.9	1,029.5
Dividend, MEUR	62.1 ³⁾	102.5	102.5 ²⁾	166.0 ¹⁾	52.0
Dividend per share, €	0.85 ³⁾	1.40	1.40 ²⁾	2.27 ¹⁾	0.70
Effective share yield, %	11.0	8.1	4.9	12.6	5.1
Issue-adjusted share prices					
– highest, €	18.91	31.45	29.35	19.78	15.00
– lowest, €	6.10	15.31	18.00	13.72	12.10
Number of shareholders	18,629	12,564	7,799	6,766	5,225

*) continuing operations

The definitions of key ratios are presented in the financial statements.

Notes to the share-specific key figures:

¹⁾ includes an extra dividend payment 1.37 euros per share

²⁾ includes an extra dividend payment 0.25 euros per share

³⁾ proposal of the Board of Directors.



Foreword by the CEO

The year 2008 will be forever marked in economic history, as it will be remembered for the unprecedented speed and magnitude of change in the operating environment of any business. Demand for Uponor's products and services also declined rapidly, along with the collapse of building activity in all of the geographies in which we operate.

The outlook for underlying market demand remains weak and the duration of the current uncertainty cannot be forecast. This is why we at Uponor have turned much of our focus towards the relatively short-term management of supply and demand, with the clear priority of maintaining a good cash flow in the business. One of the first measures we initiated was a cost-reduction programme to adjust our cost base to weakening demand. As the markets contract, rapid actions are necessary in order to get through these difficult times and prepare for the positive challenges that will emerge as the market turns.

Many changes and developments have also been implemented within Uponor. A key initiative was the introduction of the new European organisation. I am confident that the new structure and new accountabilities will not only improve our focus and our proximity to our markets and customers, but they will also boost our integration and help us reap the benefits of our unified European supply chain. This will be further facilitated by the support of our common European business group management in the further development and harmonisation of our offering.

In North America, we continued our evolution begun earlier. Our ambition has been to change the way we are organised in order to better address the markets, while also placing an additional focus on strategic growth prospects which exist, even in these difficult times. As proof of our progress, we won major national supply agreements with key customers.

Last spring, we exited from the infrastructure business in the British Isles to focus on that business segment in the Nordic countries only. Our Nordic businesses – i.e. infrastructure and housing solutions – together form an integrated whole which comprises a strong value proposition to our customers and distributors. We have put a lot of effort over many years into being able to support our partners seamlessly within the entire Nordic region. For instance, the Nordic infrastructure units were the first to implement a demand/supply system that has served our customers reliably beyond national borders.

In a similar vein, we completed the Europe-wide ERP system development for our housing solutions business, launched in 2005. The new system, now in use at all of our larger European sites, runs smoothly and reliably. I trust that it will not only help us optimise our assets and investments more effectively, but it will also give our customers the opportunity to forge a better partnership with us.

Despite the difficult economic times, there are silver linings on the horizon. During the past year, I have repeatedly heard encouraging comments from our sales personnel, saying that our customers and end-users are increasingly interested in saving energy and utilising renewable energy forms. At the same time, consumers are interested in upgrading their living or working environment with modern comfort systems. Correspondingly, several high-profile projects featuring the latest Uponor know-how and technology were implemented last year.

For Uponor, this is a significant trend, which I believe will benefit our company over the years to come. Uponor has been promoting green building for 20 years, and we have a strong offering and know-how that can help customers and end-users – whether we are referring to single-family or commercial projects, heating or cooling – to overcome serious global environmental issues.

We all come across tough challenges, whether on business or personal level. I believe, however, that Uponor has a good chance to grasp future opportunities – and many such opportunities do exist! Thanks to the work of my predecessors – to whom I wish to extend many thanks – Uponor is well positioned to fulfil the needs of our customers.

And finally, my sincere thanks go especially to all Uponorians for your commitment and efforts during these challenging and difficult times. Unfortunately, many Uponorians lost their jobs during the year, as we had to suddenly adjust our activities downwards. Without the dedication of our staff, we could not have kept our promise to our stakeholders! ●

Vantaa, February 2009

Jyri Luomakoski
President and CEO



“The key to achieving a better human environment is co-operation with customers and partners, as in the Dolce Vita Tejo project.

Our strength is in understanding what the project needs and offering the best solution for it.”

Left to right: João Teixeira, Carla Amado, José Eduardo Silva, Eduardo Álvarez, Rui Pardal and Miguel García

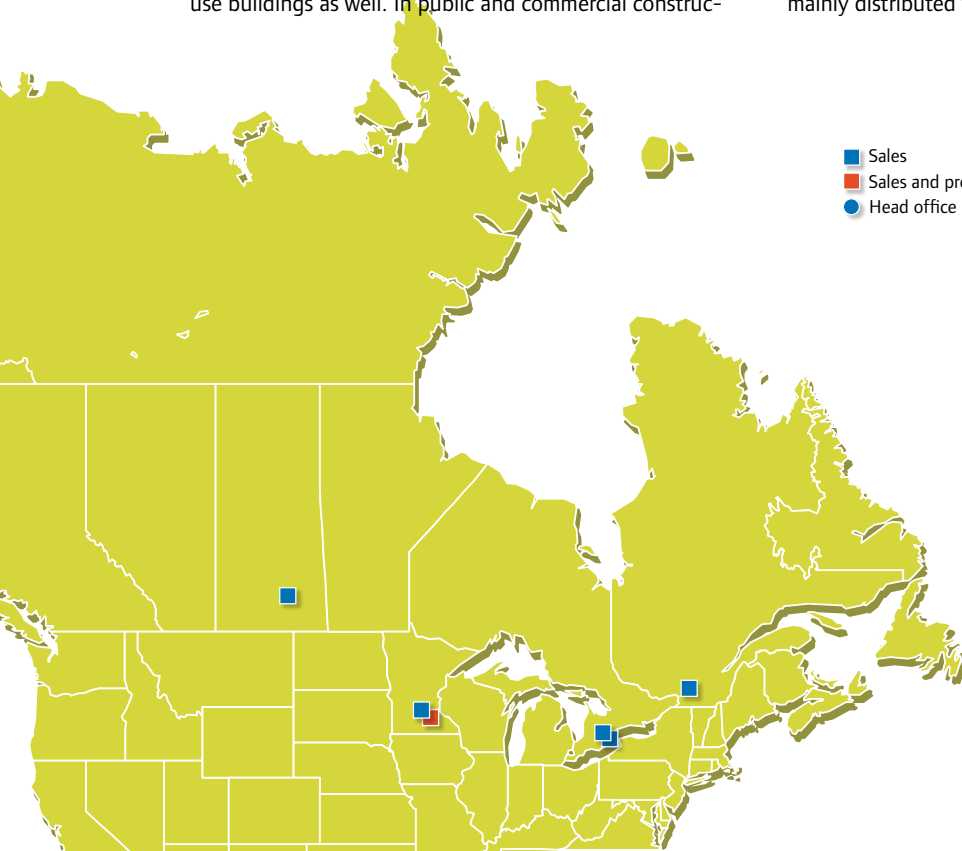
Overview of businesses 2008

In 2008, Uponor maintained reasonable strength in spite of the historically difficult markets. We maintained our focus on partnering with other professionals to create better human environments. We continuously seek to provide technically advanced, energy-efficient solutions that enhance the comfort of living, are easy to control and maintain and which save on costs.

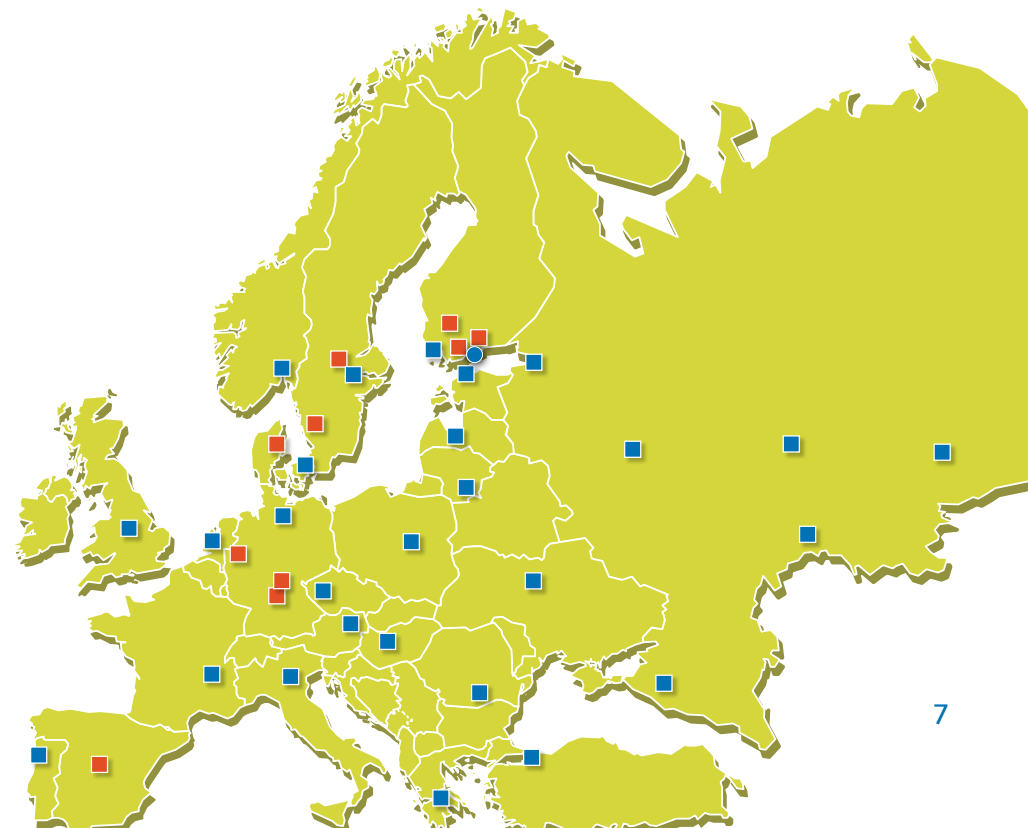
Our housing business provides versatile and advanced solutions for both residential and commercial construction. Traditionally, Uponor's major end market has been single-family housing, with HPVAC installers and heating and plumbing contractors as our customers. This emphasis is now being broadened to include multi-family and mixed-use buildings as well. In public and commercial construc-

tion, whose importance to Uponor is growing, our end customers increasingly consist of large construction companies and property developers. Furthermore, architects and engineers play a major role in this segment. With respect to infrastructure products, our main customers include municipalities and public utility companies. Uponor products are mainly distributed through wholesalers.

Uponor's largest product group within housing solutions is plumbing systems for buildings, with indoor climate systems being the other major segment. For the last few years, we have focused in particular on the development of radiant underfloor heating and cooling systems and launched solutions in which a comfortable room temperature is generated by using renewable energy sources.



- Sales
- Sales and production
- Head office



Trond Isaksen/Statsbygg



The world's most modern opera house chose Uponor

Thanks to modern housing technology, the pedestrian walkways on the roof of the new Oslo Opera House in Bjørnvika harbour provide breathtaking views. No wonder it soon became one of the most popular venues in Oslo. In October 2008, it was accorded the accolade of The Cultural Building of the Year at the World Architecture Festival in Barcelona, Spain.

Due to the nature of the work performed in this building, strict criteria were set for its ventilation technology. The standardised Uponor ventilation ducting installed under the building saves space indoors and is also quick and inexpensive to install. It is the only standardised, underground-installable plastic ventilation system of its kind in Europe. A radiant heating system integrated into the concrete floor is the perfect choice for the building, since it is silent and provides good indoor air quality.

In infrastructure solutions, our emphasis is on water and sewer pipe systems and non-urban wastewater treatment units.

Since October 2008, Uponor's business is divided into two regional organisations: Europe and North America. The financial reporting in this Annual Report still reflects the earlier structure.

Business environment

One of the most significant long-term trends in building and construction is the increasing urbanisation and people moving to large population centres or their environs. As a result of this, the relative importance of single-family housing in the overall construction market is decreasing. The largest European construction markets are situated in Germany, Spain, France, the UK and Italy, where the renewal of the housing stock is relatively slow and the emphasis is increasingly on renovations and modernisations. New-building activity is primarily liveliest in Eastern Europe, where the development of national economies and increasing wealth are generating extensive residential and commercial construction activities. In North America, a greater share of construction activity than in Europe involves new-builds due to the active renewal of the building stock.

The global economic crisis is increasing the importance of renovations since it is estimated that the number of housing starts will decline further during 2009 whereas renovation volumes are expected to remain unchanged. Growing global concern over the environment, especially the threat of global warming, is raising the level of general interest in the improvement of the energy efficiency of buildings as well as in the use of renewable energy sources. In addition to new-building activities, this has triggered major interest in energy efficiency improvements in the existing building stock.

In the European Union, buildings account for approximately 40 per cent of the total energy consumption, the majority of such energy being used for heating, cooling and ventilation. For this reason, housing solutions play a focal role in optimising the whole. In various countries, radiant underfloor heating and cooling have not yet established their position as the energy-efficient standard solution – in Europe, approximately 25 per cent of new buildings are equipped with a radiant underfloor heating system – so this market provides abundant growth prospects, further fuelled by increasing energy efficiency and end-user comfort requirements.

Uponor's radiant heating and cooling systems compete against various other heating and cooling methods. In Europe, other mainstream technologies include radiators, electric heating and forced air heating, of which only the last-mentioned is also used for cooling. In North America, the majority of buildings are equipped with forced air heating and cooling. In all markets, Uponor's competitive arsenal includes low operating costs, the reliability and efficiency of the systems, the comfort of living and the opportunity to use various energy sources, including pro-environmental ones such as solar power or geothermal energy.

In the last few years, Uponor's crosslinked polyethylene (PEX) and composite plumbing systems have established their position as the leading solution for residential and commercial construction. These systems have increased their market share, supplanting metal pipes, in particular, as well as pipes manufactured from lower-priced plastic materials. This success is attributable to the fact that plastic systems are easier to install, not prone to leakage at connection points, and can be used in a wide range of conditions. They are also ideally suited for renovation, and are thus gaining ground in that segment too.



Modern architecture meets engineering of the future

In 2009, three office buildings will be completed in Cologne, Germany, boasting impressive architecture inspired by quay cranes of the past. The southernmost of these buildings, Kranhaus Plus, houses a comprehensive solution in which well water is utilised for both heating and cooling purposes. The geographical and geothermal characteristics of the site, located on the bank of the Rhine, have been exploited in the design of the building.

The building is equipped with a system based on the thermal activation of its concrete structures. This prevents unpleasant fluctuations in temperature in these light, glass-walled offices, also during long periods of hot weather. The silent cooling system developed by Uponor stores room heat and operates invisibly, without generating any feeling of draught.

In addition, Uponor's plumbing systems are rapidly increasing their share of the market, as consumers' concern about clean drinking water increases and they look more towards environmentally friendly solutions without the need to compromise on health or comfort aspects.

Consolidation of the supply chain in the marketplace decelerated in 2008 as the largest distributors decreased their business acquisitions and switched their focus to cost cutting, managing their cash flows and rationalising their product ranges. Some wholesalers have also launched their own product series which are competing with manufacturer products.

The downward trend in the construction sector increased price competition, particularly in plumbing systems. As a result of this, some players decided to discontinue their plumbing business and concentrate on other products.

Markets slackened

Due to the difficulties in the world economy, most of Uponor's key markets slackened in 2008.

In Europe, new-building markets saw a particularly dramatic contraction in Spain and the UK. In housing starts, residential construction decreased markedly more than public and commercial construction. As a whole, however, the total construction market in Europe declined by only around four per cent during the year, taking account of investments related to renovations and modernisations.

In the United States, residential building activities remained at record low levels. Public and commercial construction continued to be relatively strong for most of the year but began to slacken towards the year end. The Canadian market also developed favourably for most of the year but stagnated as 2008 neared its end.

Germany showed the most favourable development; overall demand was relatively buoyant during the first half, but during the second demand from the residential construction sector clearly slowed whereas the public and commercial construction sector continued to develop satisfactorily. In Eastern Europe, growth in demand was mainly strong, although this varied from country to coun-

try. Towards the end of the year, Eastern Europe also experienced a clear fall in demand.

Although the strong decline in residential construction was also reflected in the infrastructure market, it remained relatively robust throughout the Nordic countries, where Uponor is engaged in the infrastructure solutions business.

Investments in high-rise buildings bore fruit

The major decline in mainly residential construction activities has increased the importance of the high-rise sector for Uponor. Investments in this segment have also supported the development of our cooling business, due to which our fall in sales has remained below the market average and we have even managed to increase our market share.

Our focus on comprehensive solutions instead of individual products has enabled us to better meet the needs of various customer segments and thus provide added value to customers.



Chamartin

Uponor technology to cool one of Europe's largest shopping centres

The Dolce Vita Tejo, one of Europe's largest shopping centres, will be completed in May 2009. The 423,000 square-metre shopping centre, built near Lisbon in Portugal, will house 300 shops and 9,000 parking spaces.

The constructor of Dolce Vita Tejo is investing in solutions complying with sustainable development principles. The roof of the building will be constructed of material that actively utilises natural light and the warming effects of solar light will be compensated for using Uponor's energy efficient underfloor radiant cooling. Thus, pleasant temperatures can be maintained in the very space where people move. The floor temperature will remain at approximately 19–20 degrees Celsius at all times.

Uponor developed its radiant cooling technology in the mid-1990s. There has been growing interest in this new energy-saving technology all over the world.

Demand for Uponor's product systems largely depends on developments in residential housing starts. The most gratifying aspect of the developments in 2008 lies in the clearly greater attention being paid to energy efficiency due to higher energy costs. This had a positive impact on demand for our indoor climate solutions, i.e. radiant underfloor heating and cooling systems.

During the year we introduced new and modernised product systems to the market. In Europe, the most significant ones included new modular fittings solutions for distribution and riser pipes for multi-layer composite pipes. In addition, our product range was also strengthened by composite risers for both commercial and public sector construction. In North America, we markedly extended our range of control systems, including the Climate Control Network, which was the first residential networked control with remote access launched in North America.

A bearish year

Central and Eastern Europe and international sales

As the residential construction market slackened, we placed a heavy focus on the development of the high-rise business. This approach yielded favourable results in Central Europe, where we were able to utilise our well-established position in order to further upgrade our operations. In Germany, the most important market in this region, our net sales grew, in spite of the year-end stagnation of the market.

The new training centre, opened in Germany in early 2008, features internationally unrivalled simulation technology for drinking water, heating and cooling installations. Already the 18th Uponor Academy, this centre is the first to offer training to customers in the high-rise segment.

In Central Europe, our new product launches included e.g. a new cooling panel as well as a new riser system, which provides various benefits, including flexibility and easy installation.

We overhauled our rapidly expanding Eastern European organisation in order to guarantee the right kind of professional profile, particularly for the high-rise business and cooling solutions. This also involved the harmonisation of processes and practices, completed by the roll-out of the new, harmonised Uponor product offering in the spring of 2008. Furthermore, the harmonisation of sales promotion materials throughout the Eastern European organisation provided synergy gains and ensured greater visibility in these markets.

Uponor's international expansion continued according to plan. In 2008, we opened a new office in Turkey and placed a special emphasis on business development in the Persian Gulf.

North, South and West Europe

Uponor's net sales decreased in the Nordic countries, mainly due to the strong decline in residential construction throughout this market. On the other hand, we signed agreements with a number of major manufacturers on the use of Uponor products in prefabricated houses.



A man's home is another man's castle

Gosford Castle, situated 45 miles (70km) from Belfast in Northern Ireland, was completed in the 1850s for the second Earl of Gosford, Archibald Acheson. Throughout the years, this grand residence has had a variety of functions – it even served as a prisoner-of-war camp run by the Allies during World War II. Now, after years of use as barracks, a restaurant and even a nightclub, the castle is to be given a new lease of life as a set of luxury residencies.

The stunning structure is complemented by modern amenities. Uponor's multilayer composite pipe was used throughout the property, in every application from underfloor heating to the larger diameter service pipework, converting the existing 150 rooms into high-specification living areas.

Net sales also fell in Western and Southern Europe, particularly due to the collapse of the Spanish construction market. Despite this, our plastic plumbing systems continued to strengthen their position there. Moreover, greater energy awareness and changes in official regulations increased demand for Uponor indoor climate systems, especially in Spain and Italy. One of our most important new projects was the construction of Dolce Vita Tejo, one of Europe's largest shopping centres, in Portugal, which was equipped with Uponor's cooling solution. The project developer is investing in sustainable solutions, in particular energy efficiency and low energy consumption. Thanks to active sales and marketing, promoting the benefits of Uponor's key offering, we were able to increase our net sales in the UK and France, despite the overall market trend.

In Spain, Uponor's consistent brand marketing was awarded through recognition of its status as the country's best-known brand in the field of underfloor heating and plastic plumbing systems. In France, we opened a new Uponor Academy training centre.

North America

Despite the U.S. recession and the decline in its construction markets, the fall in Uponor's net sales was clearly less than the market average. Through our successful marketing efforts and investments in the high-rise business, we were able to capitalise on the growth potential which also exists in challenging market conditions. Changes in the competitive arena provided opportunities to increase our market shares. In Canada, investments in the high-rise segment also bore fruit and net sales grew year-on-year.

In August, we announced a contract for the delivery of plumbing systems to 50–100 public schools in Ohio, United States, over the next three years. Furthermore, M/I Homes, one of the leading US home builders agreed to start using Uponor PEX plumbing systems in its house models in Ohio. These are significant deals since they will strengthen our supply in the area which has long been dominated by a competing product. In addition, Uponor was able to develop a working relationship with Hilton Hotels Corporation worldwide, including being selected to contribute and participate with Hiltons "Suppliers' Corner" programme, which

is an important tool that allows franchisees, their designers and contractors to view information about Uponor's offering. The programme also allows Uponor to proactively engage individual projects currently approved for construction.

In the United States, a code change was passed requiring the installation of fire sprinklers in new one and two-family dwellings effective as of 1 Jan. 2011. The code supports our business and provides future growth potential.

Uponor implemented various measures in North America in order to increase operational efficiency, profitability and cost control, including the closure of our Canadian plant and the construction of a new distribution facility in the United States. A particular emphasis was placed on marketing and the development of the sales organisation, including opening and staffing a Canadian Sales and Marketing Office near Toronto, Ontario. Additionally, we launched new products, five of which received industry awards for being the best or most innovative new products in their field.



Environmentally-sensitive design in the California Academy of Sciences

The California Academy of Sciences in San Francisco is a dynamic new facility, a museum transformed into one of the world's leading scientific and cultural institutions.

Multiple environmentally friendly and energy efficient technologies are utilised within the facility to reduce the building's ecological footprint. Radiant floor heating by Uponor reduces energy needs by up to 10 percent as the heat recovery systems capture and utilise heat produced by HVAC equipment. The planted roof provides a thermal insulating layer for the building, reducing energy needs for air-conditioning.

When the Academy opened in 2008, it received the highest rating by the U.S. Green Building Council and became the largest public building with the platinum LEED (Leadership in Energy and Environmental Design) nomination in the world.

Infrastructure Solutions

Although demand for municipal infrastructure mainly remained at a satisfactory level, the fall in large-scale residential construction projects also affected demand for infrastructure solutions. In the Nordic countries, we attempted to maximise the synergy gains achieved between housing solutions and infrastructure solutions through, for example, sales and marketing.

Adaptation measures inevitable

In 2008, we intensified our measures to adapt our operations to lower demand. To this end, we initiated a Group-wide cost-reduction programme aimed at adapting our cost levels in line with the sluggish demand prevailing in the construction market, while safeguarding our profit performance in weakened market conditions.

As part of the programme, we closed down our Canadian production plant and transferred parts of it to our Apple Valley, Minnesota site in the United States. We also decided to concentrate our European metal components production in one specialised plant in Germany, as a result

of which the production plant in Kungsör, Sweden will be closed down. Furthermore, the sales responsibility for the Irish market was concentrated in our UK office.

Since market prospects weakened further, Uponor continued to implement various other cost savings measures and staff cuts, and initiated discussions with employees in Spain, Sweden, Germany and Finland to save costs. Workforce reductions were also necessary in other countries.

Financial performance

As a result of the slowdown of the business internationally, Uponor's net sales decreased in all regional organisations, with the strongest impact being in North America and in Europe – West, East, South. In Central Europe, net sales nearly achieved the previous year's level due to the fact that demand for commercial and institutional construction remained relatively healthy throughout the year. Uponor was able to increase its business, measured in local currency, in the three largest European economies, i.e. Germany, the UK and France.

As a result of the steep slowdown of the house building markets, the share of housing solutions in relation to total sales slightly fell in 2008, ending up at 79.1 per cent, from 80.2 per cent in the previous year. The share of the infrastructure solutions business was thus 20.9.

Despite initiatives to curb costs, Uponor's operating profit was considerably affected by the historic slowdown of the building markets throughout the world. Excluding non-recurring items, the consolidated operating profit fell to ca. 8% of net sales. The rate of decline accelerated during the fourth quarter when the fall in market demand was the steepest. ●

Reporting structure

Uponor's corporate structure was renewed in October 2008 to include two regional organisations, Europe and North America. The financial reporting in this Annual Report still reflects the earlier structure with four Regions, i.e. Central Europe, Nordic, Europe – West, East, South and North America.



Partnering with professionals on the Pearl-Qatar

The Pearl-Qatar, located in the Arabian Gulf near Doha, is a project transforming an old pearl-diving site into an artificial island with living space for 40,000 people.

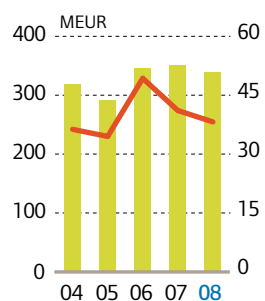
A primary objective is to incorporate a diversity of high-quality living environments, including luxurious apartment towers, beachfront villas and five-star hotels. The project is scheduled in four phases, with a target completion date in 2011.

Uponor has been actively involved in several key projects in the Arabian Gulf region and has gained a high reputation for its services, solutions and satisfied customers. Thus, it was only natural that the architects and engineers of the project chose Uponor's multilayer composite pipe systems for the extensive plumbing systems and a pre-insulated pipe system for the project's cooling networks.

Central Europe

MEUR	2008	2007
Net sales	339.4	351.3
Operating profit (EBITA)	38.2	41.1
EBITA ratio	11.3	11.7
Assets	180.9	181.4
Investments	8.5	11.0
Personnel, 31 December	1,230	1,273

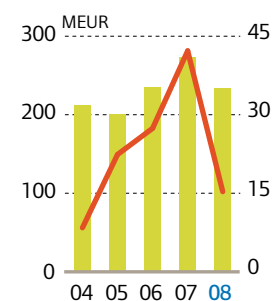
Net sales and operating profit



Europe – WES

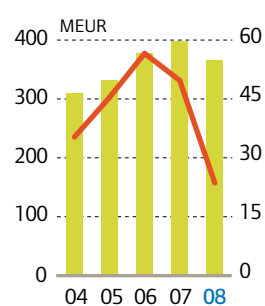
MEUR	2008	2007
Net sales	234.3	272.9
Operating profit (EBITA)	15.3	42.2
EBITA ratio	6.5	15.4
Assets	144.5	240.1
Investments	1.1	4.0
Personnel, 31 December	724	792

Net sales and operating profit



Nordic

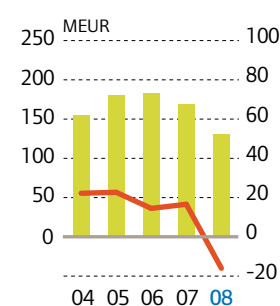
MEUR	2008	2007
Net sales	365.7	397.7
Operating profit (EBITA)	23.6	49.7
EBITA ratio	6.5	12.5
Assets	152.7	185.3
Investments	11.1	15.5
Personnel, 31 December	1,218	1,361



● Net Sales
— Operating profit (right)

North America

MEUR	2008	2007
Net sales	130.8	169.2
Operating profit (EBITA)	-16.0	16.6
EBITA ratio	-12.2	9.8
Assets	121.8	123.7
Investments	14.4	13.4
Personnel, 31 December	442	602



● Net Sales
— Operating profit (right)



“What separates us from others is that we’re more than a mere manufacturer. We’re the first to recognise trends, bring innovative and sustainable products to market, and provide solutions that meet our customers’ challenges.

We succeeded in the California Academy of Sciences project by listening, understanding and delivering.”

Left to right: Don Costello, Tina Elbert, Aaron Smith, Him Ly and Casey Swanson

Future growth based on a solid foundation

Our core purpose – better human environments in partnership with professionals – crystallises our objectives and operating policy: in co-operation with other professionals, we aim to achieve comprehensive, sustainable, high-quality solutions that create a pleasant setting for living, working and leisure.

Vision

Our aim is to enrich people's way of life throughout the world by producing energy-efficient heating and cooling solutions that elevate comfort to a new level and help save natural resources, while aiming for profitable growth, brand leadership and the position of a forerunner in the industry.

Values

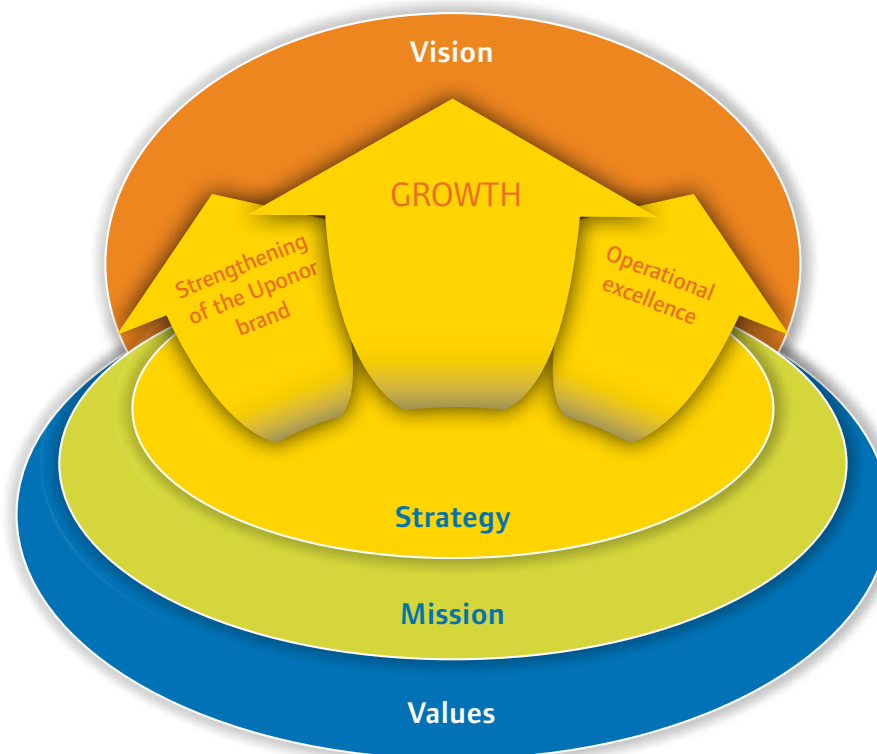
Our operating methods are based on corporate values:

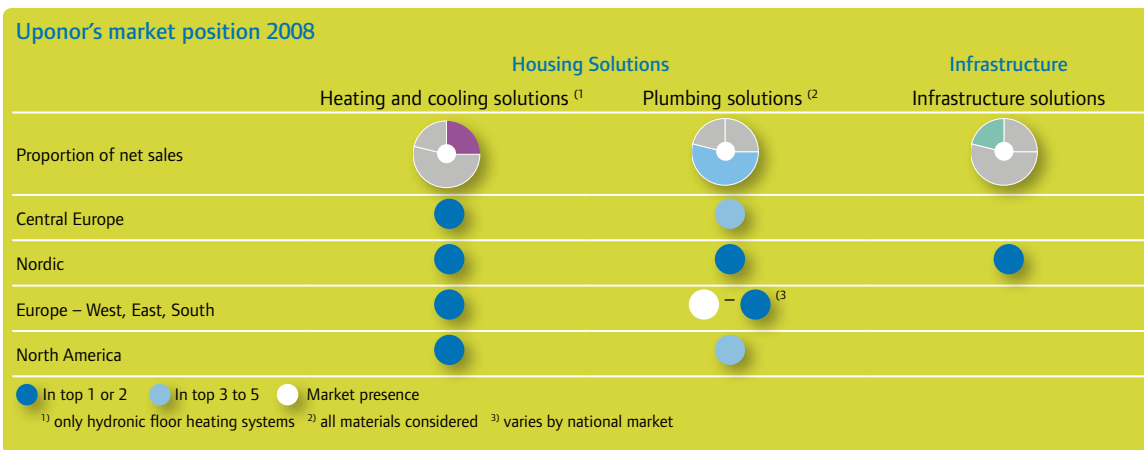
- Knowledge
- Enabling
- Most rewarding
- Improving effectiveness
- Committed

These values steer our conduct, and form the main pillars of our customer service and the Uponor brand.

Shift in strategic focus

Uponor's mission, vision and values create the basis for our corporate strategy, which comprises three focus areas: growth, brand and operational excellence. Since 2003, we have successfully developed a consistent Uponor brand and operational excellence. With the help of these, we have constructed a solid basis for the future growth.





- Uponor's long-term financial targets for 2007–2009**
- Annual organic net sales growth of over 6 per cent (average over the cycle)
 - Operating profit margin reaching the level of 15 per cent during the fiscal year 2009
 - Return on investment (ROI) of over 30 per cent
 - Gearing between 30 and 70 (average across quarters)
 - Growing ordinary dividend: at least 50 per cent of the company's earnings annually

Now, the strategic focus has shifted to supporting future growth. Uponor's potential is related both to organic growth in the current markets, where our strong position offers excellent opportunities for further business development, and expansion into new geographic areas. Regardless of the poor market situation, we have continued the determined exploitation of the potential of our growth projects. We have strived to improve our market position in Eastern Europe, measures taken including opening an office in Istanbul, Turkey. Moreover, the growing popularity of plastic plumbing systems, which continues regardless of the falling price of copper, has supported the achievement of our growth targets.

Focus on Housing Solutions continued

In line with our aim to focus on our core businesses, we divested our UK and Irish infrastructure business during the summer. This also entailed a withdrawal from infrastructure operations outside the Nordic countries. Although we

had achieved a leading market position within our segments in the British Isles, due to a different customer base and product portfolio, the divested business lacked a firm bond with our other operations, and did not generate synergy benefits with other businesses. However, in the Nordic countries the Housing Solutions and Infrastructure Solutions businesses form a strong, mutually supporting concept. Following the divestment in the British Isles, Housing Solutions generates 80 per cent of our net sales.

The business organisation of Housing Solutions in Europe underwent restructuring in the autumn. This involved the separation of housing solutions Sales & Marketing from the Supply Chain operations and forming them into two regional entities focussing on sales and marketing, while the new Supply Chain organisation is in charge of all housing solutions production, warehousing, logistics and sourcing activities in Europe. In addition, a separate unit focusses on the development of our offering. These changes do not

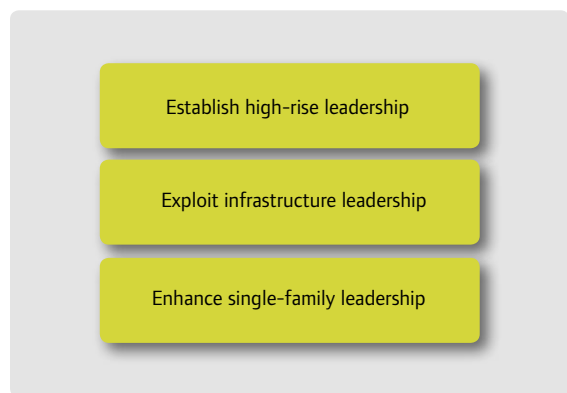
involve the Nordic Infrastructure or the North American business. The new structure is targeted at improving the utilisation of business potential and increasing operational efficiency and transparency.

Plumbing systems with easy installation

In plumbing systems, the intensive reduction in housing starts has rapidly increased the significance of renovations and modernisations. Our solid expertise and strong position as a plumbing system supplier has put us in a good position to capitalise on the potential provided by the increasing volume of renovations and modernisations being carried out.

Plastic plumbing systems have continued to gain ground due to their better handling properties and easy installation. In 2008, we launched several new products in different markets. For example, at the end of the year, we introduced a new riser system in which the traditional sys-

Cornerstones of the Uponor strategy



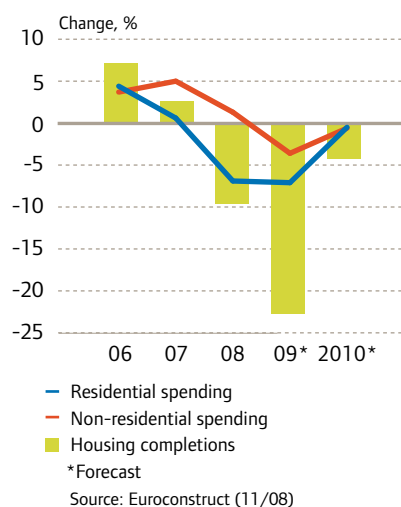
tem consisting of hundreds of parts has been replaced by a flexible, easy-installation solution consisting of only 27 parts. Furthermore, plastic fittings and our unique Quick&Easy fitting technology have rapidly gained popularity in the market.

The United States has approved a new regulation pertaining to single-family houses, according to which an approved automatic fire-extinguishing system must be installed in new buildings. We are well equipped to benefit from this decision, because our product portfolio includes a patented sprinkler system for single-family houses.

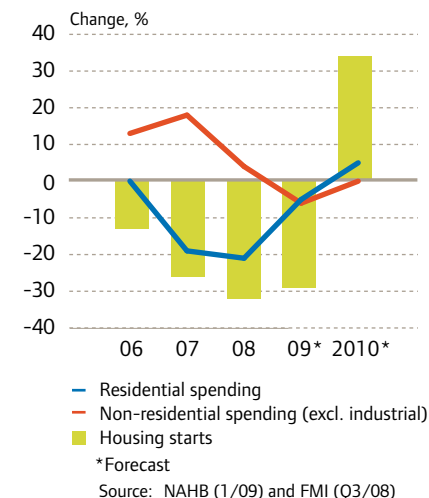
Better indoor climates

Indoor climate refers to the temperature conditions, indoor air quality, lighting and other environment physiologically experienced by humans. Our indoor climate systems entail radiant underfloor heating and cooling systems as well as ventilation and energy distribution networks. Our objective

Construction activity: Europe (Euroconstruct countries)



Construction activity: USA



is to offer solutions, optimised in terms of health, cost level, productivity and energy consumption, for controlling indoor temperature and air quality.

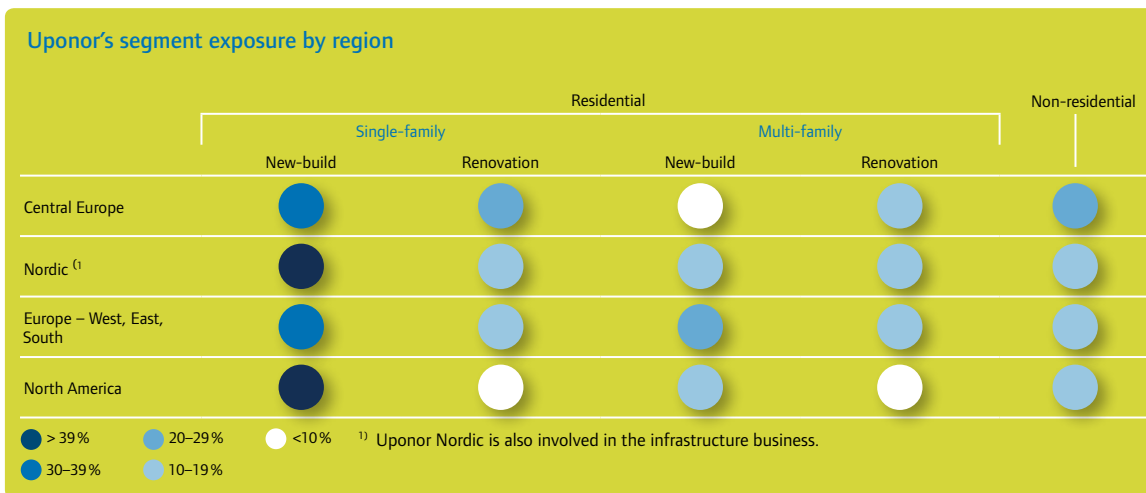
Underfloor heating has established its position in Central Europe and the Nordic countries, but in many other key markets in Europe interest is just emerging. Therefore, underfloor heating markets offer vast untapped global potential that provide a wealth of opportunities to us.

Furthermore, the cooling system markets are still in their infancy and traditional air conditioning systems are widely used. However, the energy-related debate that has arisen lately has raised the interest of developers in more energy-efficient surface cooling. Both energy and health related aspects support the abandonment of old-fashioned blow-based systems.

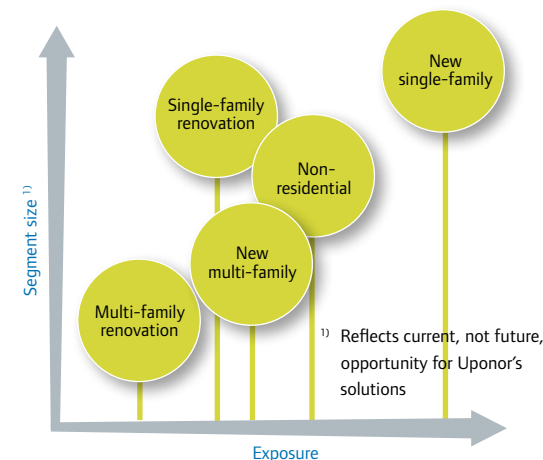
New building energy performance requirements are favourable towards our business and strategic growth areas. For instance, in line with new EU requirements, developers are allowed to decide for themselves on how to reach target levels, which makes it easier to adopt new technological solutions such as surface cooling.

Infrastructure solutions

In the Nordic countries, Uponor's infrastructure solutions have become well established. Our main focus is on waste water and storm water applications, where there is an opportunity to migrate customers from competing products, such as concrete pipes, to plastic solutions. This is supported by the benefits offered by plastic pipe systems, such as durability, easier handling properties and easy installation.



Uponor's exposure to key housing solutions segments



Growth from cooling and high-rise buildings

In line with our strategy, we have actively reinforced our position in the high-rise building segment, where building projects are often large and activities are managed on a project basis. Our leadership in the single-family segment supports our targets in the high-rise business, where we can utilise our advanced solutions and strong expertise.

Our other future growth area of significance, the cooling business, is closely linked to high-rise buildings. It has undergone positive development. During the year, the position of radiant underfloor heating and cooling solutions strengthened as they increasingly won market share over traditional systems. More stringent regulations and the growing recognition of energy-efficient heating and cooling systems, resulting in increasing demand, have supported this development. We have participated in several combined heating and cooling projects both in Europe and North America.

Hence, our strategic objectives of focussing on the cooling business and high-rise building segment have begun to bear fruit. Moreover, general developments in the operating environment further support our goals since, due to urbanisation, an increasing number of people will move into growth centres, thus increasing the need for building projects.

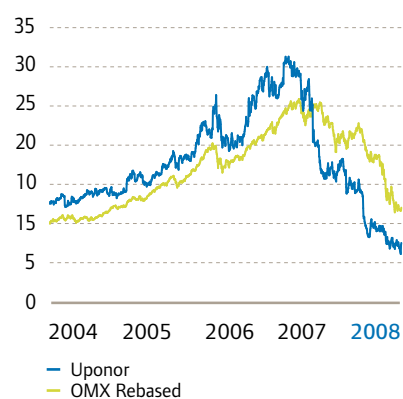
Increasing demands for energy efficiency and comfort of living are further increasing the need for renovations and modernisations. Customers are more cost-conscious, seek solutions with an attractive payback time and pay more attention to the life cycle costs of buildings and sustainable development. Our energy-efficient solutions are able to meet these needs without compromising on comfort requirements.

Regardless of the weaker market situation, we have succeeded in capitalising on new business opportunities in many key markets through focussing our efforts on the high-rise, renovation and modernisation segments.

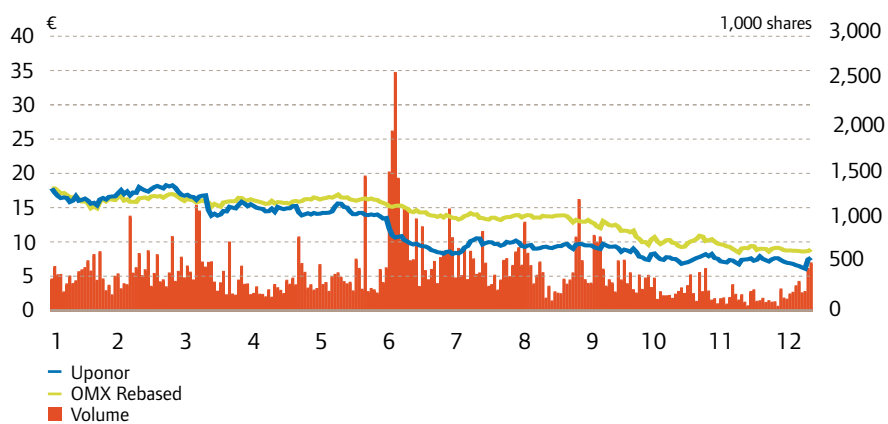
Enhancement of operational efficiency continues

Today, Uponor is a very different company from what it was a few years ago. The geographical scale of our operations has expanded while our business focus has increasingly shifted to systems that enhance the comfort of living, such as radiant underfloor heating and cooling. At the same time, our operations have been harmonised. In order to maintain the competitive strength, ensuring operational efficiency will remain crucial to us in the future. We are striving to achieve this e.g. with the help of various development programmes, the largest of which, the implementation of a European-wide ERP system, advanced according to plan. At the end of 2008, this system was used by almost all Uponor offices in Europe.

Share performance, 2004–2008, €



Share performance and trading 2008

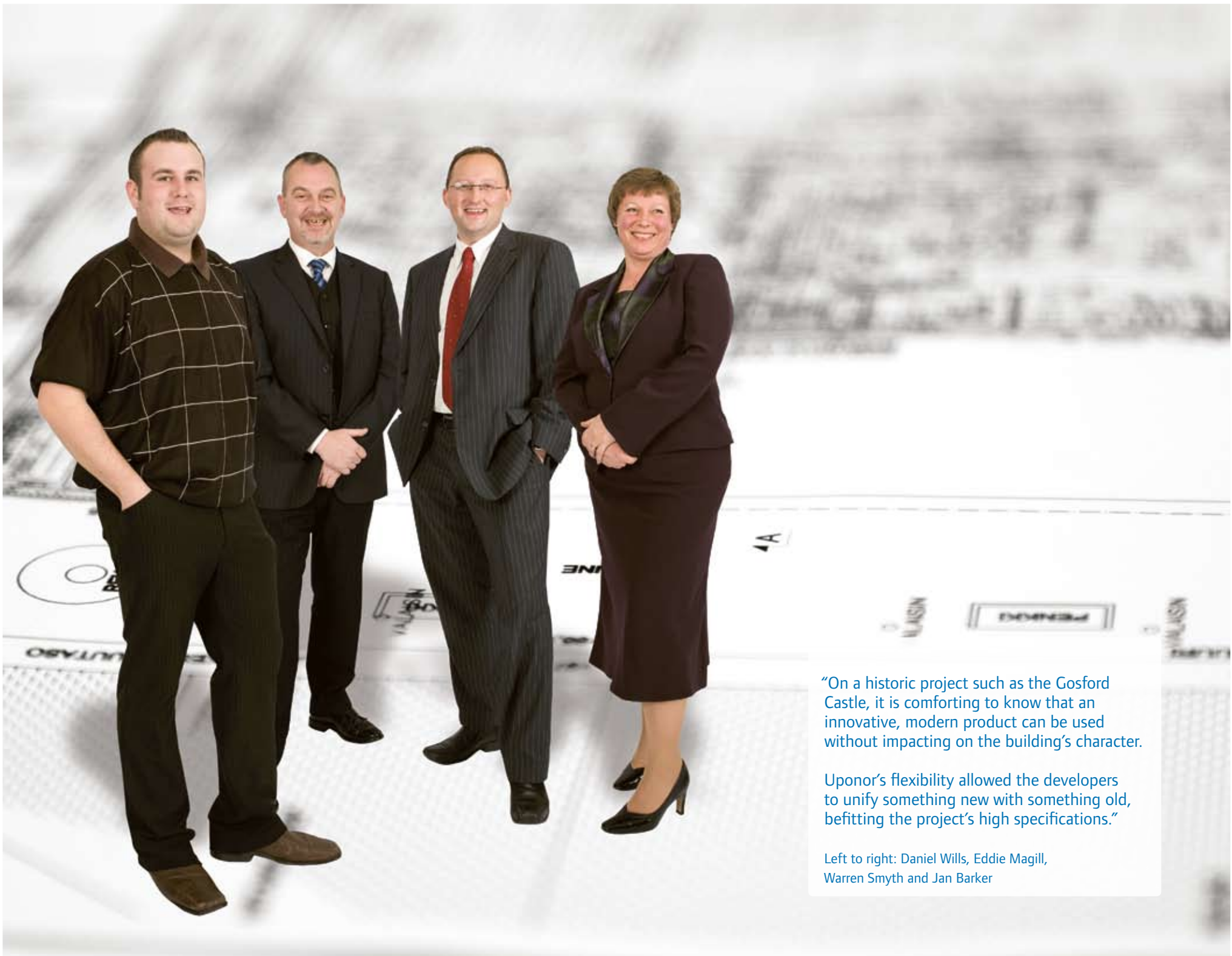


Uniform brand and cooperation

In 2008, we implemented several marketing campaigns related to strengthening the Uponor brand and partnerships, and participated in a number of significant trade fairs. For instance, in Spain, we particularly invested in increasing demand for heating and cooling solutions, while concluding several cooperation agreements in Eastern Europe in order to enhance the high-rise business.

In the high-rise segment, we aim to construct a brand renowned by major international developers. Sales and marketing teams throughout the world are contributing to this goal. During the year, we also renewed our customer segmenting model. The new model enables us to meet customer needs better in different segments.

During the year, we participated in a number of international cooperation and development forums, which strive to develop construction, particularly in the long term, in cooperation with various operators. ●



“On a historic project such as the Gosford Castle, it is comforting to know that an innovative, modern product can be used without impacting on the building’s character.

Uponor’s flexibility allowed the developers to unify something new with something old, befitting the project’s high specifications.”

Left to right: Daniel Wills, Eddie Magill, Warren Smyth and Jan Barker

Environment and energy in focus

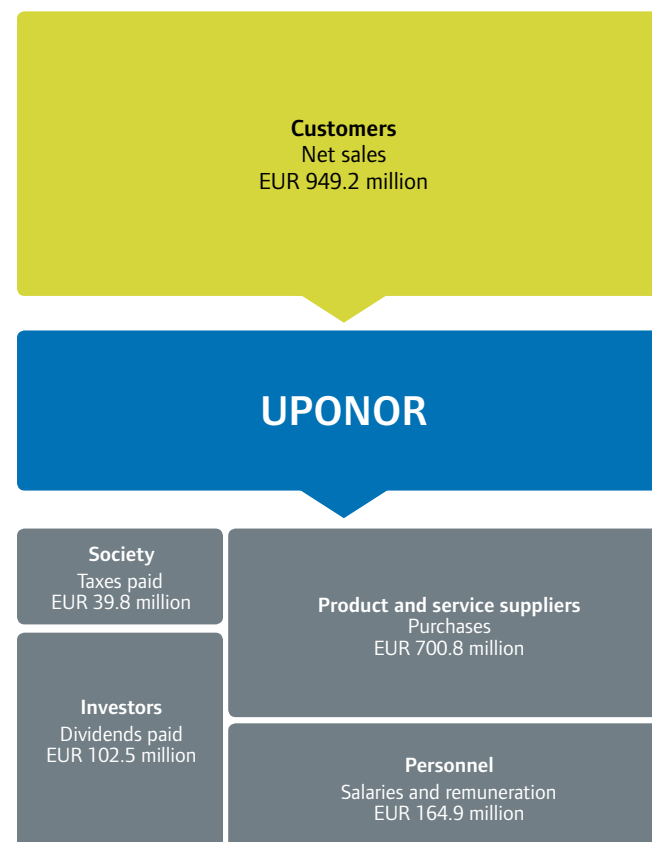
Uponor provides superior and innovative solutions that bring comfort to living, such comfort taking various forms, from physical well-being and safety, to peace of mind. Our solutions are life-cycle efficient, technologically safe and advanced, pro-environmental and ethically sound. Uponor's products enable energy-efficient solutions, a continuously suitable temperature, pure water, and fresh air in any facilities where people live, work or spend their leisure time.

The energy performance of buildings plays a major role in curbing climate change. For the sake of our future, it is important that the key aspects of sustainable development be taken into consideration when planning buildings. Such aspects include energy-efficiency, environmental friendliness, efficient utilisation of renewable energy sources and life cycle thinking.

Control and guidance based on energy and environmental policies is increasing throughout the world. Regulatory authorities are tightening their requirements, these being increasingly targeted at larger wholes instead of individual products. At the same time, more and more attention is being paid to the operating costs of products and systems throughout their life cycle. While building owners and users are favouring systems with minimal energy consumption, investors are favouring green buildings, which they consider less risky investments than ordinary properties.

Energy efficiency, a small ecological footprint and decentralised systems based on renewable energy sources are factors which, jointly and severally, will affect choices regarding the housing of the future. Expedient housing technology is based on the adaptation of a building to its environment. This in turn involves an analysis of the best possible location for a building, availability of energy sources, and their suitability for heating and cooling the building. Upon

Financial impact on stakeholders





Left to right: Tarmo Anttila (Uponor), Lorenzo Delorenzi (Borealis) and professor John Anthony Allan in the press event where the water footprint initiative was published.

planning the heating and cooling system, the first task is to chart whether there are energy flows or sources in the vicinity which might be utilised. These may include the ground under the site or the water in the adjacent lake.

The existing building stock is also subject to pressures for energy efficiency improvements. This requires the development of both technical solutions and business models. In order to introduce environmentally friendly heating and cooling solutions for renovation projects, the industry needs to develop new kinds of installation methods and align their offering with the structural solutions used in older buildings.

Pioneering the first water footprints in the plastics industry

In connection with World Water Week, Uponor and the plastic raw material manufacturer Borealis announced a joint initiative to pilot the concept of the water footprint in the manufacture of a plastic application. The concept is being applied to assess the amount of water needed to equip a typical home with a modern plumbing and underfloor heating system. This initiative will investigate water uses across the entire plastics industry value chain, from raw materials extraction to a full system installed in the home. Initial findings show that a typical underfloor heating and tap water plumbing system for a 100 m² apartment using 500 metres of PEX pipe requires some 29 m³ of water during production and installation. The plastics material and pipe production account for a third of the total footprint of the system once installed.

As part of our environmental approach, we are constantly developing products and processes that help people and industry save resources. The water footprint represents an excellent way of putting our long-term sponsorship of the Stockholm Water Prize to practical use. Understanding our footprint could be a key tool in the further guidance of the development of more water-saving products.

Comfort and energy-efficiency

The development of pro-environmental products is nothing new to us – we have a long tradition in this area. Uponor aims not only to meet the minimum standards set by the authorities but also to blaze a trail in its industry by taking environmental considerations way beyond those required.

The environmental burden of Uponor's products is small since they save on energy, costs, and harm to the environment during all stages of use, from delivery and installation to the end of the product's life cycle. Plastic pipes have a long service life, after which they can be recycled.

One of Uponor's main products is a radiant underfloor heating system which creates a perfect match with renewable energy sources. Underfloor heating saves energy, since

the room temperature can be reduced by several degrees, creating energy savings of up to 20 per cent compared to many other commonly used heating systems. Furthermore, a cooling system based on the same principle, i.e. the radiation effect, is both more energy-efficient and more comfortable to use than systems based on traditional forced air technology.

Europe's ever-more stringent drinking water regulations are setting higher requirements for pipe raw materials, making the related development work essential. Our systems are in line with these regulations, ensuring that water running through them remains pure.

With respect to municipal infrastructure products, the most pressing task in Finland and Sweden is to reduce domes-



Listen to the water

tic wastewater emissions in rural areas in order to prevent pollution of the environment. In practice, this means that the property owner must build or renovate the wastewater system so that it meets the minimum official requirements. Our product range has long included various types of solutions for domestic wastewater treatment.

Success through reliable partnerships

The starting point of Uponor's operations is to provide added value to customers and partners by focusing on long-term co-operation, providing a reliable partnership and offering solutions that enable our customers to succeed in their business operations. Our ultimate goal is to partner with other professionals to create better human environments.

Listen to the water campaign for Uponor employees

We also sought to increase our personnel's awareness of water and its importance to our everyday lives. For this purpose, we invited our entire personnel to participate in a competition arranged in the spring of 2008 by sending water-related photographs and stories from their own lives. This 'Listen to the water' competition was a success. The winners were announced simultaneously with World Water Week.

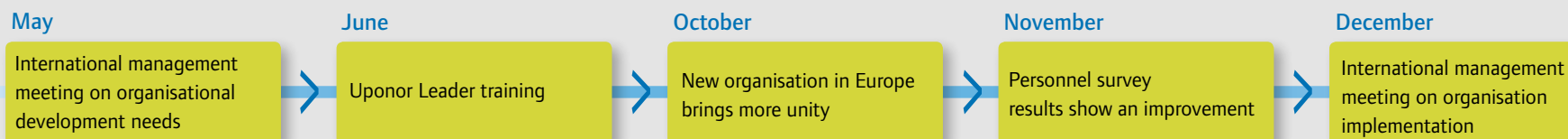
We are seeking to consider environmental aspects in the development and manufacture of our products. Furthermore, we find that maintaining and improving employee well-being and appreciating partners, consumers and society constitute an essential part of responsible business operations. At the same time, we are complying with the applicable rules and regulations throughout our operations.

Almost all of Uponor's production units hold either an ISO 9000 quality certificate or an ISO 14000 environmental certificate. The aim is that all Uponor offices and plants implement a certified environmental management system. Each site has been responsible for the management of its environmental work until the organisational restructuring implemented in the autumn of 2008, since when quality and environmental operations have been managed from a pan-European perspective. The purpose of this is to pro-

vide increasingly extensive and reliable information on the effects of the Group's operations.

Uponor's production units aim to take environmental risks into account as part of their production process management and development. The most significant environmental effects stem from the use of raw materials, and from energy consumption and transportation. The manufacture of resin-based products does not generate major emissions or other hazards to the environment, and raw materials are used efficiently. In accordance with our environmental responsibility, we crush raw material waste and either reuse it in production or sell it for recycling or energy use. Our water is purified and recycled in a closed system. Furthermore, we minimise the environmental effects of our transportation through efficient delivery planning. We also require that our suppliers observe environmental considerations.

Organisational development



As part of the implementation of our mission – partnering with professionals to create better human environments – the Uponor Academies operating in various countries provide training opportunities for contractors, engineers, sub-contractors and installers. These training sessions focus on the installation and use of Uponor systems.

Uponor wants to be a good corporate citizen, an attractive supplier and the employer of choice in the locations in which it operates. We aim at open and straightforward cooperation with governmental authorities and the media in order to successfully communicate the needs and wishes of both ourselves and our customers. Uponor co-operates with numerous educational institutions and provides both student traineeships and full-time jobs for qualified graduates. We also attempt to increase awareness of our industry and operations.

Activities on a broad front

Uponor participates in numerous organisations and projects aimed at increasing the environmental friendliness and energy efficiency of products and operations, as well as various non-profit initiatives focusing on increasing awareness of these issues. For example, we are a member of the US and UK Green Building Councils, enabling us to contribute to making the real estate and construction sector overall more environmentally friendly. Furthermore, via the European Plastic Pipes and Fittings Association (TEPPFA), we have joined a voluntary recycling programme and are participating in the definition of environmental product declarations.

Since 1995, we have been a member of the Stockholm Water Foundation, which aims to encourage research into, and the development of, the world's water environment. The foundation annually awards the Stockholm Water Prize, an international water protection award, to an individual, organisa-

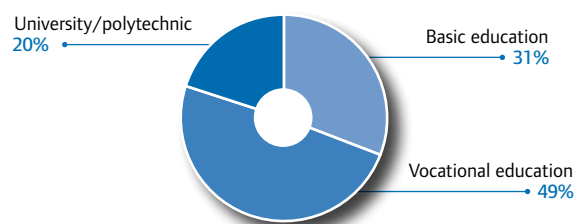
tion, or institution for outstanding water-related activities. In 2008, the award was granted to Professor John Anthony Allan for his work on the water footprint and virtual water.

Success lies in motivated staff

We want to be a reliable and attractive employer that provides rewarding jobs and opportunities for growth.

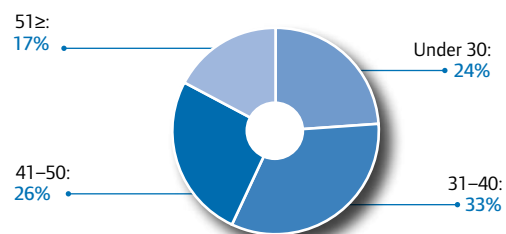
The development of employees' competencies and well-being and of a safe working environment forms a central part of our social responsibility. Indeed, the previously initiated strategic human resource development was continued according to plan during the year under review. We also aim at ensuring business success in the future by developing skills and expertise that are vital to our strategy. For example, the restructuring programme supporting our integration goals and the related personnel development activities have been implemented since 2004.

Education level of personnel



Our success lies in our highly skilled and motivated staff. In November, we carried out an annual Group-wide personnel survey. This survey is an important human resource management tool in assessing employee motivation and competence. It also provides a basis for unit-specific action plans and monitoring the achievement of goals. Furthermore, the survey provides a channel through which employees can influence the company's operations. Despite the numerous uncertainty factors that prevailed in 2008, the overall results of the survey improved. This demonstrates that our persistent development work is bearing fruit. For example, performance and development discussions and objective-based management have established their position as normal daily management practices.

Personnel age distribution

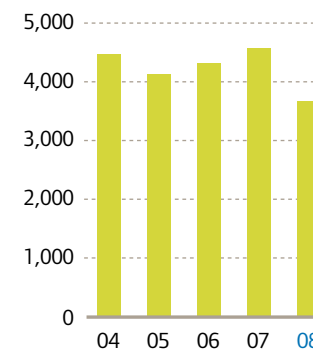


Management and leadership development

In 2008, particular attention was paid to the development of management and leadership competencies as well as performance management. Annual performance and development discussions are held to discuss the company's goals, with personal goals being specified on the basis of these. In the new organisation, performance management is increasingly important since the teams are often geographically dispersed and work in different sites and countries. The new organisation not only supports the achievement of our strategic goals but also enables us to speed up our processes and improve our customer orientedness.

In addition to the development of managerial skills, we continued to provide training for the senior management to further support their capabilities for change and per-

Personnel at year-end



formance improvement. The purpose of this training is to ensure that each manager has in-depth understanding of the corporate strategy as well as his or her own role in its implementation. Furthermore, implementation of the Early Talents training programme, aimed at identifying and developing future manager and specialist potential, was continued.

In 2008, we recruited several key employees throughout Europe, extended our incentive practices and introduced a three-year share-based incentive scheme targeted at selected persons holding international executive positions at Uponor.

The year 2008 saw only a few accidents leading to sick days, and there were no serious occupational accidents. ●

Uponor – 90 years of living comfort

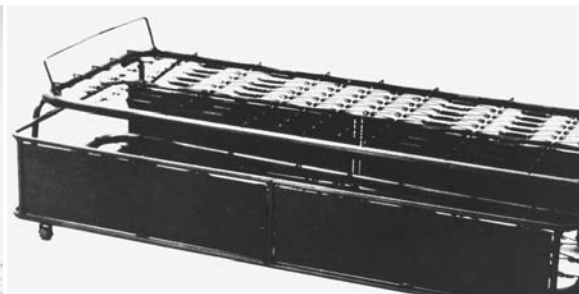


Throughout its 90-year history, Uponor has been active in the home and building sector, always with the aim of creating better human environments. The story of the company began in furniture, but shifted over the years from interior decoration to building structures and the development of housing solutions invisible to the eye. Today, Uponor's vision is to provide solutions that enrich people's way of life throughout the world.



1918

The history of Uponor began on 13 August 1918, when a visionary man named Aukusti Asko-Avonius established a carpentry workshop in Lahti, Finland. The first product of the company, which became known as Asko Oy, was a desk put into serial production, which revolutionised the traditions of the trade. Asko soon developed into the largest furniture supplier in the Nordic countries and the largest furniture retailer chain in Finland.



1930

A couple of decades later, Finland was engaged in post-war reconstruction and in dear need of utility articles. To accompany the factory manufacturing wooden furniture, Asko-Avonius founded Upo Oy, which was led by his son, Arvi Tammivuori. Upo focused on the manufacture of metal goods, with metallic spring beds as its first hit product.

Known for its bold moves and ambition to engage in international expansion, Asko founded its first subsidiary, as early as 1947, in the United States. Having won international awards, Finnish design sold well in the 1950s, particularly in Germany. The peak year of Asko's foreign operations was 1972, after which it became evident that serial production of design articles was ultimately not the way to go.

1940

In 1952, Upo began to conquer the Finnish household appliances market by introducing the first Upo refrigerators and, a year later, Upo washing machines. The company rapidly developed into Finland's largest producer of household appliances. Other key products included cast-iron sewer and water pipes and central heating radiators manufactured by the Upo foundry.

1950



1960

As the company's open-minded visionaries passed away, Asko-Avonius in 1965 and Tammivuori in 1972, the lack of strong leadership gradually began to show and the company's success began to fade. In 1965, Upo opened a plastic and refrigeration equipment plant, founded on Tammivuori's initiative, in Nastola, near Lahti. The plant launched its first plastic pipes, and plastics soon turned out to be the industry of the future.

1970



1980

In 1982, the growing plastic pipe business needed new resources, and Asko and the oil company Neste established a joint subsidiary that was to expand the business abroad. The new company, Oy Uponor Ab, soon established its position as the leading plastic pipe manufacturer in the Nordic countries and continued to grow through acquisitions in Ireland, the UK, Germany and Norway. With two acquisitions accomplished in 1988, Wirsbo in Sweden and Hewing in Germany, the company created the basis for becoming the world's leading supplier of plastic heating and plumbing pipes for buildings.



1990

Asko now focused its resources on the development of Uponor's plastic pipe business. In 1990–1991, Uponor expanded its operations into North America. Towards the end of the 1990s and early 2000s, Asko divested all of its other businesses to focus on Uponor.

2000

By the year 2000, housing solutions had achieved an increasingly important role at Uponor and growth investments were directed in line with this strategy. Through the acquisition of Unicor, Uponor became the leading supplier of composite multi-layer plumbing pipes.

On 31 December 1999, the parent company Asko merged with its subsidiary, and the organisation assumed the name Uponor Corporation.



2008

Since the turn of the millennium, Uponor has focused on integrating the company. The company, which had been highly decentralised after many acquisitions, has now become a uniform, efficient and profitable whole, whose core businesses are international housing solutions and Nordic municipal infrastructure.



“The cooperation, commitment and team spirit of our crew, besides Uponor’s services and products, enabled us to succeed in this project.

The Pearl-Qatar will be talked about around the world: it’s a destination of aspirations and incredible quality homes on an island paradise.”

Left to right: Rainer Bräunig, Mareen Möller, Jochen Pfeiffer, Jens Schüll and Jürgen Peter

Corporate governance

Pursuant to the Finnish Companies Act and the Articles of Association of Uponor Corporation (hereinafter ‘the Company’), the control and management of the Company is divided among the shareholders, the Board of Directors (‘the Board’) and the Chief Executive Officer (‘CEO’). The Company’s shares are quoted on the NASDAQ OMX Helsinki Ltd, and the Company observes its rules and regulations for listed companies. Furthermore, the Company complies with the Finnish Corporate Governance Code 2008 issued by the Securities Market Association from which it deviates only as regards the order of nomination of members of the Nomination Committee. Said Code is available on the website www.cgfinland.fi.

General meetings of shareholders

Shareholders exercise their rights in general meetings of shareholders, which constitute the Company’s highest decision-making body. Under the Finnish Companies Act, decisions made by general meetings of shareholders include:

- Amendments to the Articles of Association
- Adoption of the annual accounts
- Dividend distribution
- Share issues
- Buyback and disposal of the Company’s shares
- Share and stock option plans
- Election of members of the Board and decision on their emoluments
- Election of the Company’s auditor and decision on audit fees

Under the Finnish Companies Act, a shareholder has the right to require that an issue to be addressed by the general meeting of shareholders be included on the agenda of the general meeting of shareholders, if (s)he submits his/her demand in writing to the Board well in advance so that the matter can be included in the notice of meeting.

Shareholders who alone or jointly with others hold a minimum of 10 per cent of the Company’s shares have the right to demand in writing that an extraordinary general meeting of shareholders be convened for the purpose of dealing with a specific matter.

Shareholders are entitled to exercise their rights at the general meeting of shareholders via an authorised representative, and the shareholder or the representative authorised by the shareholder may use an assistant at the meeting.

Shareholders wishing to participate in and exercise their voting rights at the general meeting of shareholders must notify the Company of their intention to attend the meeting by the date mentioned in the notice of meeting.

Board of Directors

Duties

In accordance with the Finnish Companies Act, the Board of Directors is responsible for the management of the Company and the proper organisation of its activities. The Board’s main duty is to direct the Company’s operations in such a way that, in the long run, the yield to shareholders is secured, while simultaneously taking the expectations of various stakeholders into account. In addition to its statutory duties, the Board takes decisions on all other significant issues.

According to the charter of the Board of the Directors, the Board shall, among other things:

- a) annually review, and determine, the rules of procedure of the Board and Executive Committee (‘ExCom’),
- b) approve the Group’s values and monitor their implementation,
- c) approve the Group’s basic strategy and monitor its implementation and updating,
- d) determine the dividend policy,
- e) present a proposal to the general meeting of shareholders on the payment of the dividend, including the amount and time of payment,
- f) approve the annual operational plan and budget based on the strategy, as well as monitor their implementation,
- g) annually approve the total amount of investments, and investments exceeding the approved total annual investment limit,
- h) approve investments and leasing arrangements with net present value of leases exceeding the limit specified in the Signing and Authorisation Policy,
- i) approve acquisitions, joint ventures, partnerships, licensing arrangements and asset divestments exceeding the limit specified in the Signing and Authorisation Policy ,
- j) approve the Group’s general organisational structure,
- k) appoint and dismiss the CEO and determine the terms of his/her service contract,
- l) prepare and approve the CEO’s annual compensation,
- m) approve the appointment and dismissal of members of the ExCom,
- n) approve annual compensation for the members of the ExCom,
- o) prepare and approve a succession plan for the CEO,
- p) approve succession plans for members of the ExCom,
- q) approve the interim reports, annual report and annual accounts,

- r) meet the external auditor at least twice a year,
- s) regularly review the system of internal control, the management and reporting of financial risks and the audit process,
- t) prepare proposals for general meetings of shareholders,
- u) annually evaluate the performance of the CEO and members of the Board as well as that of the Chairman,
- v) approve key Group operational policies, such as compensation policy,
- w) deal with other issues raised by the Chairman or CEO.

Election and membership

Pursuant to the Articles of Association, the Board comprises a minimum of five and a maximum of seven members, elected for a one-year term starting at closing of the Annual General Meeting (AGM) at which they were elected and expiring at closing of the following AGM. Board members may be elected or removed only by a resolution adopted by the shareholders in a general meeting. The number of terms Board members may serve is not limited, nor is there any defined retirement age applying to them. The Board elects from among its members a Chairman and Deputy Chairman, for one year at a time.

The AGM held in March 2008 elected the following five members to the Board: Mr Jorma Eloranta, Mr Jari Paasikivi, Mr Aimo Rajahalme, Ms Anne-Christine Silfverstolpe Nordin and Mr Rainer S. Simon. (For more detailed information on Uponor's Board members, please see page 36 in the annual review or visit www.uponor.com.)

The Company complies with the recommendations on issues related to Board members, their independence and non-executive position, issued by the Securities Market Association. All Board members are required to act in the best interest of the Company, its subsidiaries and all shareholders, and to disclose any potential conflicts of interest.

All of the current Board members are independent of the Company and all of the Board members, except for Mr Jari Paasikivi, are independent of major shareholders.

It is in the interests of the Company and stakeholders that the elected Board members represent expertise in various fields, such as the Company's industry, relevant technologies, financing, human resources management, risk management and international sales and marketing.

The AGM determines Board emoluments and fees. Based on the 2008 AGM's decision, the annual Board emoluments are as follows: Chairman EUR 71,000, Deputy Chairman EUR 49,000 and ordinary Board members EUR 44,000.

Additionally, the AGM decided that approximately 40 per cent of the annual emoluments be paid in company shares acquired on behalf and in the name of the Board members, and approximately 60 per cent in cash.

The table below shows annual emoluments and fees paid to the current Board members during 2008:

Board member	Annual emoluments, €
Paasikivi, Jari, Chairman	71,000
Rajahalme, Aimo, Deputy Chairman	49,000
Eloranta, Jorma	44,000
Silfverstolpe Nordin, Anne-Christine	44,000
Simon, Rainer S.	44,000
Total	252,000

According to Uponor's policy, emoluments and fees are paid only to non-executive Board members.

The Board members are not involved in the Company's share-based incentive scheme.

Meetings and decision-making

The Board meets on average 10 times a year. Some meetings may be held as teleconferences. Two of the meetings should take place at a business unit, a different one each time. The Board may also meet at any time without the presence of the corporate management and make decisions without holding a meeting. Minutes of a meeting are taken in English for each meeting.

During 2008, the Board held 12 meetings, one of which at a business unit, and made seven decisions without a meeting. Five non-attendances were recorded, four of which were partial.

The CEO shall prepare the Board meeting agenda for the review by the Chairman. Any Board member may recommend the inclusion of a specific agenda item, such recommendations being accommodated to the extent practicable.

Material for Board meetings shall be distributed to the members well in advance of each meeting.

The CEO and the Secretary to the Board shall attend Board meetings on a regular basis, while other members of the corporate management shall attend at the Chairman's invitation.

Board members shall have complete access to members of the ExCom and vice versa. Any non-routine communications shall be reported to the CEO.

The Board constitutes a quorum when more than half of the members are present. Decisions shall be made on a simple majority basis, with the Chairman casting the deciding vote should the votes be even.

Board Committees

Audit Committee

In December 2008, the Board decided to set up an Audit Committee. The Company previously had no such committee, but the Board has performed the duties vested with this. The Board has met with the external auditor at least twice a year, once without the presence of the corporate management, and with the internal auditor, at least once a year. In addition to monitoring internal and external audits, the Board's duties as Audit Committee have included examining the contents of the Company's annual accounts and interim reports, and monitoring its internal control and risk management systems.

Mr Jari Paasikivi, Mr Aimo Rajahalme and Mr Jorma Eloranta were elected as members of the new Audit Committee with Mr Aimo Rajahalme acting as Chairman of the Committee. The Committee did not hold any meetings during 2008.

According to the charter of the Audit Committee, the Committee shall have the following duties:

- To monitor the reporting process of financial statements;
- To supervise the financial reporting process;
- To monitor the efficiency of the Company's internal control, internal audit and risk management systems;
- To review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement;
- To monitor the statutory audit of the financial statements and consolidated financial statements;
- To evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited; and
- To prepare the proposal for resolution on the election of the auditor.

Nomination Committee

In December 2008, the Board decided to set up a Nomination Committee. The Board considered that, taking account of the Company's ownership structure, a model in which the largest shareholders nominate the members of the Nomination Committee would best serve the interests of the shareholders as well as the goal of transparency. Thus the Board decided to deviate from the Finnish Corporate Governance Code. The Board asked the three largest shareholders to each nominate one member for the Nomination Committee, following which Mr Pekka Paasikivi was nominated as representative of Oras Invest Ltd and Mr Risto Murto as representative of Varma Mutual Pension Insurance Company. Mandatum Life Insurance Company Ltd did not appoint a representative for the Committee. Furthermore, Mr Jari Paasikivi, Chairman of the Board, was appointed as expert member of the Nomination Committee. The Committee members appoint a Chairman from among themselves. The Committee will hold an organisatory meeting in early 2009.

According to the charter of the Nomination Committee, the Committee shall have the following duties:

- To prepare the proposal for the appointment of directors to be presented to the general meeting;
- To prepare the proposal to the general meeting on matters pertaining to the remuneration of directors;
- To present the proposal for the appointment of directors to the general meeting.

In order to ensure as broad an expertise as possible in matters related to the remuneration of the CEO and other managers of the Company as well as the incentive systems for the rest of the personnel, the Board has decided that no separate Remuneration Committee be established, but that the whole Board will perform these duties.

Chief Executive Officer

Assisted by the Executive Committee, the CEO is in charge of the Group's day-to-day management in accordance with the orders and instructions issued by the Board. It is the CEO's duty to ensure that the Company's accounting procedures comply with the applicable legislation and that the financial management is conducted in a reliable manner. The CEO is also the Chairman of the ExCom.

Mr Jan Lång acted as CEO of the Company until 27 October 2008, on which date Mr Jyri Luomakoski was nominated as the new CEO.

In 2008, the remuneration paid to the CEO, Mr Jan Lång, totalled EUR 369,970.16, including fringe benefits. He also received EUR 41,384.00 in bonuses, i.e. a total of EUR 411,354.16. The annual remuneration of the new CEO, Mr Jyri Luomakoski, is EUR 408,000.00. The CEO is entitled to a bonus of a maximum of 50 per cent of his annual remuneration. In 2008, the remuneration paid to Mr Jyri Luomakoski in his capacity as the CEO totalled EUR 57,030.20, including fringe benefits.

Under the terms of the written service contract with the CEO, the contract may be terminated by either the CEO or the Company at six months' notice. If the Company terminates the contract, it shall pay the CEO, in addition to the statutory compensation for the notice period, an amount equivalent to the remuneration paid to the CEO for 12 months preceding the termination. The Company may also terminate the agreement with immediate effect by paying and indemnification equivalent to his 18-month remuneration. The CEO retires at the age of 63, with a pension accrued in accordance with the Employees' Pensions Act (TyEL). Furthermore, the Company has taken a defined contribution pension insurance for the CEO, to which the Company annually pays EUR 40,000.00.

Executive Committee

Duties

The Executive Committee is mainly responsible for formulating and implementing the Group's strategy. It also discusses and decides on significant operational issues, while each of its members is responsible for the Group's day-to-day management with respect to his/her field of responsibility.

The ExCom shall, among other things, attend to the following:

- a) the Group's strategy and its implementation throughout the Group,
- b) budgets, business plans and their implementation,
- c) significant organisational changes and any changes in employment conditions affecting large numbers of employees such as:
 - the composition of area/regional management teams,
 - major structural changes within the organisation,
 - all major redundancy programmes,
- d) the appointment or removal of Senior Officers and Unit Managers belonging to the reporting chain of any ExCom member,
- e) annual salary and incentive structures of the management (excluding those of ExCom members),
- f) investments and leasing arrangements with net present value of leases being in the limits specified in the Signing and Authorisation Policy,
- g) acquisitions, joint ventures, partnerships and licensing arrangements and, should these exceed the limit specified in the Signing and Authorisation Policy, the ExCom shall submit a proposal to the Board
- h) incorporation or dissolution of legal entities,
- i) asset divestments – including real estate, legal units and shares in the limits specified in the Signing and Authorisation Policy,

- j) performance by region/unit including analysis of market trends and the competitive environment, as well as significant corrective actions (to be discussed in each meeting),
- k) R&D and new business development priorities and resources,
- l) items related to the Group's brand architecture,
- m) legal disputes and claims of a significant nature including matters at regional/unit level,
- n) other matters, upon the Board's request.

ExCom prepares proposals to the Board on matters which require a resolution of the Board.

Membership

The ExCom comprises of the CEO and the number of executives determined by the Board, with the CEO acting as the Chairman. (For more information on ExCom members and their responsibilities, please refer to pages 38-40 or visit our website at www.uponor.com.)

Meetings and decision-making

The ExCom meets 8–12 times a year, with informal records being kept of its meetings. In 2008, the ExCom held 13 meetings.

The target is to achieve a unanimous view among the members of the ExCom on the issues under discussion. The decisions shall be confirmed by the Chairman.

Board and CEO evaluation

The Board conducts an annual evaluation of the CEO's performance with respect to, for example, strategic planning, management skills and financial performance, based on a special evaluation form. In addition, the Board conducts a separate evaluation of its performance and that of the Chairman, while each director also assesses his/her personal performance.

Compensation

The Group's compensation system consists of the basic salary, fringe benefits and a profit and performance-based bonus, which is subject to an individual employee's position. The superior of an employee's immediate supervisor is responsible for approving an individual employee's compensation.

The members of the ExCom have a long-term incentive programme. To be eligible to participate in the scheme, an ExCom member had to acquire Uponor shares of a specific total value, as defined under the scheme, by the end of August 2008. Depending on the cumulative operating profit of Uponor during 2007–2011, and the number of shares acquired within the scheme, each member is eligible for being awarded Uponor shares in the spring of 2012.

In October 2008, the Company's Board decided to extend the incentive scheme to part of the Company's international management. To be eligible to participate in the scheme, a person must acquire Uponor shares of a specific total value, as defined under the scheme, by the end of August 2009. Depending on the achievement of the Company's financial targets for 2009–2011, and the number of shares acquired within the scheme, these persons are eligible for being awarded Uponor shares in the spring of 2012.

A Group employee is not entitled to a separate fee for a board membership within a Group company.

The Board determines the CEO's employment terms and conditions and annual compensation, and approves ExCom members' annual compensation, based on the CEO's proposal.

Internal control, risk management and internal audit

Internal control

The Board is responsible for the principles of internal control in Uponor. Uponor's internal control is defined as a process influenced by the Board, the management and all the individual employees of the Group. The objective of internal control is to ensure that:

- the management has a reasonable assurance that the company's operations are effective, efficient and aligned with the strategy
- the financial reporting and management information is reliable, comprehensive and timely
- the Group complies with applicable laws and regulations.

Uponor's internal control framework strives to balance the business needs and the control perspective. The aim of the internal control framework is thus to:

- focus on the most business-relevant risks and issues from the strategic alignment and operational effectiveness point of view
- promote good business ethics, good corporate governance and reliable risk management practices
- ensure a compliance with laws, regulations and Uponor's internal policies, and
- ensure reliable financial reporting to support internal decision-making and to serve the needs of external stakeholders.

The control environment builds upon Uponor's Code of Conduct and the company's values. It serves as the foundation for all other components of internal control, providing discipline and structure.

Uponor's aim is to embed control in the daily operations. Effective internal control requires that duties are properly segregated to different employees and potential conflicts of interests are identified and eliminated. Examples of existing control mechanisms include group policies, accounting and reporting instructions and management meetings. Additionally, as an example, responsibilities for communication with external parties, such as customers, suppliers, regulators and shareholders are clearly set.

Ongoing monitoring occurs locally in each organisational unit, during the course of daily operations. Groupwide, the responsibility lies within the Finance and Administration function.

Whether separate evaluations are needed, and their scope and frequency, will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies shall be reported upstream, with serious matters to be reported to the top management and the Board. Any separate evaluations are performed by the internal audit function and may be initiated by the Board.

Risk Management

Risk Management is a systematic way of protecting business assets and income against losses in order to achieve the Company's targets without unnecessary interruption. In addition, management of risk also includes risk-taking i.e. utilisation of opportunities taking risk vs. return into account.

The objective of risk management is to enable the Company to implement its strategy, to ensure it achieves its financial targets and to protect it from operative incidents, which might prevent it from achieving its targets. A further objective is to ensure the continuity of the operations even in an exceptional business environment.

The main risk areas of the Company have been identified, with each ExCom member being allocated his/her own area of responsibility with regard to identified risks. These responsibilities include the management and proper organisation of such areas throughout the Group.

Group Risk Management Team, comprising the CFO, EVP Supply Chain, EVP Offering & Business Group Management, General Counsel and Vice President Treasury and Risk Management, is responsible for the monitoring of Group-level risks and mitigation actions, and for informing the ExCom and the Board.

Vice President Treasury and Risk Management is responsible for providing support to the members of the ExCom in developing risk policies and guidelines, as well as for establishing assessment, monitoring and reporting procedures. He/she provides support to the Regions/Sub-regions, units and functions by providing assistance and training. He/she is also responsible for establishing and maintaining the company's global insurance programmes.

A summary of risks associated with business are described in the section "Review by the Board of Directors" (page 42).

Financial Risk Management related notes can be found in the section "Notes to the consolidated financial statements" (page 78).

Internal Audit

Internal Audit is an integrated part of Uponor's internal control framework. It supports the Board and the management in following up the effectiveness of internal control and corporate governance. Internal Audit shall focus on the key risk areas of business. To achieve its objectives, it carries out independent process reviews, including special investigations, to give the ExCom and the Board assurance

that effective controls are in place. Moreover, Internal Audit performs reviews to ensure compliance with internal company policies, guidelines and laws and regulations.

Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The purpose, authority, and responsibilities of Internal Audit are defined in the Internal Audit Charter approved by the Board, to which Internal Audit is subordinated. The annual audit plan is approved by the Board. Internal Audit reports at least once a year to the Board, presenting a summary of the most significant findings, while it also has the obligation and authority to report on any significant audit findings both to the ExCom and to the Board. Internal Audit has unrestricted access to the Board, and to all Uponor's records, personnel, and physical properties relevant to the performance of its engagement.

Administratively, Internal Audit reports to the Chief Financial Officer ('CFO'). Uponor has outsourced its internal auditing to PricewaterhouseCoopers Oy.

External audit

Assisted by the Audit Committee, the Board prepares a proposal on the external auditor and presents it to the AGM for election. The external auditor must be a corporation of authorised public accountants accredited by the Central Chamber of Commerce of Finland. In co-operation with the auditor, the corporate management organises the audit of the Group's subsidiary companies, as required by applicable local legislation. Auditors of these subsidiary companies report directly to the legal unit they have audited, submitting a copy of each report to the Group's financial administration for inclusion in the Company's audit log.

The 2008 AGM appointed KPMG Oy Ab, a corporation of authorised public accountants, as the Company's auditor for the financial year 2008, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor. Audit fees paid in 2008 to the external auditor for statutory audit services totalled EUR 595,168, for audit related services EUR 13,896, for tax services EUR 170,931, and for other services EUR 183,327, in total 963,322 euros.

Insider guidelines

The Company complies with the guidelines for insiders issued by the OMX Nordic Exchange Helsinki Ltd, the standards issued by the Financial Supervision Authority of Finland as well as other authorities. The Company also has its own insider regulations.

The Company's public insiders comprise of Board members, the CEO, ExCom members and the auditor. The Company maintains its public insider register in Finnish Central Securities Depository Ltd's SIRE system.

The Company also maintains a company-specific, non-public register of its permanent insiders including, among others, employees within the Group's administration. A project-specific insider register is established whenever the Company runs a project falling within the scope of insider regulations, and those involved in the special project on the basis of their employment contract or another contract gain insider information on the Company. Typically, such a project is a thematic entity or arrangement not forming part of the Company's normal business activities due to its nature or size. The Group's internal insider rules are published on the Group intranet, and information on them has been distributed, for instance, in the Group's internal Web magazine. Group employees are required to act in accordance with these rules.

Trading in the Company's shares and other securities is subject to prior approval by the Company's General Counsel. The Company applies an absolute trading prohibition that starts at the end of the reporting period, however, no later than three weeks prior to the disclosure of annual accounts or interim reports, and lasts until the disclosure of the annual accounts or an interim report.

The table below shows the shares owned by the public insiders in 2008 (including any holdings of corporations controlled by them and any holdings of their immediate circle). ●

Shares held by public insiders in 2008

The Board of Directors and the Auditor

Name	Position	Date	Shares
Eloranta, Jorma	Board member	1 Jan.	10,883
		31 Dec.	12,096
Paasikivi, Jari	Board member until 13 March 2008	1 Jan.	518,159
	Chairman of the Board as of 13 March 2008	31 Dec.	520,114
Rajahalme, Aimo	Deputy Chairman of the Board	1 Jan.	12,164
		31 Dec.	8,510
Silfverstolpe Nordin, Anne-Christine	Board member	1 Jan.	13,511
		31 Dec.	14,724
Simon, Rainer S.	Board member	1 Jan.	10,629
		31 Dec.	11,842
Nyman, Sixten	Auditor	1 Jan.	-
		31 Dec.	-

The Executive Committee

Name	Position	Date	Shares
Aarnio, Paula	ExCom member	1 Jan.	8,140
		31 Dec.	10,875
Bondestam, Sebastian	ExCom member	1 Jan.	-
		31 Dec.	2,735
Folgmann, Heiko	ExCom member	1 Jan.	-
		31 Dec.	2,735
von Graevenitz, Georg	ExCom member	1 Jan.	8,140
		31 Dec.	10,875
Kallioinen, Jukka	ExCom member	1 Jan.	8,580
		31 Dec.	12,500
Luomakoski, Jyri	Deputy CEO and CFO until 27 October 2008,	1 Jan.	12,900
	President and CEO as of 27 October 2008	31 Dec.	16,660
Roses, Fernando	ExCom member	1 Jan.	-
		31 Dec.	2,735
Tollsten, Anders	ExCom member	1 Jan.	8,140
		31 Dec.	10,874

Insider statuses terminated during 2008

Name	Position	Date	Shares
Paasikivi, Pekka	Chairman of the Board until 13 March 2008	1 Jan.	429,774
		13 March	443,096
Lång, Jan	President and CEO until 27 October 2008	1 Jan.	10,400
		27 Oct.	37,036
Brinkmann, Bernhard	ExCom member until 30 September 2008	1 Jan.	1,500
		30 Sep.	12,375

Uponor Corporation Board of Directors 1 January 2009



Jari Paasikivi

b. 1954, Finnish citizen
M.Sc. (Econ.)
President and CEO, Oras Invest Oy

- Chairman of the Board, Uponor Corporation from 13 March 2008
- Member of the Board from 13 March 2007
- Uponor shareholdings: 520,114

Affiliations:

- Member of the Board, Oras Oy
- Member and Deputy Chairman of the Board of Tikkurila Oy
- Member of the Board, Technology Industries of Finland
- Member and Deputy Chairman of the Board, Finland Central Chamber of Commerce
- Member and Chairman of the Board, Vakka-Suomi Youth Foundation

Career highlights:

- Oras Ltd, President and CEO, 2002–2007
- Oras Ltd, Managing Director, 1994–2001
- Oras Ltd, Plant Director, 1989–1994
- Oras Armatur A/S, Norway, Marketing Manager, 1987–1989
- Oras Ltd, Marketing Manager, 1983–1986



Aimo Rajahalme

b. 1949, Finnish citizen
M.Sc. (Econ.)
Executive Vice President, CFO, KONE Corporation

- Deputy Chairman of the Board, Uponor Corporation from 15 March 2005
- Member of the Board from 17 March 2003
- Uponor shareholdings: 8,510

Career highlights:

- Member of the Executive Board, KONE Corporation, since 1991
- Employed by KONE since 1973



Jorma Eloranta

b. 1951, Finnish citizen
M.Sc. (Tech.)
President and CEO, Metso Corporation

- Member of the Board, Uponor Corporation from 15 March 2005
- Uponor shareholdings: 12,096

Affiliations:

- Chairman of the Supervisory Board, Ilmarinen Mutual Pension Insurance Company
- Chairman of the Supervisory Board, Gasum Oy
- Chairman of the Board, International Chamber of Commerce, ICC Finland
- Member of the Executive Board and Member of the Board, Technology Industries of Finland
- Member of the Council of Representatives, Confederation of Finnish Industries (EK)
- Member of the Supervisory Board, The Finnish Fair Corporation
- Chairman of the Advisory Board, Helsinki University of Technology and Member of the Board, Research Foundation of Helsinki University of Technology
- Chairman of the Advisory Board, LaatuKeskus Excellence Finland

Career highlights:

- President and CEO, Kvaerner Masa-Yards Inc., 2001–2004
- President and CEO, Patria Industries Group, 1997–2001
- Deputy CEO, Finvest Group and Jaakko Pöyry Group, 1996–1997
- President, Finvest Oyj, 1985–1995



Anne-Christine Silfverstolpe Nordin

b. 1950, Swedish citizen

M.A. (Soc.) (Socionomexamen)

Partner and Senior Consultant, Neuhauser & Falck AB

- Member of the Board, Uponor Corporation from 17 March 2003
- Uponor shareholdings: 14,724

Affiliations:

- Member of the Board, Neuhauser & Falck AB
- Member of the Board and owner, Chorda Management AB

Career highlights:

- Senior Vice President, Swedish Post (Posten AB) 1997–2002
- Various positions in Human Resources in different companies 1984–1997



Rainer S. Simon

b. 1950, German citizen

Dr. Sc. (Econ.) (Dr. oec. HSG)

Managing Director, BirchCourt GmbH

- Member of the Board, Uponor Corporation from 17 March 2004
- Uponor shareholdings: 11,842

Career highlights:

- President and CEO, Sanitec Corporation, 2002–2005
- Member of the Executive Board, Friedrich Grohe AG, 1995–2002
- Senior Vice President, Europe, Continental AG, 1993–1995
- Managing Director, Keiper-Recaro, 1991–1993
- Various national and international marketing and general management positions, Continental AG, 1979–1990



Georg von Graevenitz

Jyri Luomakoski

Fernando Roses

Jukka Kallioinen

Paula Aarnio

Sebastian Bondestam

Heiko Folgmann

Anders Tollsten

Executive Committee 1 January 2009

Jyri Luomakoski

President and CEO, CFO (acting)
MBA
b. 1967, Finnish citizen

- Employed by Uponor since 1996
- Uponor shareholdings: 16,660

Career history

- Deputy CEO, Uponor Corporation, 2002–2008
- CFO, member of Executive Committee, Uponor Corporation (Asko Oyj), 1999–
- Corporate controller, Uponor, 1997–1999
- Contoller, Uponor, 1996–1997
- Deputy Managing Director and CFO, Oy Lars Krogius Ab, 1991–1996
- Director and Manager positions in Germany and Finland, Datatrans, 1987–1991

Georg von Graevenitz

Executive Vice President,
Marketing and Infrastructure Nordic
M.Sc.(Eng.)
b. 1947, Finnish citizen

- Employed by Uponor since 2004
- Uponor shareholdings: 10,875

Career history

- Executive Vice President, Uponor Nordic and marketing, 2006–2008
- Executive Vice President, Marketing and Development, 2004–2006
- Executive Vice President, Marketing, 2004
- Vice President, Marketing, Sulzer Pumps, 2000–2004
- Vice President, Marketing, Ahlstrom Pumps Oy, 1997–2000
- Regional Vice President, Foster Wheeler Energy, 1995–1997
- Various marketing and general management positions in different companies in Finland and abroad, 1974–1995

Paula Aarnio

Executive Vice President, Human Resources
M.Sc. (Eng.)
b. 1958, Finnish citizen

- Employed by Uponor since 2004
- Uponor shareholdings: 10,875

Career history

- Human Resources Director, Oy Karl Fazer Ab, 2001–2004
- Vice President, Human Resources, Neste Oy/ Fortum Oyj, 1998–2001
- General Manager, Human Resources, Neste Oy, Chemicals Division, 1997–1998
- Technical Marketing Manager, Neste Resins Oy, 1992–1995
- Product Development Manager, Neste Resins Oy, 1987–1991

Jukka Kallioinen

Executive Vice President,
Development and Technology
M.Sc. (Eng.), eMBA
b. 1958, Finnish citizen

- Employed by Uponor since 1984
- Uponor shareholdings: 12,500

Career history

- Executive Vice President, Uponor Europe – West, East, South, 2004–2006
- President, Infrastructure and Environment Europe, 2002–2003
- Director, Building and Construction Division, 1999–2001
- Director, Municipal Engineering, 1998–1999
- Managing Director, Uponor Anger GmbH, Germany, 1995–1998
- Business Area Manager, Ecoflex, 1988–1995

Sebastian Bondestam

Executive Vice President, Supply Chain
M.Sc. (Eng.)
b. 1962, Finnish citizen

- Employed by Uponor since 2007
- Uponor shareholdings: 2,735

Career history

- Director, Packaging Material Supply Chain EU, Tetra Pak, 2006–2007
- Director, Converting EU, Tetra Pak Market Operations, 2004–2006
- Vice President, Converting Americas, Tetra Pak Asia & Americas, 2001–2004
- Various managerial positions in Sweden, Singapore, China, UK and Italy, Tetra Pak, 1991–2000
- R&D Engineer, Tilgmann, 1989–1991

Fernando Roses

Executive Vice President, North,
South & West Europe
eMBA, M.Sc. (Marketing), B.Sc. (Eng.)
(Ingeniero Técnico en Química Industrial)
b. 1970, Spanish citizen

- Employed by Uponor since 1994
- Uponor shareholdings: 2,735

Career history

- Executive Vice President, Uponor Europe – South, West, 2007–2008
- Vice President, Uponor Europe – South, West, 2006–2007
- Vice President, Uponor HS Spain & Portugal, 2003–2006
- Marketing, Sales & Operations Manager, Wirsbo Spain & Portugal, 2002–2003
- Marketing & Sales Manager, Wirsbo Spain & Portugal, 1999–2002
- Technical, Logistic, Purchasing Manager, Wirsbo Spain 1996–1999
- Quality Assurance Manager, Wirsbo Spain, 1996
- Technical Manager, Wirsbo Spain, 1994–1996

Heiko Folgmann

Executive Vice President, Central & Eastern Europe
M.Sc. (Bus.) (Diplom-Kaufmann)
b. 1967, German citizen

- Employed by Uponor since 1999
- Uponor shareholdings: 2,735

Career history

- Executive Vice President, Uponor Europe – East & International, 2007–2008
- Vice President, Uponor Europe – East & International, 2006–2007
- Vice President, Sales and Marketing, Uponor Central Europe, 2003–2006
- Director Sales & Marketing, Unicor Holding AG, 2000–2003
- Managing Director, Unicor S.r.l, Italy, 1999–2000
- Sales Manager Export, Unicor Rohrssysteme GmbH, 1996–1999

Anders Tollsten

Executive Vice President, Uponor North America
M.Sc. (Eng.) (Civil Ingenjör)
b. 1962, Swedish citizen

- Employed by Uponor since 2004
- Uponor shareholdings: 10,874

Career history

- Executive Vice President, Uponor Nordic, 2004–2006
- CEO, ABB Building Systems AB, 2002–2003
- CEO, NorthNode AB, 2001–2002
- Head of LV Motor Division, ABB Motors AB, 1996–2001
- Sub-division Manager, ABB Installation AB, 1994–1996

Group structure 1 January 2009



The global responsibilities of the Executive Committee members are as follows:

- Jyri Luomakoski, CFO (acting): finance and administration, strategic planning, financing and risk management, legal services, IT services, external communications and investor relations, the ERP programme
- Paula Aarnio, Executive Vice President, Human Resources: HR development, management systems, internal communications
- Sebastian Bondestam, Executive Vice President, Supply Chain: global supply chain development; European manufacturing, warehousing, procurement and logistics
- Jukka Kallioinen, Executive Vice President, Development and Technology: Global development and technology co-ordination; European offering and business group management
- Georg von Graevenitz, Executive Vice President, Group Marketing: Group-level marketing and brand management, facilitation of the implementation of the new European organisation

Financial report 2008

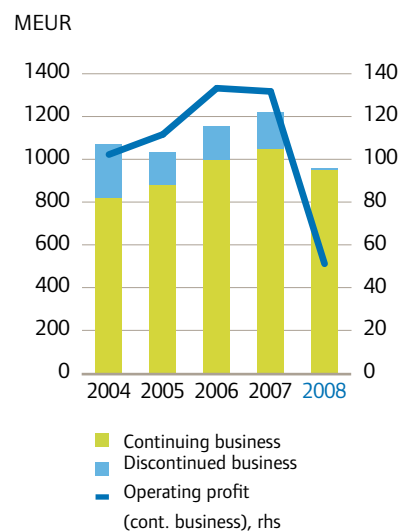
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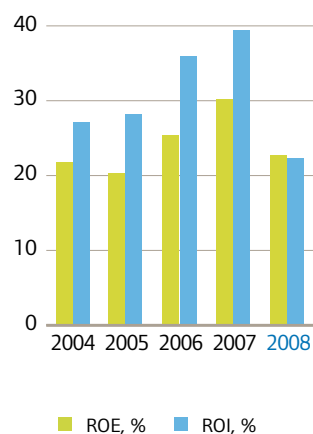
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Review by the Board of Directors

Net sales and operating profit



Return on investment and on equity



Overview

2008 will be remembered both as Uponor's 90th anniversary year and as the year when the development of the world economy, and in particular the strong long term growth of the construction market, suddenly collapsed. The problems which originated in 2007 in the US housing and financial markets gradually started to spread so that the epidemic had reached all continents by the end of 2008. This change had a dramatic impact not only on Uponor's main markets, i.e. housing construction, but it also affected, after a delay, commercial and institutional construction and the demand for infrastructure solutions. Due to the sharp decline in demand, Uponor's net sales and operating profit clearly fell from the historic high levels achieved in 2007.

Despite the clear shift in focus towards savings and cost control, Uponor continued to implement its internal development programmes mainly according to plan. The Company's integration programme advanced well and the ERP project initiated in 2005 was for the most part completed during the report year. Furthermore, we revised our organisation to enable efficient supply chain management on a European scale.

In the latter half of 2008, we implemented an extensive adjustment programme aimed at safeguarding the Company's operational prerequisites in the difficult market situation. Combined with the strategic development programmes initiated during the last few years, this has made Uponor an integrated and

strong company which has a good starting point for succeeding in the near future's challenging market situation and capitalising on the opportunities that exist in the markets.

Net sales

In 2008, Uponor's net sales from continuing operations came to EUR 949.2m (2007: EUR 1,047.4m), a fall of 9.4 per cent year on year, and ending up clearly behind the long-term target of over +6 per cent. Fluctuations in foreign currencies, mainly the US dollar, the Swedish krona and the UK pound, adversely affected net sales by approximately EUR 16.7m.

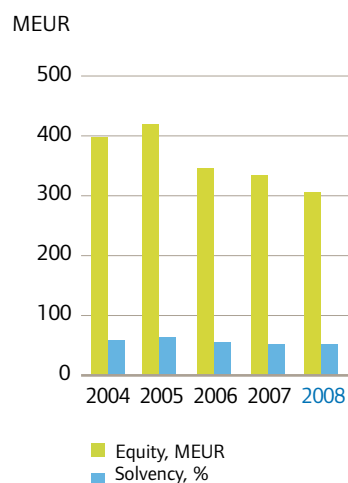
Net sales decreased in all of Uponor's regional organisations, and was felt most in North America and in Europe – West, East, South, all of these markets experiencing a drastic fall in demand from the construction sector. In Central Europe, net sales nearly achieved the previous year's level due to the fact that demand for commercial and institutional construction remained relatively healthy throughout the year, both in Uponor's main market, Germany, and its neighbouring countries. In the Nordic countries, the decline in net sales was mainly attributable to the weakening of the housing solutions market.

In all regional organisations, the fall in net sales remained smaller than the decline in the overall market due to the fact that plastic systems and radiant heating and cooling solutions achieved market shares.

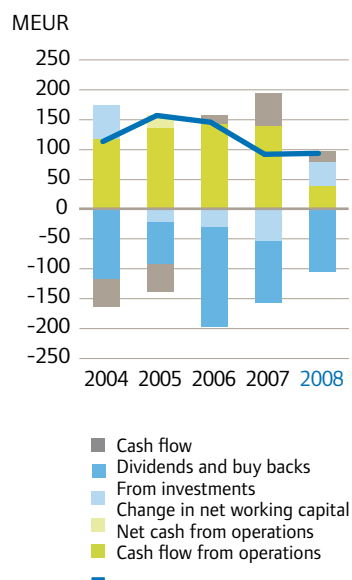
Net sales by region for 1 Jan.–31 Dec. 2008

MEUR	1–12/2008	1–12/2007	Reported change, %
Central Europe	339.4	351.3	-3.4
Nordic	365.7	397.7	-8.0
Europe – West, East, South	234.3	272.9	-14.1
North America	130.8	169.2	-22.7
(North America, USD)	191.5	233.1	-17.8)
Eliminations	-121.0	-143.7	
Total	949.2	1,047.4	-9.4

Equity and solvency



Cash flow



Uponor's continuing operations' net sales by secondary segment decreased to EUR 751.1m (EUR 839.9m) in housing solutions, representing 79.1 (80.2) per cent of total sales, with decline at -10.6 (4.4) per cent. The share of the infrastructure solutions was 20.9 (19.8) percent. Its net sales amounted to EUR 198.1m (EUR 207.5m), a change of -4.6 (+4.1) per cent.

The geographical emphasis of Uponor's businesses changed considerably during 2008. This resulted both from the divestment of the infrastructure business in the British Isles and the major changes in markets during the year. Germany, where Uponor managed to increase its sales, became the largest country as measured in terms of net sales.

The largest geographical markets and their share of consolidated net sales were as follows:

Germany 15.0% (13.4), Finland 11.8% (11.0), USA 11.1% (13.6), Sweden 9.1% (8.8), Spain 8.3% (11.3), Denmark 6.1% (6.5) and Italy 5.5% (5.3).

Results

Uponor's consolidated operating profit from continuing operations came to EUR 51.2m (EUR 135.7m), a fall of -62.3 per cent (+2.1) year on year. Operating profit was 5.4 (13.0) per cent of net sales.

This major change in operating profit was attributable to the historic and simultaneous weakening of demand from the construction markets in all the main markets. A particularly dramatic fall in operating profits was experienced in North America and Europe – West, East, South, where both operational adjustments and various growth initiatives were implemented at the same time. The rate of decline in consolidated operating profit accelerated during the fourth quarter when the fall in market demand was the steepest.

In August, Uponor announced a Group-wide cost-reduction programme to adjust its cost structure in line with slackening construction markets. The goal was to implement structural measures that would reduce costs by approximately EUR 30m by the end of 2009. Of the programme's estimated total cost of EUR 10m, EUR 3.2m was recorded in the third quarter and EUR 4.1m in the fourth quarter.

Furthermore, a non-recurring cost provision of EUR 14.5m related to product replacement costs was recorded in North America in the fourth quarter.

Consolidated profit before taxes decreased by -69.2 per cent, to EUR 41.0m (EUR 133.1m). At a tax rate of 26.6 (31.3) per cent, income tax totalled EUR 10.9m (EUR 41.7m). Consolidated profit for the financial year totalled EUR 72.5m (EUR 101.9m), of which continuing operations represented EUR 30.1m (91.4m).

Consolidated net financial expenses increased to EUR 10.2m (EUR 2.6m), of which EUR 5.2m resulted from net exchange rate differences.

Return on equity stood at 22.7 (30.1) per cent and return on investment decreased to 22.2 (39.2) per cent, not meeting the long-term target of at least 30%.

Operating profit by region for 1 Jan.–31 Dec. 2008

MEUR	2008 1–12	2007 1–12	Reported change, %
Central Europe	38.2	41.1	-7.0
Nordic	23.6	49.7	-52.5
Europe – West, East, South	15.3	42.2	-63.7
North America	-16.0	16.6	-196.1
(North America, USD)	-23.4	22.9	-202.1)
Others	-10.2	-13.2	
Eliminations	0.3	-0.7	
Total	51.2	135.7	-62.3

Earnings per share came to EUR 0.99 (1.39), and for continuing operations to EUR 0.41 (1.25). The company's equity per share was EUR 4.18 (4.55). Other share-specific information is included in the tables section.

As a consequence of the cash flow enhancing measures implemented in the second half of the year, both cash flow from operations and especially cash flow before financing improved from the previous year, even when excluding the proceeds from the disposal of the UK/Irish infrastructure business which amounted to 76.4 million euros. Cash flow from operations was EUR 95.4m (EUR 93.8m) while cash flow before financing came to EUR 133.6m (EUR 41.1m).

Key figures are reported for five years in the financial accounts.

Investments, research and development, and financing

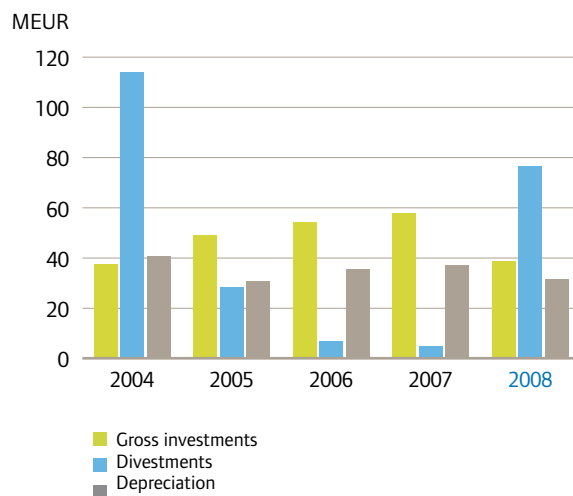
The investment and development programme planned for 2008 was fundamentally revised due to the dramatic weakening of the

business environment. In particular, investments in fixed assets were restricted. Most of the investments realised were targeted at such process development and efficiency improvement projects with a rapid payback. For example, a new distribution centre was built in Minnesota, United States, enabling the vacation of facilities elsewhere and the realisation of efficiency improvements throughout the supply chain.

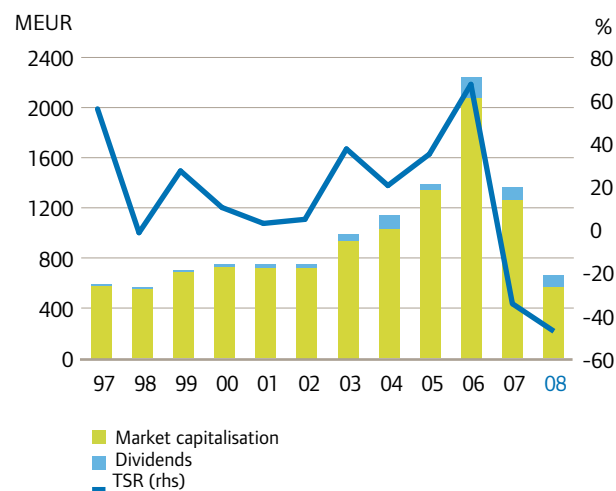
The 2.5-year implementation stage of Uponor's shared, European-wide enterprise resource planning (ERP) system was finalised as the system was implemented in the UK and in the Nordic countries towards the end of the year. The system is now operative in all of Uponor's major sites for the housing solutions systems business in Europe. A total of EUR 3.2m (EUR 7.4m) was used in the ERP project during the year.

Gross investments of continuing operations totalled EUR 39.0m (EUR 52.0m), down by EUR 13.0m year on year. Net investments totalled EUR 36.4m (EUR 49.8m).

Investments



Shareholder value development



R&D expenditure, allocated in line with the Group strategy, showed a slight increase, totalling EUR 18.6m (EUR 17.2m), accounting for 1.9 (1.6) per cent of net sales.

As market uncertainty increased, safeguarding of liquidity was set as the main goal of our financing activities. Commercial paper markets, which Uponor has actively utilised before, weakened during autumn, making this an uncertain way of securing financing. Uponor signed an agreement with Varma Mutual Pension Insurance Company on borrowing back EUR 80m of its pension contributions for a term of five years and paid back most of its short term loans in the form of commercial papers. The company also increased its cash liquidity which stood at EUR 53.2m (EUR 6.3m) on 31 December 2008. Moreover, a domestic commercial paper programme worth EUR 150m continues to be available, should the market situation change.

Consolidated net interest-bearing liabilities decreased to EUR 60.6m (EUR 84.5m). The solvency ratio was 51.4 (50.2) per cent and gearing came to 19.8 (25.4) per cent. The average quarterly gearing was 46.4 (43.9), compared to the range of 30–70 set in the company's financial targets.

Key events

In 2008, Uponor focused its efforts mainly on increasing its operational efficiency and adapting its operations to the weakening demand that affected the housing solutions market in particular.

In January, Uponor opened a training centre in Germany, which is the Group's largest facility and the first ever offering training for professionals in the company's new focus area, the high-rise segment.

In June, Uponor finalised a deal to divest its municipal infrastructure business for gas and water pipe systems in the UK and Ireland. Net sales of this business for 2007 amounted to EUR 169.1m, with a total of 473 people transferring to another com-

pany. The enterprise value of the deal amounted to GBP 100 m, giving Uponor a sales gain of EUR 43.5m.

In September, Uponor closed its manufacturing facility in Saint John, South-eastern Canada, as part of its cost-reduction programme. The purpose of this was to improve Uponor's overall operational effectiveness.

In November, Uponor announced its decision to concentrate its European metal fittings manufacturing in Hassfurt, Germany, and to gradually phase out its production facility in Kungsör, Sweden, by the spring of 2009. Concentrating the metal fittings manufacture is estimated to bring Uponor savings in production and logistics while simplifying the total supply process to customers, the majority of whom are located in Central and Southern Europe.

Uponor launched a number of new or modernised product systems in 2008. In Europe, the most important of these included new, modular fitting solutions for large-diameter multi-layer composite pipe manifolds and risers. Moreover, Uponor introduced composite risers for commercial and institutional construction, markedly strengthening its offering. In North America, Uponor substantially expanded its control systems supply, for example, by launching an HVAC control unit – the first of its kind in the US – by which the home owner or property maintenance company can regulate all the housing solutions systems within the apartment over the Internet.

In order to strengthen its market position in Eastern Europe, Uponor opened several new business sites and sales offices in this area. In 2008, we opened sites, for example, in the Turkish city of Istanbul, and initiated projects to open sites in Croatia and Slovakia.

Personnel

The Group had a staff of 3,823 (4,743) at the end of the year. As full-time equivalents, the number of employees stood at 3,678 (4,581) at year-end, down by 903 from 2007. This decrease includes 491 persons who left the company as a result of the di-

vestment of Uponor's infrastructure business in the British Isles. With respect to continuing operations, the decrease of staff was 412 persons, or 10.1 per cent. The annual average number of persons employed groupwide was 4,211 (4,497).

The major decline in staff numbers was attributable to the programme announced in August, by which Uponor attempted to adjust its operations to rapidly contracting markets, in addition to which it implemented numerous other efficiency-enhancing measures. As part of this cost-reduction programme, the company closed its production facility in Canada in the autumn and, at the end of the year, initiated the phase-down of its metal components plant in Sweden during the winter of 2008–09. These closures left 80 staff redundant in Canada and 75 in Sweden.

The largest staff cuts in 2008 affected Uponor units in Spain, North America and the Nordic countries. In terms of personnel groups, the largest reductions were involved in production and, to some extent, marketing and administration. In addition to own employees, the number of sales representatives and agency workers in continuing operations decreased by 84 (as full-time equivalents).

The geographical breakdown of personnel was as follows: Germany 1,182 (32.1%), Sweden 604 (16.4%), Finland 480 (13.1%), US 399 (10.8%), Spain 239 (6.5%), Denmark 152 (4.1%), and other countries 622 (17.0%).

A total of EUR 203.3m (EUR 220.2m) was paid in wages and other remunerations during the financial period.

Uponor's CEO Jan Lång announced his resignation in August and left the company at the end of October. Jyri Luomakoski, Uponor's CFO and Deputy CEO, was appointed as his successor on an interim basis on 27 October; the appointment was made permanent on 16 December 2008. Jan Lång served Uponor for a little over five years. During his term of office, the company's unification proceeded with major leaps.

At the end of September, Bernhard Brinkmann, Executive Vice President for Uponor Central Europe, resigned from the company. Due to organisational changes, no successor was appointed to replace him.

In October, Uponor implemented a new European organisation which brought about changes mainly to the housing solutions business. The purpose of this reform was to accelerate growth and increase synergy effects in Europe. The new structure involved the separation of housing solutions' sales and marketing, product and service offering and supply chain into independent organisations. Sales and marketing were divided into two regions, one of which consists of the Nordic countries and Southern and Western Europe and the other of Central and Eastern Europe and international sales. The new supply chain organisation is in charge of all housing solutions production, warehousing, logistics and sourcing activities in Europe. The product and service offering organisation is responsible for the development and integration of supply as well as choices related to strategic marketing in Europe.

Through its new European structure, Uponor is seeking to unify its operations beyond national borders while enhancing the customer focus of its businesses, maximising capitalisation on business opportunities and increasing its operational efficiency and transparency. As a result of this reform, Uponor's former three regional organisations in Europe will be merged as one, which covers both the housing and infrastructure businesses.

Risks associated with business

Uponor's financial results are exposed to a number of strategic, operational, financial and hazard risks. A detailed analysis of these risks is available in the Annual Report.

Market risks

Uponor's business is concentrated in Europe and North America, where exposure to political risks is low. Since Uponor's net sales are divided among a large number of customers, the majority of which are distributors (wholesalers), the end market demand for the com-

pany's products is distributed across a wide customer base. The largest single customer generates ca 10 per cent of Uponor's net sales.

Demand for Uponor's end products depends on business cycles in the construction sector. Traditionally, Uponor's major end market has been single-family housing. However, the company's products are increasingly being supplied to the high-rise segment, representing both residential, commercial and public construction. Demand fluctuations often differ between these segments. Fluctuations are also offset to a certain degree by demand for renovation projects, which is not always as discretionary as new housing projects. Further, one fifth of the company's net sales goes to the infrastructure market.

Operational risks

The prices of raw materials used in the manufacture of plastic pipe systems are susceptible to other petrochemical and metal product price fluctuations. In recent years, Uponor has been capable of passing the effects of such fluctuations onto its selling prices with a reasonable delay, in such a way that this has not resulted in any major income losses. Uponor manages the risk of fluctuations in electricity prices at a Nordic level by using financial instruments.

Uponor manages its organisational and management risks, such as employee turnover, distortion of age distribution and need-less recruitment, by continuously analysing its human resources and ensuring that its organisational structure supports efficient operations. Personnel development programmes focus in particular on increasing management skills.

We observe an ISO 9000 quality system and an ISO 14000 environmental management system or comparable systems in our production facilities, which enhance production safety and productivity.

With respect to component and raw material suppliers, Uponor aims to use supplies and raw materials available at several sup-

pliers. Any sole supplier used must have at least two production plants manufacturing goods used by Uponor. Uponor develops and harmonises its sourcing activities in order to further improve its productivity and efficiency.

Financial risks

The uncertainty of financial markets has considerably increased risks related to the availability of financing. Uponor aims at ensuring the availability and flexibility of financing through sufficient credit limit reserves and a well-balanced maturity distribution of loans as well as by using several banks and various forms of financing to arrange its financing.

The Group manages its liquidity through efficient cash management solutions and by investing solely in low-risk objects that can be liquidated rapidly and at a clear market price.

Part of Uponor's net sales is created in currencies other than the euro. Subsequently, expenses allocated to these net sales are also denominated in the same local currencies. The international nature of operations exposes the Group to currency risks associated with different currencies. The Group Treasury function is responsible for hedging Group-level net currency flows in external currency markets, mainly by using currency forward contracts and currency options as hedging instruments.

Moreover, Uponor is exposed to currency translation risk, which manifests itself in translating non-euro area results into the euro. According to the company's hedging policy, non-euro area balance sheet items are not hedged.

Hazard risks

Uponor runs 11 production plants in 6 countries, and products manufactured in these plants generate a major proportion of the company's net sales. Uponor co-ordinates indemnity and business interruption insurance at Group-level on a centralised basis, in order to achieve extensive insurance coverage neutralising

financial damage caused by any risks associated with machine breakdowns, fire etc. Another major hazard risk is associated with product liability related to products manufactured and sold by Uponor. Product liability is also insured at Group level.

A provision of EUR 14.5m was booked in the fourth quarter of 2008 for covering the costs of residential plumbing replacements to be carried out in the United States. These are related to third-party clamps used in pipe joints, previously sold under a brand which has since been withdrawn. Uponor has initiated actions to attempt to recover the costs of the replacement programme from the clamp supplier and the company's then insurance company.

Uponor is involved in various judicial proceedings in several countries. The year 2008 saw no other materialised risks, pending litigation or other legal proceedings or measures by the authorities that could have had a material significance for the Group.

Administration and audit

The 2008 Annual General Meeting (AGM) of 13 March re-elected the following Board members for a term of one year: Anne-Christine Silfverstolpe Nordin, Jorma Eloranta, Jari Paasikivi, Aimo Rajahalme and Rainer S. Simon. The former Chairman of the Board, Pekka Paasikivi, did not stand as candidate for the Board. Jari Paasikivi was elected as Chairman and Aimo Rajahalme as Deputy Chairman of the Board. The AGM elected KPMG Oy Ab, Authorised Public Accountants, as the company's auditor, with Sixten Nyman, Authorised Public Accountant, acting as the principal auditor.

Share capital and shares

At the beginning of 2008, Uponor Corporation's share capital totalled EUR 146,446,888 and the number of shares stood at 73,206,944. The share capital did not change during the year.

No notifications on changes in holdings were made during the year. Further information on shares and shareholdings is reported in the financial statements.

Board authorisations

The AGM authorised the Board to decide on the buyback of the company's own shares, using unrestricted equity. The number of shares to be bought back will be no more than 3,500,000 shares, representing approximately 4.8 per cent of the company's shares. The authorisation is valid for one year from the date of the AGM. The company may use such shares in consideration of any business acquisitions and other industrial restructuring, for strengthening its capital structure or financing investments, or it can dispose of them in some other way or invalidate them.

Treasury shares

On 6 November, the Board announced that it will initiate a share buyback with the aim of acquiring a maximum of 200,000 of its own shares, based on the authorisation given by the AGM. The reason for such buyback was the use of the shares as consideration in connection with the company's share-based incentive schemes. Accordingly, the company bought back a total of 160,000 own shares during the period of 17 November–5 December, with a combined value of ca. EUR 1.2m at the time of purchase. The average price of the shares bought back was EUR 7.28. Uponor did not hold any treasury shares prior to these buybacks.

Management shareholding

The members of the Board of Directors and the CEO, as well as corporations known to the company, in which they exercise control, held a total of 620,615 (1,094,182) Uponor shares on 31 December 2008. These shares accounted for 0.8 per cent of all company shares and total votes.

Share-based incentive programme

On 25 September 2007, Uponor Corporation's Board of Directors launched a long-term incentive scheme for members of the company's Executive Committee (ExCom). To be eligible to participate in the scheme, an ExCom member must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2008. In November 2008, the Board targeted a new, three-year share-based incentive scheme to selected persons holding in-

ternational manager positions at Uponor. To be eligible to participate in the scheme, a person must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2009. Shares based on both schemes will be awarded in the spring of 2012. Further information on these schemes is available in the Corporate Governance section of this Annual Report.

Events after the financial year

In January, Uponor announced a provision of EUR 14.5m made in the fourth quarter of 2008 for covering the costs of residential plumbing replacements in the US. One of Uponor's discontinued brands delivered residential plumbing systems in the early 2000s, which were fitted using stainless steel clamps sourced from a third party. Some installations of these clamps are experiencing failures under certain circumstances. Uponor plans to carry out a programme to replace the affected installations in order to avoid further damage. Uponor has initiated actions to attempt to recover the cost of the replacement programme from the clamp supplier and its insurance company.

Outlook for 2009

During the last 12 months, market developments have been very negative and demand is not expected to improve in the near future either. Even at its best, demand for Uponor's product range is expected to remain at the level of the latter half of 2008. The difficulties experienced by national economies, prudence of the financial markets and unwillingness of consumers to commit major purchases are hindering investments and adversely affecting industrial order books. Support measures initiated in various countries have a positive yet quantitatively modest impact on overall demand.

As a whole, European residential and commercial construction markets are expected to decline this year, leaving the overall market significantly smaller than in 2008. Although renovations and modernisations are expected to develop favourably, their importance to Uponor's product range is not as significant as that of new building. In the United States, the slowdown of the residential construction market is expected to continue. Demand for commercial and office construction as well as infrastructure solutions is expected to remain

clearly stronger than that of residential construction, but Uponor does not expect growth in its main markets.

Sales of Uponor products have not declined at the same pace as the markets. The main reason for this is that plastic and composite piping systems and radiant indoor climate systems are gaining market share from other solutions. Increased energy costs and the willingness of consumers and property owners to choose pro-environmental solutions whose ecological footprint is in line with current requirements, particularly in terms of their entire life cycle, have supported demand for Uponor's indoor climate systems, i.e. heating and cooling solutions. Uponor is confident that this competitive edge will further sharpen in the years to come.

In the last few years, Uponor has made major strategic investments in the so-called high-rise business. The successful timing of this initiative kept demand for high-rise solutions at a satisfactory level in 2008, which had a positive impact on Uponor's economic performance. Also in 2009, commercial and office construction is expected to remain steadier than residential construction.

During the last few years, Uponor has implemented major structural reforms and streamlining programmes. One of these is a European enterprise resource planning (ERP) system which is now operational in all major Uponor sites involved in the housing solutions business. The ERP system is expected to increase customer service efficiency and create cost savings. Thanks to the adjustment measures taken in 2008, Uponor is relatively well equipped to respond to customer needs while at the same time meeting shareholders' expectations regarding the company's future. Uponor's ability to meet increasing demand is relatively good, although such a change is not on the short-term horizon.

As a result of the difficult market situation, Uponor expects its net sales to remain below the 2008 level, and the profit for the year 2009 is expected to be positive. The Group's capital expenditure will not exceed depreciation in 2009, and with tight net working capital management, Uponor expects its cash flow to remain at a reasonable level.

Group key financial figures

	2008	2007	2006	2005	2004
Consolidated income statement (continuing operations), MEUR					
Net sales	949.2	1,047.4	1,003.7	905.6	909.0
Operating expenses	868.0	888.1	845.8	772.6	791.4
Depreciation and impairments	31.4	29.5	28.5	23.7	33.9
Other operating income	1.4	5.9	3.5	6.0	3.5
Operating profit	51.2	135.7	132.9	115.3	87.2
Financial income and expenses	-10.2	-2.6	-2.0	-2.4	-5.9
Profit before taxes	41.0	133.1	130.9	112.9	81.3
Profit from continuing operations	30.1	91.4	88.8	76.7	58.0
Profit for the period	72.5	101.9	96.5	82.7	88.4
Consolidated balance sheet, MEUR					
Fixed assets	239.1	270.3	263.7	267.5	282.9
Goodwill	70.0	70.2	70.2	70.2	70.2
Inventories	104.5	150.6	128.1	111.4	136.5
Cash and cash equivalent	53.2	6.3	12.4	48.9	29.5
Accounts receivable and other receivables	128.1	166.9	169.5	165.3	170.7
Shareholders' equity	305.6	333.0	344.4	418.4	397.0
Provisions	30.0	16.2	15.5	14.8	20.4
Non-current interest bearing liabilities	77.0	14.7	17.2	19.4	22.4
Current interest-bearing liabilities	36.8	76.1	16.9	2.6	40.7
Non-interest-bearing liabilities	145.5	224.3	249.9	208.1	209.3
Balance sheet total	594.9	664.3	643.9	663.3	689.8

	2008	2007	2006	2005	2004
Other key figures					
Operating profit (continuing operations), %	5.4	13.0	13.2	12.7	9.6
Profit before taxes (continuing operations), %	4.3	12.7	13.0	12.5	8.9
Return on Equity (ROE), %	22.7	30.1	25.3	20.3	21.7
Return on Investment (ROI), %	22.2	39.2	35.8	28.1	27.0
Solvency, %	51.4	50.2	53.6	63.2	57.7
Gearing, %	19.8	25.4	6.3	-6.4	8.5
Net interest-bearing liabilities, MEUR	60.6	84.5	21.7	-26.9	33.6
- % of net sales	6.4	8.1	2.2	-3.0	3.7
Change in net sales, %	-9.4	4.4	10.8	-0.4	n/a
Exports from Finland, MEUR	34.1	42.3	36.7	30.0	22.7
Net sales of foreign subsidiaries, MEUR	836.5	931.3	897.8	803.2	812.3
Total net sales of foreign operations, MEUR	837.5	932.2	898.9	805.2	814.0
Share of foreign operations, %	88.2	89.0	89.6	88.9	89.5
Personnel at 31 December	3,678	4,581	4,325	4,126	4,475
Average no. of personnel	4,211	4,497	4,260	4,169	4,684
Investments (continuing operations), MEUR	39.0	52.0	50.2	44.6	34.1
- % of net sales	4.1	5.0	5.0	4.9	3.8

Share-specific key figures

	2008	2007	2006	2005	2004
Share capital, MEUR	146.4	146.4	146.4	148.8	149.6
Number of shares at 31 December, in thousands	73,207	73,207	73,223	74,383	74,820
Number of shares adjusted for share issue, in thousands					
- at end of year	73,047	73,207	73,135	73,135	74,295
- average	73,187	73,201	73,135	73,941	74,243
Shareholders' equity, MEUR	305.6	333.0	344.4	418.4	397.0
Share trading, MEUR	1,195.1	2,362.0	964.0	477.7	676.6
Share trading, in thousands	99,227	99,423	42,417	29,090	49,724
- of average number of shares, %	135.6	135.8	58.0	39.3	67.0
Market value of share capital, MEUR	563.7	1,260.6	2,076.6	1,338.9	1,029.5
Adjusted earnings per share (fully diluted), EUR	0.99	1.39	1.32	1.12	1.19
Equity per share, EUR	4.18	4.55	4.71	5.72	5.34
Dividend, MEUR	¹⁾ 62.1	102.5	102.5	166.0	52.0
Ordinary dividend per share, EUR	¹⁾ 0.85	1.40	1.15	0.90	0.70
Extra dividend per share, EUR	-	-	0.25	1.37	-
Dividend per share, total, EUR	¹⁾ 0.85	1.40	1.40	2.27	0.70
Effective share yield, %	11.0	8.1	4.9	12.6	5.1
Dividend per earnings, %	85.9	100.7	106.1	202.7	58.8
P/E ratio	7.8	12.4	21.5	16.1	11.6
Issue-adjusted share prices, EUR					
- highest	18.91	31.45	29.35	19.78	15.00
- lowest	6.10	15.31	18.00	13.72	12.10
- average	12.04	23.76	22.73	16.39	13.61

The definitions of key ratios are shown on page 52.

Notes to the table:

¹⁾ Proposal of the Board of Directors

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

Share issues	2008	2007	2006	2005	2004
Directed issues, MEUR	-	-	-	-	1.1
* issue premium	-	-	-	-	8.0
Subscription price, EUR	-	-	-	-	8.3

Definitions of key ratios

Return on Equity (ROE), %	=	$\frac{\text{Profit before taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest, average}}$	x 100
Return on Investment (ROI), %	=	$\frac{\text{Profit before taxes} + \text{interest and other financing costs}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities, average}}$	x 100
Solvency, %	=	$\frac{\text{Shareholders' equity} \pm \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}}$	x 100
Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity} + \text{minority interest}}$	x 100
Net interest-bearing liabilities	=	Interest-bearing liabilities – cash, bank receivables and financial assets	
Earnings per share (EPS)	=	$\frac{\text{Profit for the period}}{\text{Number of shares adjusted for share issue in financial period excluding treasury shares}}$	
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	=	$\frac{\text{Dividend per share}}{\text{Share price at end of financial period}}$	x 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	=	$\frac{\text{Total value of shares traded (EUR)}}{\text{Total number of shares traded}}$	

Consolidated income statement

MEUR	Note	2008	2007
Continuing operations			
Net sales	2	949.2	1,047.4
Cost of goods sold		607.4	640.4
Gross profit		341.8	407.0
Other operating income	4	1.4	5.9
Dispatching and warehousing expenses		30.2	28.8
Sales and marketing expenses		175.0	178.5
Administration expenses		50.8	51.7
Other operating expenses	4	36.0	18.2
Expenses		292.0	277.2
Operating profit	2	51.2	135.7
Financial income	7	15.0	11.2
Financial expenses	7	25.2	13.8
Profit before taxes		41.0	133.1
Income taxes	8	10.9	41.7
Profit from continuing operations		30.1	91.4
Discontinued operations			
Profit from discontinued operations		42.4	10.5
Profit for the period		72.5	101.9
Earnings per share, EUR	9	0.99	1.39
- Continuing operations		0.41	1.25
- Discontinued operations		0.58	0.14
Diluted earnings per share, EUR		0.99	1.39
- Continuing operations		0.41	1.25
- Discontinued operations		0.58	0.14

Consolidated balance sheet

MEUR	Note	31 Dec 2008	31 Dec 2007
Assets			
Fixed assets			
Intangible assets			
Intangible rights		30.4	31.4
Goodwill		70.0	70.2
Other intangible assets		0.2	0.1
Investment in progress		0.7	-
Total intangible assets	10	101.3	101.7
Tangible assets			
Land and water areas		10.2	11.7
Buildings and structures		57.8	60.8
Machinery and equipment		92.4	112.9
Other tangible assets		7.0	7.5
Construction work in progress		17.1	26.0
Total tangible assets	11	184.5	218.9
Securities and long-term investments			
Shares in associated companies	13	-	0.0
Other shares and holdings	14	0.2	0.2
Other investments	15	6.1	3.4
Total securities and long-term investments		6.3	3.6
Deferred tax assets	20	17.0	16.3
Total fixed assets		309.1	340.5

MEUR	Note	31 Dec 2008	31 Dec 2007
Current assets			
Inventories	16	104.5	150.6
Current receivables			
Accounts receivable		91.4	144.6
Loan receivable		0.0	0.1
Current income tax receivable		11.2	0.9
Accruals		15.3	13.0
Other receivable		10.2	8.3
Total current receivables	17, 18	128.1	166.9
Cash and cash equivalent		53.2	6.3
Total current assets		285.8	323.8
Total Assets			
		594.9	664.3

MEUR	Note	31 Dec 2008	31 Dec 2007
Shareholders' equity and liabilities			
Shareholders' equity			
	19		
Share capital		146.4	146.4
Share premium		50.2	50.2
Other reserves		0.8	2.2
Translation differences		-16.4	-24.1
Retained earnings		124.6	158.3
Total shareholders' equity		305.6	333.0
Liabilities			
Non-current liabilities			
Interest bearing liabilities	23	77.0	14.7
Employee benefit obligations	21	20.2	28.0
Provisions	22	7.7	8.8
Deferred tax liabilities	20	8.1	15.0
Other non-current liabilities		1.1	0.1
Total non-current liabilities		114.1	66.6
Current liabilities			
Interest bearing liabilities	23	36.8	76.1
Accounts payable		50.1	75.2
Current income tax liability		0.7	13.2
Provisions	22	22.3	7.4
Other current liabilities	24	65.3	92.8
Total current liabilities		175.2	264.7
Total liabilities		289.3	331.3
Total shareholders' equity and liabilities		594.9	664.3

Consolidated cash flow statement

MEUR	Note	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from operations			
Net cash from operations			
Profit for the period		72.5	101.9
Adjustments for:			
Depreciation		31.8	37.2
Income taxes		10.9	46.6
Interest income		-1.7	-2.6
Interest expense		8.0	7.0
Sales gains/losses from the sale of businesses and fixed assets		-41.0	-2.7
Share of profit in associated companies		-0.2	-0.5
Other cash flow adjustments		4.7	-0.9
Net cash from operations		85.0	186.0
Change in net working capital			
Receivables		59.5	1.7
Inventories		59.1	-26.4
Non-interest-bearing liabilities		-62.9	-20.4
Change in net working capital		55.7	-45.1
Income taxes paid		-39.8	-42.7
Interest paid		-6.8	-7.1
Interest received		1.3	2.7
Cash flow from operations		95.4	93.8

MEUR	Note	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from investments			
Proceeds from disposal of subsidiaries and businesses	3	76.4	-
Purchase of fixed assets		-39.0	-58.1
Proceeds from sale of fixed assets		0.4	5.0
Dividends received		0.2	0.2
Loan repayments		0.2	0.2
Cash flow from investments		38.2	-52.7
Cash flow before financing		133.6	41.1
Cash flow from financing			
Borrowings of debt		19.1	57.2
Dividends paid		-102.5	-102.5
Purchase of own shares		-1.2	-
Payment of finance lease liabilities		-2.0	-1.9
Cash flow from financing		-86.6	-47.2
Conversion differences for cash and cash equivalents		-0.1	0.0
Change in cash and cash equivalents		46.9	-6.1
Cash and cash equivalents at 1 January		6.3	12.4
Cash and cash equivalents at 31 December		53.2	6.3
Changes according to balance sheet		46.9	-6.1

Statement of changes in shareholders' equity

MEUR	Number of shares outstanding (1,000)	Share capital	Share premium	Other reserves	Unrestricted equity	Hedge reserve	Treasury shares	Translation differences	Retained earnings	Total
Balance at 1 January 2007	73,135	146.4	50.2	1.5	-	-	-1.6	-12.7	160.6	344.4
Translation differences								-11.4		-11.4
Cash flow hedges										
- recorded in equity, net of taxes						0.5				0.5
Net profit for the period									101.9	101.9
Total recognised income and expense for the period						0.5		-11.4	101.9	91.0
Cancelling of shares							0.3		-0.3	-
Dividend paid									-102.5	-102.5
Transfers between reserves and other adjustments				0.1	0.1				-0.1	0.1
Share based incentive plan	72						1.3		-1.3	-
Balance at 31 December 2007	73,207	146.4	50.2	1.6	0.1	0.5	-	-24.1	158.3	333.0
Balance at 1 January 2008	73,207	146.4	50.2	1.6	0.1	0.5	-	-24.1	158.3	333.0
Translation differences								5.2		5.2
Cash flow hedges										
- recorded in equity, net of taxes						-1.4				-1.4
Net profit for the period									72.5	72.5
Total recognised income and expense for the period						-1.4		5.2	72.5	76.3
Purchase of own shares	-160						-1.2			-1.2
Dividend paid									-102.5	-102.5
Transfers between reserves and other adjustments								2.5	-2.5	-
Balance at 31 December 2008	73,047	146.4	50.2	1.6	0.1	-0.9	-1.2	-16.4	125.8	305.6

For further information see note 19.

Notes to the consolidated financial statements

1. Accounting principles

Company profile

Uponor is an international industrial Group providing housing and municipal infrastructure solutions. The Group's primary reporting segment consists of the following four geographical regions: Central Europe, Nordic, Europe – West, East, South, and North America. The secondary reporting segment comprises the housing solutions and the infrastructure solutions businesses.

Uponor Group's parent company is Uponor Corporation domiciled in Helsinki in the Republic of Finland. The registered address is:

Uponor Corporation
P.O.Box 37, Robert Huberin tie 3 B
FI-01511 Vantaa
Finland
Tel. +358 (0)20 129 211, Fax +358 (0)20 129 2841

The Annual Report will also be available on the company website at www.uponor.com and can be ordered from Uponor Corporation, using the above-mentioned address.

Uponor Corporation's Board of Directors has approved the publication of these financial statements in its meeting of 10 February 2009. According to the Finnish Limited Liability Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after their publication. Furthermore, the Annual General Meeting can decide on the modification of the financial statements.

Basis of preparation

Uponor Group's consolidated financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and their SIC and IFRIC interpretations valid on 31 December 2008. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and to their interpretations adopted in accordance with the procedures laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The consolidated financial statements include also additional information required by the

Finnish Accounting Act and the Limited Liability Companies Act. The consolidated financial statements are presented in millions of euros (MEUR), and they are based on the historical cost convention unless otherwise specified in the accounting principles section below.

The Group has adopted the following new or amended standard(s) and interpretations as of 1 January 2008; comparative figures have been amended as required:

- IFRIC 11, IFRS 2; Group and Treasury Share Transactions. The adaptation of this interpretation did not have any impact on reported figures.
- IFRIC 14 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions, effective for annual periods beginning on or after January 1, 2008. The adoption of this interpretation did not have any material impact on reported figures.

Use of estimates

The preparation of consolidated financial statements under IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of financial statements, as well as the reported amounts of income and expenses during the report period. In addition the use of judgement is needed when applying accounting policies. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Consolidation principles

The consolidated financial statements include the parent company, Uponor Corporation, and all companies in which the parent company holds more than half of the voting rights, either directly or through its subsidiaries. Subsidiaries include those companies in which Uponor Corporation has direct or indirect control of over 50 per cent of the voting rights or otherwise has power to govern the financial and operating policies, with the purpose of gaining financial benefit from their operations. Subsidiaries acquired or established during the year are included from the date the Group has obtained control. Divested companies have been included up to their date of sale.

Intra-Group shareholdings are eliminated using the acquisition cost method. Accordingly, the assets and liabilities of an acquired company are measured at fair value at the date of acquisition. The excess of the acquisitions cost over fair value of the net assets has been recorded as goodwill. Based on the First-Time-Adoption of IFRS 1, any company acquisitions made prior to the IFRS transition date (1 January 2004) are not adjusted for IFRS, but goodwill amounts apply book value according to FAS. Intra-Group transactions, receivables, liabilities, unrealised gains and dividends between Group companies are eliminated in the consolidated financial statements. Unrealised losses are not eliminated in case of impairment.

Associated companies are entities over which the Group has 20–50 per cent of the voting rights, or over which the Group otherwise exercises significant influence. Holdings in associated companies are included in the consolidated financial statements using the equity method. Accordingly, the share of the post-acquisition profits and losses of associated companies is recognised in the income statement to the extent of the Group's holding in the associated companies. When the Group's share of losses of an associated company exceeds the carrying amount, it is reduced to nil and any recognition of further losses ceases, unless the Group has an obligation to satisfy the associated company's obligations.

Foreign currency translations

Each company translates their foreign currency transactions into their own functional currency using the rate of exchange prevailing at the transaction date. Outstanding monetary receivables and payables in foreign currencies are stated using the exchange rates at the balance sheet date. Exchange rate gains and losses on actual business operations are treated as sales adjustment items or adjustment items to materials and services. Exchange rate gains and losses on financing are entered as exchange rate differences in financial income and expenses.

In the consolidated financial statements, the income statements of the Group's foreign subsidiaries are converted into euros using the average exchange rates quoted for the reporting period. All balance sheet items are converted into euros using the exchange rates quoted at the reporting date. The resulting conversion difference and other conversion differences resulting from the conversion of subsidiaries' equity are shown as separate item in the equity. In addition, exchange rate differences in the loans granted by the parent company to foreign subsidiaries to replace their equity are treated as conversion differences in the consolidated financial statements. Realised conversion differences in connection with the divestment of subsidiaries and the redemption of material shares in subsidiaries are recognised as income or expense in the income statement.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets related to discontinued operations are formed once the company, according to a single co-ordinated plan, decides

to dispose of a separate significant business unit, whose net assets, liabilities and financial results can be separated operationally and for financial reporting purposes. Non-current assets held for sale are shown separately in the consolidated balance sheet. Profit/loss from a discontinued operation and gains/losses on its disposal are shown separately in the consolidated income statement. Assets related to non-current assets held for sale and discontinued operations are assessed at book value or, whether it is lower, at fair value. Depreciation from these assets has been discontinued at the date of classifying assets as non-current assets held for sale and discontinued operations. The Group does not have any assets classified either non-current assets held for sale at the end of the financial period or comparable period. The disposals of infrastructure business operations in the UK, Ireland and Germany have been classified as discontinued operations.

Revenue recognition

Sales of products are recognised as income once the risks and benefits related to ownership of the sold products have been transferred to the buyer, according to the agreed delivery terms, and the Group no longer has possession of, or control over, the products. Sales of services are recognised as income once the service has been rendered. Net sales comprise the invoiced value for the sale of goods and services net of indirect taxes, sales rebates and exchange rate differences.

Research and development

Research costs are expensed as incurred and they are included in the consolidated income statement under other operating expenses. Development costs are expensed as incurred, unless the criteria for capitalising these costs as assets are met. Product development costs are capitalised as intangible assets and are depreciated during the useful life of the asset if future economic benefits are expected to flow to the entity and certain other criteria, such as the product's technical feasibility and commercial usability, are confirmed. The Group has no capitalised development costs in the balance sheet.

Employee benefits

The Group's pension schemes comply with each country's local rules and regulations. Pensions are based on actuarial calculations or actual payments to insurance companies. The Group applies defined contribution and defined benefit pension plans.

Within the defined contribution plan, pension contributions are paid directly to insurance companies and once the contributions have been paid, the Group has no further payment obligations. These contributions are recognised in the income statement for the accounting period during which such contributions are made.

For defined benefit plans, the liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The pension obligation is defined using the projected unit credit method. The discount rate applied to calculate the present value of post-employment benefit obligations is determined by the market yields of long-term corporate bonds or government bonds. Costs resulting from the defined benefit pension plans are recognised as expenses for the remaining average period of employment.

The portion of actuarial gains and losses for each defined benefit plan entered in the profit and loss account is the excess that falls outside the higher of the following: 10% of the present value of the pension obligation or fair value of pension plan assets divided by the expected average remaining working lives of the employees participating in the plan.

Operating profit

Operating profit is an income statement item, which is calculated by deducting expenses related to the operating activities from net sales.

Borrowing costs

Borrowing costs are recognised in the income statement as they accrue. Direct transaction expenses due to loans, clearly linked to a specific loan, are included in the loan's original cost on an accrual basis and recognised as interest expenses using the effective interest method. Interest costs on borrowings to finance the construction of assets are capitalised as part of the cost during the period required to prepare and complete the property for its intended use.

Income taxes

Income taxes in the consolidated income statement comprise taxes based on taxable income recognised for the period by each Group company on an accrual basis, according to local tax regulations including tax adjustments from the previous periods and changes in deferred tax. Deferred tax assets or liabilities are calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, using the tax rate effective at the balance sheet date. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the temporary differences can be utilised.

Intangible assets

Goodwill

Goodwill represents future economic benefits arising from assets that are not capable of being individually identified and separately recognised by the

Group on an acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company at the date of acquisition. Goodwill is allocated to the cash generating units according to business segments' geographical locations. Goodwill is not amortised, but it is tested for impairment annually. Gains and losses on the disposal of a Group entity include any goodwill relating to the entity sold.

Other intangible assets

Other intangible assets include trademarks, patents, copyrights, capitalised development costs and software licenses. Intangible assets are recognised in the balance sheet at historical costs less accumulated depreciation according to the expected useful life and any impairment losses.

Property, plant and equipment

Group companies' property, plant and equipment are stated at historical cost less accumulated depreciation according to the expected useful life and any impairment losses. Interest costs on borrowings to finance the construction of these assets are capitalised as part of the cost during the period required to prepare and complete the property for its intended use.

Ordinary repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the asset's carrying amount when it is probable that the Group will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset.

Gains or losses on disposal, divestment or removal from use of property, plant and equipment are based on the difference between the net gains and the balance sheet value. Gains are shown under other operating income and losses under other operating expenses.

Depreciations

Group companies' intangible assets and property, plant and equipment are stated at historical cost less accumulated straight-line depreciation according to the expected useful life and any impairment losses. Land is not depreciated as it is deemed to have an indefinite life, but otherwise depreciation is based on estimated useful lives as follows:

	Years
Buildings	20–40
Production machinery and equipment	8–12
Other machinery and equipment	3–15
Office and outlet furniture and fittings	5–10
Transport equipment	5–7
Intangible assets	3–10

The residual value and useful life of assets are reviewed at each balance sheet date and, if necessary, adjusted to reflect any changes in expectations of economic value.

Government grants

Any grants received for the acquisition of intangible or tangible assets are deducted from the asset's acquisition cost and recorded on the income statement to reduce the asset's depreciation. Other grants are recognised as income for the periods during which the related expenses are incurred. Such grants are shown as deductions from expenses related to the target of the grant.

Impairment

The balance sheet values of assets are assessed for impairment on a regular basis. Should any indication of an impaired asset exist, the asset's recoverable amount shall be assessed. The asset's recoverable amount is its net selling price less any selling expenses, or its value in use, whichever is higher. The value in use is determined by reference to discounted future net cash flow expected to be generated by the asset. Discount rates correspond to the cash generating unit's average return on investment. Impairment is measured at the level of cash generating units, which is the lowest level that is primarily independent of other units and whose cash flows can be distinguished from other cash flows.

Whenever the asset's carrying amount exceeds its recoverable amount, it is impaired, and the resulting impairment loss is recognised in the income statement. An impairment of property, plant and equipment and other intangible assets, excluding goodwill, will be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Impairment is not reversed over the balance sheet value that existed before the recognition of impairment losses in the previous financial periods. Any impairment loss on goodwill is not reversed.

Goodwill is assessed for impairment on a yearly basis.

Leases

Lease liabilities, which expose the Group to risks and rewards inherent in holding such leased assets, are classified as finance leases. These are recognised under tangible assets on the balance sheet and measured at the lesser of the fair value of the leased property at the inception of the lease or the present value of the minimum lease payments. Similarly, lease obligations, from which financing expenses are deducted, are included in interest bearing liabilities. Financing interests are recognised in the income statement during the lease period. An asset acquired under finance lease is depreciated over its useful life or within the shorter lease term.

Leases, which expose the lessor to risks and rewards inherent in holding such leases, are classified as other leases. These rents are recognised as expenses during the lease period.

The assets leased by the Group, where the lessee bears the risks and rewards inherent in holding such leases, are treated as finance leases and recognised as receivables on the balance sheet at their present value. The Group has no finance lease receivables.

Inventories

Inventories are stated at the lower of cost or net realisable value, based on the FIFO principle. The net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and sale. In addition to the cost of materials and direct labour, an appropriate proportion of production overheads are included in the inventory value of finished products and work in progress.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation or if the settlement of obligation will cause a legal loss and a reliable estimate of the amount of obligation can be made. Provisions can include warranty provisions, restructuring costs and onerous contracts. Changes in provisions are included in relevant expenses on the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at bank and other short-term, highly liquid investments, whose maturity does not exceed three months. Cash and cash equivalents are carried in the balance sheet at cost. The bank account credit limit in use is recognised under short-term interest-bearing liabilities.

Financial assets

Financial assets are classified as follows: financial assets at fair value through profit and loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Sales and purchase of financial assets are recognised at their trading date.

Financial assets at fair value through profit and loss include financial assets held for trading and measured at fair value. Financial assets at fair value through profit and loss have been acquired principally for the purpose of generating a profit from short-term fluctuations in market prices. Derivative instruments, for which hedge accounting is not applied, are included

in financial assets at fair value through profit and loss. Interest and currency derivatives, for which no hedge accounting is applied, are recognised in the balance sheet at historical cost and valued at fair value at each balance sheet date. Fair value is determined using market prices at the balance sheet date or the present value of estimated future cash flows. Changes in the fair value of financial assets at fair value through profit and loss, and unrealised and realised gains and losses are included in financial income and expenses in the period in which they occur. Financial assets at fair value through profit and loss are presented under the other current assets in the balance sheet.

Held-to-maturity investments are assets with fixed maturity, which the enterprise has the positive intent and ability to hold to maturity. Held-to-maturity assets are measured at amortised cost using the effective interest rate method. The Group did not have any held-to-maturity investments during the financial period.

Loans and receivables are non-derivative assets with fixed or determinable payment dates that are not quoted in the active markets nor held for trading purposes. Loan and receivables are measured at amortised cost. Accounts receivable are carried at expected fair value, which is the original invoice amount less the provision made for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probable bankruptcy of the debtor or default in payments are considered as probable indicators for the impairment of accounts receivable.

Available-for-sale financial assets consist of holdings in listed and non-listed companies and investments. Available-for-sale assets are measured at fair value based on market prices on the balance sheet date, or using the net present value method of cash flows, or another revaluation model. If the fair value of a holding or investment cannot be measured reliably, it will be measured at cost. Changes in the fair value of available-for-sale assets are recognised in the fair value reserve under shareholders' equity, taking tax consequences into account. Changes in the fair value will be re-entered from shareholders' equity to the income statement, when the asset is disposed of or it has lost its value to the extent that an impairment loss must be recognised for the asset.

Financial liabilities

Financial liabilities at fair value through profit and loss are measured at their fair value. This group includes those derivatives for which hedge accounting is not applied and whose fair value is negative.

Other financial liabilities are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method. Transaction costs are included in the original book value of financial liabilities. Other financial liabilities include non-current and current interest-bearing liabilities and accounts payable.

Derivative contracts and hedge accounting

The Group uses derivative contracts to decrease currency, interest and price risks.

Financial derivatives are used for the hedging purpose, and they are classified as financial assets at fair value through profit and loss. For financial derivatives, like currency and interest derivatives, no hedge accounting is applied.

Commodity derivatives are initially recognised in the balance sheet at cost and are subsequently re-measured at fair value at each balance sheet date. The fair values of commodity derivatives are determined on the basis of publicly quoted market prices. The unrealised and realised gains and losses attributable to the changes in fair value are recognised under cost of goods sold.

Hedge accounting is applied to those commodity derivatives that meet the requirements of IAS 39. Hedge programmes are documented according to the requirements of IAS 39, and the efficiency of commodity derivatives is tested both at the inception of the hedge and during the hedge. Fair value changes of derivatives, which are designated as cash flow hedges, are recognised directly in equity to the extent that the hedge is effective. Such accumulated fair value changes are released into the income statement in the period, in which the hedged cash flow affects the result. The ineffective portion of the gain or loss of the hedging instrument is recognised immediately in the income statement, under cost of goods sold.

Uponor Group has applied hedge accounting for electricity derivatives since September 2007.

Management incentive scheme

In September 2007, Uponor Corporation's Board of Directors decided to launch a long-term incentive scheme for the members of the company's Executive Committee. To be eligible to participate in the scheme, an Executive Committee member must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2008. Depending on the cumulative operating profit of Uponor during 2007–2011, and the number of shares acquired within the scheme, each Executive Committee member is eligible for being awarded Uponor shares in the spring 2012. The Executive Committee members have acquired the Uponor shares as defined under the scheme.

In November 2008, the Board of Directors approved a 3-year incentive scheme for a group of managers with international business responsibility. To be eligible to participate in the scheme, a manager must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2009. Depending on the achievement of the company's financial targets during the years 2009–2011, and the number of shares acquired within the scheme, each manager is eligible to be awarded Uponor shares in the spring 2012. By the end of January 2009, managers had not acquired any Uponor shares under this scheme, and therefore not participated in the programme yet.

These incentive plans were not entered in the income statements or balance sheets of 2008 and 2007.

Treasury shares

The parent company held treasury shares during the financial year and the comparative period. Treasury shares are presented in the financial statements as reduction of shareholders' equity. Treasury shares are not taken into account in calculating key figures and ratios.

Dividends

Dividends proposed by the Board of Directors are not recognised in the financial statements until their payment is approved by the shareholders in the Annual General Meeting.

Accounting policies requiring consideration by management, and essential factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting principles requires consideration.

Group management needs to make decisions regarding the selection and application of accounting principles. This applies in particular to those cases in which the IFRS in force provide the opportunity to choose between various accounting, valuation or presentation methods. The Group began to apply hedge accounting for electricity derivatives in 2007.

The estimates made in connection with preparing the financial statements reflect the best judgement of the management at the time of closing of the accounts. These estimates are affected by historical experience and assumptions regarding future developments, which are regarded as well-founded at the time of closing of the accounts. The Group monitors the realisation of these estimates and assumptions through internal and external information sources on a regular basis. Any changes in estimates and assumptions are

recognised in the financial statements of the period during which such corrections are made and all subsequent financial periods.

Estimates have been used in determining the size of items reported in the financial statements, including, among other things, the realisability of certain asset items, such as deferred tax assets and other receivables, economic useful life of property, plant and equipment, provisions, pension liabilities and impairment on goodwill.

From the Group's perspective, the most significant uncertainty factors are related to the impairment testing on goodwill and the defined benefit-based pension obligations. The application of the related accounting policies requires the use of estimates and assumptions that also have a large impact. Uncertainty factors in connection with impairment testing on goodwill relate to the assumptions made on future cash flows and determining the discount rate. The Group's weighted average capital cost rate (WACC), determined by currency areas, is used as discount rate in the impairment tests. Book value of defined benefit-based pension obligation is based on the actuarial calculations, which are based on the assumptions and estimates of discount rate used for assessing plan assets and obligations at present value, expected rate of return on plan assets and development of inflation and salary and wage level.

Application of new IFRS standards

As of 2009, the Group will apply following amended and new standards and interpretations:

- IFRS 2 Share based payments – Vesting Conditions and Cancellations, effective for annual periods on or after January 1, 2009. The change in the standard is not expected to have any effect on reported figures.
- IFRS 8 Operating Segments, effective for annual periods beginning on or after January 1, 2009. IFRS 8 adoption will have an impact on the segment reporting. The Group will change its segment reporting on 1 January 2009 according to the new organisation structure published on 1 September 2008.
- IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after January 1, 2009. The adoption of the standard will have impact on the presentation.
- IAS 23 Borrowing costs, effective for annual periods beginning on or after January 1, 2009. Standard is not assumed to have any significant impact on reported figures.
- Improvements to IFRS (Annual Improvements 2007), effective mainly for annual periods beginning on or after 1 January 2009. The Group foresees that improvement impacts will vary by standard, but they should not have significant impacts on reported figures. The EU has not approved these revised standards yet.

- IFRIC 13 Customer Loyalty Programs, effective for annual periods beginning on or after 1 July 2008.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1 October 2008. The Group estimates that this interpretation will not have a material impact on its reported figures. The interpretation has not yet been approved by EU.
- IFRIC 17 Distributions of non-cash assets to owners, effective for annual periods beginning on or after 1 January 2009. This interpretation is not expected to have any effect on Uponor's reported figures. The interpretation has not yet been approved by EU.

As of 2010, the Group will apply the following revised standards:

- IFRS 3 Business combinations, effective for annual periods beginning on or after 1 July 2009. This revised standard has not yet been approved by the EU.
- IAS 39 Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items, effective for annual periods beginning on or after 1 July 2009. The Group estimates that this standard will not have a material impact on its reported figures. This revised standard has not been approved by the EU.

2. Segment information

The Group's primary reporting segment is based on geographical segments, in accordance with the Group's organisation. The risks and profits related to products and services by geographical segment differ from segment to segment because of different economic and operating environments. A secondary segment constitutes the housing solutions and infrastructure and environment businesses, whose products and services and related risks and profitability differ from each other. Segment reporting reflects the Group's organisation and internal reporting structure. The accounting policies of the segments are the same as those of the Group. All inter-segment sales are based on market prices, and all inter-segment sales are eliminated in consolidation.

Geographical segments:

Central Europe segment consists of the business in Germany, Benelux countries, Austria, Switzerland, Poland, Ukraine, Belarus and Czech Republic.

Nordic segment includes operations in Finland, Sweden, Norway and Denmark.

Europe – West, East, South segment covers western, eastern and southern Europe, including Russia and the Baltic countries as well as exports to those countries that do not fall within the scope of the other geographical segments. The infrastructure business in Germany was sold in April, and the UK and Irish divestments were finalised in June.

North America segment includes operations in the United States of America and Canada.

Others segment includes Group functions.

Segment assets/liabilities are based on geographical location of assets. The profit share of associated companies 0.2 (0.2) million euros, is allocated to Central Europe segment.

MEUR		2008	
Segment revenue, continuing operations	External	Internal	Total
Central Europe	280.3	59.1	339.4
Nordic	305.3	60.4	365.7
Europe – West, East, South	232.8	1.5	234.3
North America	130.8	-	130.8
Eliminations	-	-121.0	-121.0
Uponor Group	949.2	-	949.2

MEUR		2007	
Segment revenue, continuing operations	External	Internal	Total
Central Europe	283.7	67.6	351.3
Nordic	325.4	72.3	397.7
Europe – West, East, South	271.1	1.8	272.9
North America	167.2	2.0	169.2
Eliminations	-	-143.7	-143.7
Uponor Group	1,047.4	-	1,047.4

MEUR		2008	2007
Segment result, continuing operations			
Central Europe		38.2	41.1
Nordic		23.6	49.7
Europe – West, East, South		15.3	42.2
North America		-16.0	16.6
Others		-10.2	-13.2
Eliminations		0.3	-0.7
Uponor Group		51.2	135.7

MEUR	2008	2007
Segment depreciation and impairments, continuing operations		
Central Europe	8.3	7.7
Nordic	10.1	10.1
Europe – West, East, South	2.9	2.2
North America	5.6	5.6
Others	4.1	3.3
Eliminations	0.4	0.6
Uponor Group	31.4	29.5

MEUR	2008	2007
Segment investments, continuing operations		
Central Europe	8.5	11.0
Nordic	11.1	15.5
Europe – West, East, South	1.1	4.0
North America	14.4	13.4
Others	3.9	8.1
Uponor Group	39.0	52.0

MEUR	2008	2007
Segment assets		
Central Europe	180.9	181.4
Nordic	152.7	185.3
Europe – West, East, South	144.5	240.1
North America	121.8	123.7
Others	604.6	577.9
Eliminations	-609.6	-644.1
Uponor Group	594.9	664.3

MEUR	2008	2007
Segment liabilities		
Central Europe	112.4	119.0
Nordic	178.2	233.5
Europe – West, East, South	47.1	101.9
North America	90.3	55.0
Others	488.9	477.8
Eliminations	-627.6	-655.9
Uponor Group	289.3	331.3

	2008	2007
Segment personnel, average		
Central Europe	1,240	1,261
Nordic	1,352	1,380
Europe – West, East, South	1,021	1,224
North America	532	573
Others	66	59
Uponor Group	4,211	4,497
Continuing operations	4,006	4,008
Discontinued operations	205	489

Business segments:

Housing solutions
Infrastructure solutions
Others
Others segment includes Group functions.

Segment assets include items directly attributable to a segment and items which can be allocated on a reasonable basis. Unallocated assets consist of long-term receivables and cash.

MEUR	2008	2007
Segment external revenue, continuing operations		
Housing solutions	751.1	839.9
Infrastructure solutions	198.1	207.5
Uponor Group	949.2	1,047.4

MEUR	2008	2007
Segment investments, continuing operations		
Housing solutions	30.2	39.4
Infrastructure solutions	4.8	4.4
Others	4.0	8.2
Uponor Group	39.0	52.0

MEUR	2008	2007
Segment assets		
Housing solutions	402.6	437.8
Infrastructure solutions	78.7	173.0
Others	54.1	43.7
Unallocated assets	59.5	9.8
Uponor Group	594.9	664.3

3. Discontinued operations

The infrastructure business disposals in Germany, the UK and Ireland have been classified, according to the IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, as discontinued operations. Uponor Ltd and its subsidiary Radius Plastics Ltd in the UK, and the business assets of Uponor Ltd in Ireland, were divested in June. The German subsidiary Uponor Klärtechnik GmbH was sold in April. The Group did not sell any subsidiaries in 2007.

MEUR	2008	2007
Net sales	8.9	171.9
Expenses	10.0	156.5
Profit before taxes	-1.1	15.4
Income taxes	0.0	4.9
Profit after taxes	-1.1	10.5
Net profit from divestment of discontinued operations	43.5	-
Income taxes	-	-
Profit from divestment of discontinued operations	43.5	-
Profit for the period from discontinued operations	42.4	10.5
Cash flow from discontinued operations		
Cash flow from operations	-3.4	19.1
Cash flow from investments	76.4	-6.1

MEUR	2008	2007
Book value of disposed assets		
Tangible assets	33.7	-
Deferred tax assets	1.9	-
Inventories	17.8	-
Accounts receivable and other receivables	25.1	-
Cash and cash equivalent	1.1	-
Total Assets	79.6	-
Deferred tax liabilities	3.1	-
Pension obligations	4.3	-
Accounts payable and other liabilities	33.2	-
Total liabilities	40.6	-
Net assets	39.0	-
Cash received from sale	77.5	-
Cash and cash equivalents disposed of	1.1	-
Cash flow effect	76.4	-

In addition to the payment in cash from the sale of the UK and Ireland businesses, the Group booked a vendor loan note worth 4.0 million pounds sterling, which converted at the date of sale into 5.0 million euros, as a non-current interest-bearing receivable. Thus the overall sales value amounted to 82.5 million euro.

4. Other operating income and expenses

MEUR	2008	2007
Other operating income		
Gains from sales of fixed assets	0.5	3.7
Royalties	0.7	1.9
Earnings share from associated companies	0.2	0.2
Other items	0.0	0.1
Total	1.4	5.9
Other operating expenses		
Losses from sales of fixed assets	2.9	1.0
Research and development expenses	18.6	17.2
Other expenses	14.5	-
Total	36.0	18.2

The Group booked a provision converting to 14.5 million euros to cover for the costs of residential plumbing product replacements to be carried out in the United States.

5. Employee benefits

MEUR	2008	2007
Short-term employee benefits:		
- Salaries and bonuses	164.9	176.2
- Other social costs	28.4	31.8
Post-employment benefits:		
- Pension expenses – defined contribution plans	7.9	7.0
- Pension expenses – defined benefit plans	0.7	4.0
Other long-term employee benefits	0.0	0.0
Termination benefit expenses	1.4	1.2
Total	203.3	220.2

Information on the management's employee benefits is presented in the note 31 Related party transactions.

6. Depreciation, amortisation and impairment

MEUR	2008	2007
Depreciation and amortisation by asset category		
Intangible rights	4.7	3.7
Other intangible assets	0.0	0.1
Land and water areas	0.1	0.2
Buildings and structures	4.1	3.8
Machinery and equipment	19.4	18.7
Other tangible assets	3.1	3.0
Total	31.4	29.5
Depreciation and amortisation by function		
Cost of goods sold	20.7	19.5
Dispatching and warehousing	1.5	1.4
Sales and marketing	2.8	2.8
Administration	5.5	5.0
Other	0.9	0.8
Total	31.4	29.5

7. Financial income and expenses

MEUR	2008	2007
Financial income		
Dividend income on available-for-sale financial assets	0.0	0.0
Interest income from loans and other receivables	1.7	2.6
Change in fair value of financial assets designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	9.1	2.8
Exchange differences	4.1	5.7
Other financial income	0.1	0.1
Total	15.0	11.2
Financial expenses		
Interest expense for financial liabilities measured at amortised cost	9.2	8.2
Change in fair value of financial liabilities designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	1.4	1.3
Exchange differences	13.5	3.7
Other financial costs	1.1	0.6
Total	25.2	13.8

In addition to financial income and expenses, exchange rate gains and losses are included in sales corrections totalling 0.0 million (exchange rate gains 0.3 million) euros and correspondingly exchange rate losses are included in operating expenses totalling 1.1 million (gain of 0.5 million) euros. Interest expenses include also the interest part of finance lease payments 1.2 million (1.2 million) euros.

8. Income taxes

MEUR	2008	2007
Current year and previous years taxes		
For the financial period	15.2	39.6
For previous financial periods	0.9	-0.7
Change in deferred taxation	-5.2	2.8
Total	10.9	41.7
Tax reconciliation		
Profit before taxes	41.0	133.1
Computed tax at Finnish statutory rate	10.7	34.6
Difference between Finnish and foreign rates	-1.3	7.8

MEUR	2008	2007
Non-deductible expenses	1.3	2.9
Tax exempt income	-0.5	-0.4
Use of previously unrecognised tax losses	-0.2	-1.1
Change in tax legislation	-0.2	0.8
Previous years taxes	0.9	-0.7
Other items	0.2	-2.2
Total	10.9	41.7
Effective tax rate, %	26.6	31.3

The most important change in the national tax legislations with an influence on the Group companies was the decrease in the Swedish tax rate from 28 to 26.3 percent as of 1 January 2009. The valuation of deferred tax on 31 December 2008 in accordance with the new tax rate reduced the Group's tax burden for the period immaterially. In 2007, the decrease in the German tax rate from 38 per cent to 29 per cent did not have a major impact on the Group's tax rate. In addition, the effective tax rate has changed mainly due to lower than before taxable profits in the high tax burden countries.

10. Intangible assets

2008 MEUR	Intangible rights	Goodwill	Other intangible assets	Investment in progress	Intangible assets
Acquisition costs 1 Jan	54.2	70.2	0.8	-	125.2
Structural changes	-1.0	-	-	-	-1.0
Conversion difference	-0.9	-0.2	-	-	-1.1
Increases	3.6	-	0.0	0.7	4.3
Decreases	0.0	-	0.0	-	0.0
Transfers between items	0.8	-	-0.5	-	0.3
Acquisition costs 31 Dec	56.7	70.0	0.3	0.7	127.7
Accumulated depreciations and impairments 1 Jan	22.8	-	0.8	-	23.6
Structural changes	-1.0	-	-	-	-1.0
Conversion difference	-1.0	-	0.0	-	-1.0
Acc. depreciation on disposals and transfers	0.0	-	-	-	0.0
Depreciation for the financial period	4.7	-	0.0	-	4.7
Transfers between items	0.8	-	-0.7	-	0.1
Accumulated depreciations and impairments 31 Dec	26.3	-	0.1	-	26.4
Book value 31 December	30.4	70.0	0.2	0.7	101.3

9. Earnings per share

	2008	2007
Profit from continuing operations	30.1	91.4
Profit from discontinued operations	42.4	10.5
Profit for the period	72.5	101.9
Shares, in thousands		
Weighted average number of shares *)	73,187	73,201
Diluted weighted average number of shares	73,187	73,201
Basic earnings per share, EUR	0.99	1.39
- Continuing operations	0.41	1.25
- Discontinued operations	0.58	0.14
Diluted earnings per share, EUR	0.99	1.39
- Continuing operations	0.41	1.25
- Discontinued operations	0.58	0.14

*) Weighted average number of shares does not include own shares.

2007 MEUR	Intangible rights	Goodwill	Other intangible assets	Investment in progress	Intangible assets
Acquisition costs 1 Jan	46.9	70.2	0.8	-	117.9
Conversion difference	-0.5	-	-	-	-0.5
Increases	8.2	-	0.0	-	8.2
Decreases	0.4	-	0.0	-	0.4
Acquisition costs 31 Dec	54.2	70.2	0.8	-	125.2
Accumulated depreciations and impairments 1 Jan	19.6	-	0.7	-	20.3
Conversion difference	-0.2	-	-0.1	-	-0.3
Acc. depreciation on disposals and transfers	-0.3	-	0.0	-	-0.3
Depreciation for the financial period	3.7	-	0.1	-	3.8
Accumulated depreciations and impairments 31 Dec	22.8	-	0.7	-	23.5
Book value 31 December	31.4	70.2	0.1	-	101.7

According to the IFRS 3 standard goodwill is no longer depreciated. Goodwill is tested annually for any impairment.

In 2007 and 2008, the investments in intangible assets have almost entirely related to the ERP system.

The largest part of the Group goodwill (23.4 million euros) is generated by the Uponor minority share acquired by Asko Oyj, which due to Oy Uponor Ab's merger into Asko Oy has been moved to present Uponor Oyj, and acquired Unicor businesses (43.2 million euros). The goodwill has been allocated to cash-generating units. Goodwill has been allocated to the primary segments as follows: Central Europe 54.8 million euros, Nordic 13.4 million euros and Europe – West, East, South 1.8 million euros.

Impairment tests are carried out on each separate cash-generating unit. The cash flow forecasts related to goodwill cover a period of ten years, including cash flow forecasts for the next five years and a residual value that corresponds to the sum total of five years' cash flow forecasts. A cash-generating unit's useful life has been assumed to be indefinite since these units have been estimated to impact the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level that reflects the average yield requirement for the cash generating unit in question. Discount rates varied between 11.8% and 13.3%. The Group has not recorded any impairment losses for tangible assets during 2007–2008. A sensitivity analysis verified that a 3 percent sales reduction compared to the forecasted long-term levels would expose the Group to a maximum of 9.5 million impairment risk. A discount rate increase by 5 percent, in turn, would lead into a maximum of 6.6 million impairment risk.

The Group does not have any capitalized development costs.

11. Property, plant and equipment

2008 MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	Tangible assets
Acquisition costs 1 Jan	14.3	137.4	406.1	27.4	26.0	611.2
Structural changes	-2.6	-17.4	-92.8	-2.8	-3.0	-118.6
Conversion difference	0.0	-2.3	-8.7	0.3	-0.7	-11.4
Increases	1.2	8.7	22.7	2.3	-0.2	34.7
Decreases	0.0	1.1	27.1	0.4	0.1	28.7
Transfers between items	-0.2	2.3	2.1	0.4	-4.9	-0.3
Acquisition costs 31 Dec	12.7	127.6	302.3	27.2	17.1	486.9
Accumulated depreciations and impairments 1 Jan	2.6	76.6	293.2	19.9	-	392.3
Structural changes	-0.1	-8.4	-73.7	-2.8	-	-85.0
Conversion difference	-0.1	-1.8	-6.8	0.3	-	-8.4
Acc. depreciation on disposals and transfers	-	-0.8	-22.2	-0.5	-	-23.5
Depreciation for the financial period	0.1	4.2	19.7	3.1	-	27.1
Transfers between items	-	-	-0.3	0.2	-	-0.1
Accumulated depreciations and impairments 31 Dec	2.5	69.8	209.9	20.2	-	302.4
Book value 31 December	10.2	57.8	92.4	7.0	17.1	184.5
Balance sheet value of production plant and machinery			83.2			
2007 MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	Tangible assets
Acquisition costs 1 Jan	14.4	139.3	400.4	26.3	13.9	594.3
Conversion difference	-0.4	-3.6	-13.6	-1.1	-0.5	-19.2
Increases	0.6	2.5	27.4	3.2	15.2	48.9
Decreases	0.1	1.3	10.4	1.0	0.0	12.8
Transfer between items	-0.2	0.5	2.3	-	-2.6	-
Acquisition costs 31 Dec	14.3	137.4	406.1	27.4	26.0	611.2
Accumulated depreciations and impairments 1 Jan	2.5	74.0	287.3	18.7	-	382.5
Conversion difference	-0.1	-1.6	-10.2	-0.9	-	-12.8
Acc. depreciation on disposals and transfers	0.0	-0.7	-9.1	-1.0	-	-10.8
Depreciation for the financial period	0.2	4.9	25.2	3.1	-	33.4
Accumulated depreciations and impairments 31 Dec	2.6	76.6	293.2	19.9	-	392.3
Book value 31 December	11.7	60.8	112.9	7.5	26.0	218.9
Balance sheet value of production plant and machinery			101.6			

The North American production plant expansion investment was finalised in 2008. The main production asset divestments related to the sold infrastructure businesses in the UK, Ireland and Germany. In 2007 the building investments included the new training centre in Germany. During the same year, the Group sold its real estate located in Portugal. The production-related investments consisted mainly of machinery replacements. The reductions in the Group's machinery relate mainly to the sold infrastructure businesses in the UK, Ireland and Germany. Furthermore, the factory closures in Canada and Sweden increased the disposals. During the previous year, the largest investments in machinery and equipment were made in Germany, North America and Sweden.

The majority of the unfinished investments which originated from projects started in 2007, and related to the expansion of production facilities in North America and Sweden, were finalised in 2008.

Tangible asset includes property that is acquired under finance lease arrangements as follows:

Finance lease arrangements

2008 MEUR	Land and water areas	Buildings and structures	Others	Finance lease arrangements total
Acquisition costs 1 Jan	1.1	16.8	0.2	18.1
Conversion difference	-	-0.2	0.0	-0.2
Increases	-	-	0.0	0.0
Transfers between items	-0.2	-0.7	-	-0.9
Acquisition costs 31 Dec	0.9	15.9	0.2	17.0
Accumulated depreciations and impairments 1 Jan	-	7.2	0.0	7.2
Conversion difference	-	-0.2	0.0	-0.2
Depreciation for the financial period	-	0.6	0.1	0.7
Transfers between items	-	-0.2	-	-0.2
Accumulated depreciations and impairments 31 Dec	-	7.4	0.1	7.5
Book value 31 December	0.9	8.5	0.1	9.5
2007 MEUR	Land and water areas	Buildings and structures	Others	Finance lease arrangements total
Acquisition costs 1 Jan	0.7	16.2	0.9	17.8
Conversion difference	0.2	-0.1	-0.3	-0.2
Increases	-	-	0.2	0.2
Decreases	-	0.0	0.6	0.6
Transfers between items	0.2	0.7	-	0.9
Acquisition costs 31 Dec	1.1	16.8	0.2	18.1
Accumulated depreciations and impairments 1 Jan	-	6.5	0.7	7.2
Conversion difference	-	-0.1	-0.2	-0.3
Acc. depreciation on disposals and transfers	-	0.0	-0.6	-0.6
Depreciation for the financial period	-	0.6	0.1	0.7
Transfers between items	-	0.2	-	0.2
Accumulated depreciations and impairments 31 Dec	-	7.2	0.0	7.2
Book value 31 December	1.1	9.6	0.2	10.9

12. Financial assets and liabilities by measurement categories

2008 MEUR	Derivative contracts, under hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Note
Non-current financial assets							
Other shares and holdings				0.2		0.2	14
Non-current receivables			6.1			6.1	15
Derivative contracts	0.0					0.0	15
Current financial assets							
Interest-bearing receivable			0.0			0.0	17
Accounts receivable and other receivables			93.3			93.3	18
Derivative contracts	0.0	8.3				8.3	18
Cash and cash equivalent			53.2			53.2	
Carrying amount by category	0.0	8.3	152.6	0.2	-	161.1	
Non-current financial liabilities							
Interest-bearing liabilities					77.0	77.0	23
Derivative contracts	1.0	0.1				1.1	
Current financial liabilities							
Interest-bearing liabilities					36.8	36.8	23
Derivative contracts	0.4	0.6				1.0	24
Accounts payable and other liabilities					54.1	54.1	24
Carrying amount by category	1.4	0.7			167.9	170.0	

2007 MEUR	Derivative contracts, under hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Note
Non-current financial assets							
Other shares and holdings				0.2		0.2	14
Non-current receivables			3.1			3.1	15
Derivative contracts	0.3					0.3	
Current financial assets							
Interest-bearing receivable			0.1			0.1	17
Accounts receivable and other receivables			150.8			150.8	18
Derivative contracts	0.4	1.7				2.1	18
Cash and cash equivalent			6.3			6.3	
Carrying amount by category	0.7	1.7	160.3	0.2	-	162.9	

2007 MEUR	Derivative contracts, under hedge accounting	Financial assets/ liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Note
Non-current financial liabilities							
Interest-bearing liabilities					14.7	14.7	23
Other liabilities					0.1	0.1	
Current financial liabilities							
Interest-bearing liabilities					76.1	76.1	23
Derivative contracts		0.0	0.0			0.0	24
Accounts payable and other liabilities					78.4	78.4	24
Carrying amount by category		0.0	0.0		169.3	169.3	

Carrying value of financial assets and liabilities is considered to approximate their fair value.

13. Investments in associated companies

MEUR	2008	2007
Acquisition costs 1 Jan	0.0	0.0
Decreases	0.0	-
Book value 31 December	-	0.0

The Group divested its associated company share in Nrg2 as part of the infrastructure business sales. Punitec GmbH shares do not have any book value.

14. Other shares and holdings

MEUR	2008	2007
Other non-current investments	0.2	0.2

Other non-current investments include other unlisted shares which were measured at cost since it was not possible to determine their fair value reliably.

15. Non-current receivables

MEUR	2008	2007
Loans to associated companies	-	1.0
Other loan receivables	4.7	0.8
Derivatives contracts	0.0	0.3

Other receivable	1.4	1.3
Book value 31 December	6.1	3.4

The increase in non-current receivables arises from the sale of the infrastructure businesses in the UK and Ireland. In addition to the payment in cash, the Group agreed to a 4.0 million sterling pound vendor loan note with a fixed interest rate and maturity in 2015.

16. Inventories

MEUR	2008	2007
Raw materials and consumables	16.7	20.2
Finished products / goods	86.1	127.3
Advance payments	1.7	3.1
Book value 31 December	104.5	150.6

Inventories are stated at the lower of cost or likely net realisable value, based on the FIFO principle. In 2008, the inventories were written down below cost by 4.7 (0.7 million) euros to lower book values to match net realisable values. The inventory write-down reversals totalled 0.1 (0.0) million euros.

17. Interest-bearing current assets

MEUR	2008	2007
Other loan receivable	0.0	0.1

18. Accounts receivable and other receivables

MEUR	2008	2007
Accounts receivable	92.9	145.1
Doubtful accounts receivables	-1.5	-0.5
Current income tax receivable	11.2	0.9
Prepayments and accrued income	15.3	13.0
Derivative contracts	8.3	2.2
Other receivable	1.9	6.2
Book value 31 December	128.1	166.9

According to the Group's assessment, the carrying value of non-interest-bearing current receivables, except for commodity contracts receivable, is considered to approximate their fair value.

The group recorded 1.5 million (0.5 million euros) of doubtful accounts receivables as expenses during the financial period. The Group is not aware of any factors which would cause possible additional write-downs.

Aging of accounts receivable is presented in the note 27 Risk management.

Accrued income

MEUR	2008	2007
Taxes	6.3	5.6
Discounts received	0.2	0.4
Interest	0.4	0.2
Other	8.4	6.8
Book value 31 December	15.3	13.0

19. Shareholders' equity

At the beginning of 2008, Uponor Corporation's share capital came to EUR 146,446,888 and the number of shares totalled 73,206,944, while the year-end share capital was EUR 146,446,888 with the number of shares totalising 73,206,944. Each share entitles its holder to one vote at the shareholders' meeting. The Annual General Meeting of 15 March 2007 decided to remove references to nominal value of a share as well as minimum and maximum share capital. All issued shares are fully paid. At the beginning of 2008 the company did not hold any treasury shares. The Board of Directors decided on 6 November 2008 to buy back own shares based on the authorisation granted by the Annual General Meeting on 13 March 2008. The company bought during the period 17.11–5.12.2008 a total of 160,000 own shares. Their total cost amounted to 1.2 million euros. The justification of the buy-back was the use of the shares as consideration in connection with the company's share based incentive programmes. At the end of the financial period

the company hold 160,000 treasury shares. Treasury shares are presented as a reduction in retained earnings and they do not have any asset value in the financial statements.

In 2007, a reserve for invested unrestricted equity complying with the new Limited Liability Companies Act and hedge reserve, in which the changes in fair value of derivative contracts under hedge accounting are recorded, were added to shareholders' equity.

At present, other reserves include legal reserves required by statutes.

20. Deferred taxes

MEUR	2008	2007
Deferred tax assets		
Internal profit in inventory	1.0	1.4
Provisions	8.7	2.6
Unrecognised tax losses	1.4	1.7
Tangible assets	0.4	0.5
Employee benefits	1.5	3.8
Fair valuation of available-for-sale investments and financial instruments	0.4	-
Other temporary differences	3.6	6.3
Total	17.0	16.3
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	4.9	5.4
Tangible assets	2.6	7.3
Fair valuation of available-for-sale investments and financial instruments	-	0.2
Other temporary differences	0.6	2.1
Total	8.1	15.0

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which probably can be utilised against future profits in the relevant tax jurisdictions. On 31 December 2008 the Group had losses carried forward of 5.6 million euros (7.2 million euros), of which the Group has recognized deferred tax receivable. With respect to confirmed losses, 3.9 million euros (0.1 million euros) had no expiry date while 1.7 million euros will expire in 2009. In 2008 there were not any loss carry-forwards for which no deferred tax asset is recognized due the uncertainty of the utilization of these loss carry-forwards. In 2007 such losses totalled 0.8 million euros. No deferred tax liability has been recognised for the undistributed earnings of Finnish subsidiaries as such earnings may be transferred to the Parent Company without any tax consequences. The Group does

not provide for deferred taxes on undistributed earnings of non-Finnish subsidiaries to the extent that such earnings are intended to be permanently reinvested in those operations and repatriation would cause tax expenses.

21. Employee benefit obligations

The Group has a number of pension plans for its operations. The Group's pension schemes comply with each country's local rules and regulations. The Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorized actuaries prepared the actuarial calculations. The discount rate for actuarial calculations is determined by the reference to market yields of high quality corporate bonds or government bonds. Pension benefits are normally based on the number of working years and the salary. Most of the defined benefit plans are located in Germany and Sweden, constituting about 90% of the defined benefit pension liability in the Group's balance sheet. In Finland, pensions are handled according to TyEL system, which is a defined contribution pension plan.

MEUR	2008	2007
Post-employment benefit obligations:		
- Pensions - defined benefit plans	19.5	27.2
Other long-term employee benefit liability	0.7	0.8
Total	20.2	28.0

The Group's defined benefit plans decreased during the financial year. In connection with the sale of the infrastructure business in the United Kingdom and Ireland, the pension liabilities were settled and the Group no longer has any obligation related to these.

Pension obligations

MEUR	2008	2007
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	3.1	68.0
Present value of unfunded obligations	18.6	19.9
Fair value of plan assets	-2.1	-57.6
Unrecognised actuarial gains (+) and losses (-)	-0.1	-3.1
Net liability in the balance sheet	19.5	27.2

MEUR	2008	2007
Expenses recognised in the income statement		
Current service costs	1.0	3.4
Interest costs	1.4	4.1
Expected return on plan assets	-0.6	-3.2
Actuarial gains (-) and losses (+)	-0.2	-0.1
Effect of any curtailments and settlements	-0.9	0.0
Total	0.7	4.2

Actual return on plan assets	-0.4	2.8
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MEUR	2008	2007
Expenses recognised in the income statement by function		
Cost of goods sold	0.1	1.3
Dispatching and warehousing	0.1	0.1
Sales and marketing	0.6	1.0
Administration	-0.2	1.2
Other	0.1	0.6
Total	0.7	4.2

MEUR	2008	2007
Movements in obligation		
Obligation at 1 January	87.9	90.2
Sale of businesses	-43.2	-
Current service cost	0.9	3.4
Interest cost	1.4	4.1
Actuarial gains (-) and losses (+)	-1.5	-2.7
Gains (-) and losses (+) on curtailments	-0.3	-0.1
Member contributions	0.0	0.5
Benefit payments	-4.6	-2.2
Settlements	-4.5	-0.1
Conversion difference	-14.4	-5.2
Obligation at 31 December	21.7	87.9

MEUR	2008	2007
Movements in fair value of plan assets		
Fair value of plan assets at 1 January	57.6	56.0
Sale of businesses	-36.4	-
Expected return on plan assets	0.6	3.2
Actuarial gains (+) and losses (-)	-1.0	-0.4
Contributions by employer	1.4	4.4
Member contributions	0.0	0.5
Settlements	-5.3	-0.1
Conversion difference	-10.3	-3.9
Benefit payments	-4.5	-2.1
Fair value of plan assets at 31 December	2.1	57.6

MEUR	2008	2007
Major categories of plan assets as % of total plan		
Equities	4.1	46.3
Bonds	40.7	50.5
Other	55.2	3.2
Total	100.0	100.0

Principal actuarial assumptions

	Nordic countries		Germany		UK and Ireland		Other countries	
	2008	2007	2008	2007	2008	2007	2008	2007
Discount rate (%)	4.00–6.25	4.50–5.25	6.25	5.25	-	5.25–5.50	6.25	5.25
Expected rate of return on plan assets (%)	5.50	6.00	n/a	n/a	-	5.50–6.25	n/a	n/a
Expected rate of salary increase (%)	3.00–3.75	3.00–4.25	3.00	2.50	-	3.75–4.25	3.25	3.25
Expected rate of pension increase (%)	2.00–2.25	2.00	2.25	2.00	-	2.25–3.25	2.25	2.00

The expected rate of return on plan assets is 5.50 per cent. When determining the expected long-term rate of return on plan assets, the Group has considered historical returns and future expectations for each asset class. Transaction expenses and any applicable yield taxes have been deducted from the return on plan assets.

MEUR	2008	2007
Amounts for the current and previous period		
Present value of obligation	21.7	87.9
Fair value of plan assets	-2.1	-57.6
Surplus (+)/Deficit (-)	19.6	30.3
Experience adjustments on plan assets		
Experience adjustments on plan liabilities	-1.3	-2.6

Group expects to contribute 1.1 million euros to its defined benefit pension plans in 2009.

22. Provisions

MEUR	Guarantee and warranty obligations	Environmental obligations	Restructuring	Other provisions	Total
Provisions at January 1, 2008	6.4	6.1	0.6	3.1	16.2
Change resulting from sale of businesses	-0.1	-	-	-0.1	-0.2
Conversion difference	0.9	-	-0.2	0.0	0.7
Additional provisions	17.5	-	1.1	0.9	19.5
Utilised provisions	-2.5	-0.9	-0.5	-0.6	-4.5
Unused amounts reversed	-0.2	-	-	-1.5	-1.7
Provisions at December 31, 2008	22.0	5.2	1.0	1.8	30.0
Current provisions	19.0	1.6	1.0	0.7	22.3
Non-current provisions	3.0	3.6	0.0	1.1	7.7

Warranty provisions were 22.0 million euros (6.4 million euros) at the end of the period. They increased due to the USA warranty provision booking worth 14.5 million euros to cover for the costs of residential plumbing replacements. The provision is expected to be used in 2009. Warranty provisions are based on previous years' experience of defective goods. The aim is to be prepared for future warranty expenses. Warranty periods vary from country to country, depending on the local legislation and commercial practice.

At period end, the environmental provision related to a divested domestic real estate business was 5.2 million (6.1 million) euros. Around 1.6 million euro of the provision is expected to realise during 2009.

The restructuring provision increase of 1.1 million euro relates to the Group's cost savings programme which started in autumn.

23. Interest bearing liabilities

MEUR	2008	2007
Non-current interest bearing liabilities		
Loans from financial institutions	64.0	1.1
Finance lease liability	13.0	13.6
Total	77.0	14.7
Current interest-bearing liabilities		
Loans from financial institutions	36.2	75.5
Finance lease liability	0.6	0.6
Total	36.8	76.1

MEUR	2010	2011	2012	2013	2014–
Maturity of non-current interest bearing liabilities					
Loans from financial institutions	16.0	16.0	16.0	16.0	-
Finance lease agreements	0.6	1.0	0.8	0.8	9.8
Total	16.6	17.0	16.8	16.8	9.8
				2008	2007
The interest rate ranges of interest-bearing liabilities, % pa					
Loans from financial institutions			3.45		3.5–5.95

The Group increased its borrowings by 80 million euros with a pension insurance company's reborrowing loan facility. It has a fixed interest rate and will be paid back during the next five (5) years. The carrying value of the interest bearing liabilities is considered to approximate their fair value.

Finance lease liability

MEUR	2008	2007
Minimum lease payments		
In less than one year	1.8	1.8
1–5 years	7.0	6.8
Over 5 years	13.4	15.4
Total	22.2	24.0
Future finance charges	8.6	9.8
Finance lease liabilities – the present value of minimum lease payments	13.6	14.2
The present value of minimum lease payments		
In less than one year	0.6	0.6
1–5 years	3.2	2.7
Over 5 years	9.8	10.9
Total	13.6	14.2

The Group's finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2008, the total amount of activated costs for finance lease agreements in the Group was 9.5 million euros (10.9 million euros), which was included in property, plant and equipment in the balance sheet. The corresponding depreciations in 2008 were 0.6 million euros (0.6 million euros). The total amount of finance lease payments in 2008 was 1.8 million euros (1.8 million euros), which included 1.1 million euros (1.2 million euros) of interest expenses. The most significant leasing liability is the finance lease agreement signed in connection with the purchase of the Unicor business in 1999. In 2008, no significant new leasing agreements were made.

24. Accounts payable and other liabilities

MEUR	2008	2007
Accounts payable	50.1	75.2
Current income tax liability	0.7	13.2
Accrued liabilities	59.9	88.5
Advances received	0.4	1.1
Derivative contracts	1.0	0.0
Other current liabilities	4.0	3.2
Total	116.1	181.2
Accrued liabilities		
Personnel expenses	18.2	19.4
Bonuses	7.4	11.2
Taxes	3.3	10.9
Interest	0.0	0.1
Others	31.0	46.9
Total	59.9	88.5

25. Contingent liabilities

MEUR	2008	2007
- on own behalf		
Mortgages issued	0.0	0.0
- on behalf of others		
Guarantees issued	7.8	11.5
Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.		
Mortgages issued	0.0	0.0
Guarantees issued	7.8	11.5
Total	7.8	11.5

Contingent liabilities are recorded in accordance with the best estimate of the amount of liability. The Group has entered into agreements with third parties (former group or associated companies) to provide them with financial or performance assurance services. The Group does not have any collateral or other recourse provisions related to these guarantees. The maximum amounts of future payments on behalf of others under these guarantees are disclosed under "Guarantees issued – on behalf of others".

26. Operating leases commitments

MEUR	2008	2007
Future minimum lease payments		
In less than one year	9.2	8.5
1–5 years	14.7	12.9
Over 5 years	8.0	3.0
Total	31.9	24.4

The Group has rented office and warehouse premises with various agreements. In addition, rental agreements, which are not finance lease agreements, are classified as other rental agreements. The rents of operative leasing commitments are booked as expenses during the maturity.

27. Financial risk management

Financial risk management aims to minimise the adverse effects caused by the uncertainties in financial markets to the Group's financial performance and to ensure sufficient liquidity in a cost-efficient manner. The general operating principles of financial risk management are defined in the Group's financing policy approved by the Board of Directors.

Chaired by the Group's President and CEO, the Treasury Committee is responsible for steering and supervising practical financial risk management. For risk management, Uponor employs only financial instruments whose market value and risk profile it can monitor reliably and continuously. Hedging transactions related to, for instance, currency, interest rate, liquidity and counterparty risks are carried out in accordance with the written risk management principles approved by the Group management.

Group Treasury operates as the Group's internal bank, centralised at the Corporate Head Office. Its financial risk management duties include identifying, assessing and covering the Group's financial risks. The internal bank is also responsible for external market transactions related to asset and risk management, and providing Group subsidiaries with consultation and services within financing.

Currency risk

Due to its international operations, the Group is exposed to currency risks arising from, for instance, currency-denominated accounts receivable and payable, intra-Group transactions as well as currency-denominated financing, deposits and bank account balances. According to the Group hedging policy, subsidiaries hedge all major transaction risks with Group's internal forward transactions. Group Treasury is responsible for assessing the Group level net positions and hedging them in external currency markets. Currency forward agreements and options are mainly used as hedging instruments.

Subsidiaries forecast their foreign currency cash flows for the following 12 month periods and according to Group's hedging policy they are responsible to hedge 50–100% of the monthly net cash flow up to 6 months. In addition to the euro, the main invoicing currencies are the US dollar (USD), the Swedish krona (SEK), and the Norwegian krona (NOK) (in 2007 the three main invoicing currencies were the US dollar (USD), the British Pound (GBP), and the Swedish krona (SEK)). On 31 December 2008, these currencies accounted for approximately 27 per cent of the Group's external accounts receivable. Costs arising from the Group's own production in the United States and Sweden balance the open risk positions denominated in the said currencies.

Currency positions are continuously assessed by currency for the following 12-month periods. Pursuant to the Group's hedging policy, all substantial open currency positions are hedged against currency fluctuations, largely through currency forward agreements, options or swap agreements. Such currency derivative agreements are generally of less than six (6) months in maturity.

Group's currency transaction risk position at 31 Dec 2008

Currency	SEK	GBP	USD	NOK
Net position	54.3	4.3	28.7	22.6
External hedges	-54.2	-3.9	-28.7	-19.1
Open position	0.1	0.4	0.0	3.5
Hedge level, %	100%	90%	100%	85%

Group's currency transaction risk position at 31 Dec 2007

Currency	SEK	GBP	USD	NOK
Net position	40.9	14.9	-3.7	20.5
External hedges	-43.2	-14.7	3.0	-15.6
Open position	-2.3	0.2	-0.7	4.9
Hedge level, %	106%	99%	81%	76%

As open position is small, the sensitivity to currency fluctuations is immaterial.

Translational risks arise when the currency denominated assets and liabilities of subsidiaries located outside the euro area is exposed to currency fluctuations when the assets and liabilities are translated into the parent company's reporting currency, the euro. The most significant net investments are in the United States and Sweden (in 2007 also in Great Britain). Translational risk affects for instance key ratios, but not the cash flow. According to the Group hedging policy, these non-euro denominated balance sheet items are not hedged.

Interest rate risk

The Group is exposed to interest rate risks in the form of, on the one hand, changes in the value of balance sheet items (i.e. price risks) and, on the other hand, risks related to the restructuring of interest income and expenses necessitated by changes in interest rates. Group Treasury is responsible for managing interest rate risks within the framework specified by Group financing policy with the aim of balancing the interest rate position and minimising interest rate risks.

In order to manage interest rate risks, Uponor spreads Group funding across fixed and floating interest rate instruments. The duration of the interest rate position is regulated by choosing loans with different interest rate periods and by using different derivative instruments, such as interest rate swaps, forward rate agreements and interest rate options. Group Treasury is also responsible for matching external financial items and the duration of balance sheet items funded by such items. Short-term money market investments expose the Group to cash flow interest rate risks, but the over-

all impact of the said investments is insignificant. At the end of the period Group had mainly long-term loan with fixed interest rate.

The Group had no open interest rate swaps or other interest rate derivatives on the balance sheet date.

Financial instruments' sensitivity to fluctuations in market interest rates, as stated in IFRS7 -standard, is presented in the following sensitivity analysis. The impact of interest rate increase or decrease by one per cent on the income statement after taxes is +/- 0.2 million euros (+/- 0.5 million euros). Interest position consists of interest-bearing financial liabilities and assets.

Liquidity and refinancing risk

The Group's liquidity is managed through efficient cash management and by investing solely in low-risk objects that can be liquidated rapidly and at a clear market price. At the end of period Group had 47.7 million euros in cash deposits with banks, whose credit rating is at least AA-.

Uponor seeks to ensure the availability and flexibility of financing through a balanced distribution of loan maturities as well as adequate credit limit reserves and by acquiring financing from several banks and using various types of financing.

Group Treasury is responsible for the co-ordination of Group funding through the parent company. In exceptional cases, mainly for practical or legal reasons, Group Treasury may establish local working capital credit lines in the name of a subsidiary, guaranteed by the parent company.

The most significant existing funding programs on 31 December 2008 included:

- Pension insurance company's reborrowing loan of 80 million euros, maturing in 2009–2013
- Revolving credit facility of 30 million euros, maturing in 2011
- Revolving Credit Facility of 120 million euros, maturing in 2010

At the end of the financial period, the revolving credit facilities were not utilised.

In addition, the Group has a Finnish commercial paper program totaling 150 million euros.

Contractual maturity of financial liabilities at 31 Dec 2008

MEUR	2009	2010	2011	2012	2013–
Commercial papers	19.0				
Loans from financial institutions	0.2				
Pension loans	18.8	18.1	17.5	17.0	16.4
Finance lease liability	1.8	1.8	1.9	1.7	15.0
Accounts payable	50.1				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	0.6				
- cash inflow	8.3				
Commodity derivatives	0.4	0.8	0.3	0.0	

Contractual maturity of financial liabilities at 31 Dec 2007

MEUR	2008	2009	2010	2011	2012–
Commercial papers	73.5				
Loans from financial institutions	1.1	0.2			
Finance lease liability	1.8	1.7	1.7	1.7	17.1
Bank overdrafts in use	2.1				
Accounts payable	75.2				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	0.2				
- cash inflow	1.9				
Commodity derivatives	0.4	0.3	0.1		

Counterparty and credit risk

The counterparty risk related to financial instruments has been defined as a risk that the counterparty is unable to fulfil its contractual obligations.

In order to minimise counterparty risks, the Group invests its cash reserves and makes derivative contracts only with parties who meet the Group's criteria for creditworthiness. The Group did not suffer any credit losses in its operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2008.

Potential concentrations of credit risk with respect to trade and other receivables are limited due to the large number and geographic dispersion of companies that comprise the Group's customer base. The single largest customer

generates less than 10 per cent of the Group's revenue. Customer credit limits are established and monitored, and evaluation of customers' financial conditions is performed on-going continuously. Trade receivables are credit insured when it is applicable. The Group recorded 1.5 million of doubtful accounts receivables as expenses.

MEUR	2008	2007
The aging of accounts receivable		
Undue	69.4	111.5
Due 1–30 days	15.0	23.3
Due 31–60 days	3.5	4.9
Due 61–90 days	1.9	2.2
Due over 90 days	1.6	2.7
Total	91.4	144.6

Price risk

The Group is exposed to raw material price risks, such as plastics, aluminium, copper, zinc, and electricity price risk in its business operations. Raw material price risks are managed through long term fixed price supply contracts. Group Treasury is responsible managing the electricity price risks on Nordic level within the frame defined in the Group hedging policy. The hedging level according to the policy is for the coming 12 months 70–100 percent and the following 12 months 25–80 per cent.

The table below presents the sensitivity of open electricity derivatives to fluctuations in electricity price should the market price of electricity increase or decrease by 10 per cent. The figures include the impact of taxes while other factors are expected to remain unchanged. Electricity derivatives recorded at fair value affect the profit after tax. Any changes in the value of electricity derivatives that meet the criteria for hedge accounting as set forth in IAS 39 have an impact on shareholders' equity.

MEUR	2008	2007
Change in the income statement	+/- 0.0	+/- 0.0
Change in shareholders' equity	+/- 0.4	+/- 0.3

28. Derivative contracts and hedge accounting

MEUR	2008	2007	
Nominal value			
Foreign currency derivatives:			
Forward agreements	128.9	85.9	
Commodity derivatives:			
Forward agreements			
- not under hedge accounting	0.7	0.4	
- under hedge accounting	6.7	3.2	
2008			
MEUR	Positive fair value	Negative fair value	Net fair value
Fair value			
Foreign currency derivatives:			
Forward agreements	8,3	-0,6	7,7
Commodity derivatives			
- not under hedge accounting	0,0	-0,1	-0,1
- under hedge accounting	0,0	-1,4	-1,4
2007			
MEUR	Positive fair value	Negative fair value	Net fair value
Fair value			
Foreign currency derivatives:			
Forward agreements	1,9	-0,2	1,7
Commodity derivatives			
- not under hedge accounting	0,1	0,0	0,1
- under hedge accounting	0,7	0,0	0,7

Uponor has applied hedge accounting for electricity derivatives since September 2007. The Group uses electricity derivatives in order to hedge against the price risk arising from fluctuations in the market price of electricity. Those electricity derivatives that meet the criteria for hedge accounting have been defined as hedging for inbound cash flow.

Changes in the fair values of electricity derivatives which are designated as inbound cash flow hedges are recognised in shareholders' equity to the extent that the hedge is effective. Losses of 1.7 million euros (gain of 0.5 million euros) were entered directly in equity during the financial period. The impact of the ineffective portion on the profit for the financial period was a loss of 0.1

million euros (in 2007 it was insignificant). With respect to the hedging fund, a gain of 0.3 million euros (loss of 0.0 million euros) was recorded in the income statement during the financial period, under costs of goods sold.

29. Capital management

The purpose of the Group's capital management is to create an efficient capital structure in order to ensure normal operational preconditions and growth opportunities and, thereby, to increase long-term shareholder return.

In addition to investment decisions, dividend distribution is a key factor affecting the capital structure. The Group's long-term goal is to pay an annually-growing basic dividend which represents at least 50 percent of the earnings per share.

The Group's capital structure developments are monitored by means of gearing. Gearing is calculated by dividing net interest-bearing liabilities by shareholders' equity. Net interest-bearing liabilities include interest bearing liabilities less cash and cash equivalents. At the end of 2006, Uponor published its long-term targets for 2007–2009, according to which it seeks to keep its gearing between 30 and 70 per cent across quarters.

MEUR	2008	2007
Interest-bearing liabilities	113.8	90.8
Cash and cash equivalent	53.2	6.3
Net interest-bearing liabilities	60.6	84.5
Shareholders' equity	305.6	333.0
Gearing, %	19.8	25.4
Gearing across quarters, %	46.4	43.9

Group's financial agreements include typical covenant clauses regarding gearing and interest cover ratio. The realised ratio levels have fulfilled the covenant clauses clearly.

30. Management incentive scheme and share based payments

In September 2007, Uponor Corporation's Board of Directors decided to launch a long-term incentive scheme for the members of the company's Executive Committee. To be eligible to participate in the scheme, an Executive Committee member needed to acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2008. Depending on the cumulative operating profit of Uponor during 2007–2011, and the number of shares acquired within the scheme, each Executive Committee member is eligible for being awarded Uponor shares in the spring 2012. The Executive Committee members have acquired the Uponor shares as defined under the scheme, and thus are participating in the programme.

In November 2008, the Board of Directors approved a 3-year incentive scheme for a group of managers with international business responsibility. To be eligible to participate in the scheme, a manager must acquire a specific number of Uponor shares, as defined under the scheme, by the end of August 2009. Depending on the achievement of the company's financial targets during the years 2009–2011, and the number of shares acquired within the scheme, each manager is eligible to be awarded Uponor shares in the spring 2012. By the end of January 2009, managers had not acquired any Uponor shares under this scheme, and therefore not participated in the programme yet.

In accordance with IFRS 2, these incentive plans were not entered in the income statements or balance sheets of 2008 and 2007.

The previous incentive program started in 2004 and ended in 2006. In February 2007, a total of 71,500 shares were handed over to members of the Executive Committee in accordance with the share-based incentive plan.

31. Related party transactions

Uponor Group's related parties include subsidiaries and associates as well as Board members, the CEO, deputy CEO and Executive Committee members.

MEUR	2008	2007
Transactions with associated companies		
Continuing operations		
Purchases	2.0	2.1
Balances at the end of period		
Loan receivable	-	1.0
Accounts receivable and other receivables	-	1.1
Accounts payable and other liabilities	0.0	0.2

TEUR	2008	2007
Executive Committee remuneration		
Remuneration	2,341.3	2,137.5
Termination expenses	470.0	-
Post-employment benefit expenses	69.0	57.0
Total	2,880.3	2,194.5

Executive Committee remuneration:
CEO and his Deputy, TEUR

Luomakoski Jyri, Deputy CEO and CFO until 27 October 2008/ CEO from 27 October 2008	255.8	913.9
Lång Jan, CEO until 27 October 2008	411.4	1,659.2

CEO is entitled to retire at the age of 63.

TEUR	2008	2007
Board remuneration		
Paasikivi Jari, Chairman (elected 13 March 2008)	71.0	40.0
Rajahalme Aimo, Deputy Chairman	49.0	45.0
Eloranta Jorma	44.0	40.0
Silfverstolpe Nordin Anne-Christine	44.0	40.0
Simon Rainer S.	44.0	40.0
Former board members		
Paasikivi Pekka, Chairman (period ended 13 March 2008)	-	65.0
Total	252.0	270.0

Loans to management

The Group had not issued any loans to the management and Board members on 31 December 2008 or 31.12.2007.

The shareholdings of the management and Board members are presented under the Corporate Governance section of the Annual Report 2008.

Subsidiaries

Name	Domicile and country	
Uponor Beteiligungs GmbH	Germany, Hassfurt	DE
Uponor Hispania, S.A.	Spain, Móstoles	ES
Uponor (Deutschland) GmbH	Germany, Hassfurt	DE
Hewing GmbH	Germany, Ochtrup	DE
Uponor GmbH	Germany, Hassfurt	DE
Uponor S.A.R.L.	France, St. Etienne de St. Geoirs	FR
Karhu Deutschland GmbH i.L.	Germany	DE
Trak GmbH i.L.	Germany, Kiefersfelden	DE
Uponor A/S	Denmark, Hadsund	DK
Uponor Eesti Oü	Estonia, Tallinn	EE
Jita Oy	Finland, Virrat	FI
Nereus Oy	Finland, Uusikaupunki	FI
Uponor Business Solutions Oy	Finland, Vantaa	FI
Uponor Suomi Oy	Finland, Nastola	FI
Uponor Texnikes Lyseis gia Ktiria AE	Greece, Athens	GR
Uponor Kft.	Hungary, Budapest	HU
Uponor Limited	Ireland, Bishopstown	IE
Uponor (Cork) Limited	Ireland, Bishopstown	IE
Uponor S.r.l.	Italy, Badia Polesine	IT
SIA Uponor Latvia	Latvia, Riga	LV
UAB Uponor	Lithuania, Vilnius	LT
Uponor B.V.	The Netherlands, Amsterdam	NL

Name	Domicile and country	
Uponor s.r.o.	Czech, Prague	CS
Uponor AS	Norway, Vestby	NO
Uponor Sp. z o.o.	Poland, Plonie	PL
Uponor Portugal – Sistemas para Fluidos, Lda.	Portugal, V.N. Gaia	PT
Uponor Construção e Ambiente – Sistemas de Tubagens, S.A.	Portugal, V.N. Gaia	PT
AO Asko-Upo (Spb)	Russia, St.Petersburg	RU
ZAO Uponor Rus	Russia, St.Petersburg	RU
Uponor Innovation AB	Sweden, Borås	SE
Uponor AB	Sweden, Wirsbo	SE
Uponor Vertriebs GmbH	Austria, Guntramsdorf	AT
Uponor Housing Solutions Limited	UK, England and Wales	UK
Uponor North America, Inc.	USA, Delaware	US
Hot Water Systems North America, Inc.	USA, Delaware	US
Uponor, Inc.	USA, Illinois	US
Uponor Ltd	Canada, Saskatchewan	CA
Radiant Technology, Inc.	USA, Delaware	US
Tulsa Pipe Plant, Inc. (former Uponor Aldyl Company, Inc.)	USA, Delaware	US

Associated companies

Name	Shareholding, %	Domicile and country	
Punitec GmbH & Co. KG	36	Gochsheim	DE
Punitec Verwaltungs GmbH	36	Gochsheim	DE

32. Events after the balance sheet date

The Group will change its segment reporting starting 1.1.2009 to reflect the new organisation structure which was published on 1 September 2008.

Uponor announced on 8 January 2009 to initiate discussion with its employees in Sweden and continue cost saving actions. The plan is a continuation to the workforce reductions implemented in 2008.

Shares and shareholders

The volume of Uponor shares traded on the Helsinki OMX Nordic Exchange in 2008 totalled 99,227,448, valued at EUR 1,195.1 million. The share closed at EUR 7.70 and the market capitalisation came to EUR 563.7 million. The yearend number of shareholders totalled 18,629 of which foreign shareholders accounted for 22.6 per cent (33.1 per cent).

Major shareholders on 31 December 2008

Shareholder	Shares	% of shares	% of votes
Oras Invest Ltd	17,471,780	23.9	23.9
Varma Mutual Pension Insurance Company	5,162,072	7.1	7.1
Mandatam Life Insurance Company Limited	2,369,488	3.2	3.2
Tapiola Mutual Pension Insurance Company	1,356,500	1.9	1.9
State Pension Fund	925,000	1.3	1.3
Sigrid Juselius Foundation	773,200	1.1	1.1
Paasikivi Jukka	525,463	0.7	0.7
Paasikivi Jari	520,114	0.7	0.7
Finnish Cultural Foundation	500,670	0.7	0.7
Paasikivi Pekka	443,096	0.6	0.6
Nordea Life Assurance Finland Ltd	410,579	0.6	0.6
Others	42,588,982	58.0	58.3
Total	73,046,944	99.8	100.0
Own shares held by the company	160,000	0.2	-
Grand total	73,206,944	100.0	100.0

Nominee registered shares on 31 December 2008

Nordea Bank Finland Plc	7,996,885	10.9	10.9
Skandinaviska Enskilda Banken AB	6,044,107	8.3	8.3
Svenska Handelsbanken AB (publ.)	1,640,675	2.2	2.2
Others	422,876	0.6	0.6
Total	16,104,543	22.0	22.0

The maximum number of votes which may be cast at the Annual General Meeting is 73,046,944 (status on 31 December 2008). At the end of the financial period the company held a total of 160,000 own shares corresponding to the same number of votes. These shares do not entitle to vote in the Annual General Meeting.

Share capital development 2004–2008

	Date	Reason	Change, euro	Share capital, euro	Number of shares
2008	31 Dec.			146 446 888	73 206 944
2007	31 Dec.			146,446,888	73,206,944
	7 May.	Reduction (cancellation of own shares)	-	146,446,888	73,206,944
2006	31 Dec.			146,446,888	73,223,444
	16 Mar.	Reduction (cancellation of own shares)	2,320,000	146,446,888	73,223,444
2005	31 Dec.			148,766,888	74,383,444
	23 Mar.	Reduction (cancellation of own shares)	874,000	148,766,888	74,383,444
2004	31 Dec.			149,640,888	74,820,444
	19 Nov.	Increase (bonus issue 1:1)	74,820,444	149,640,888	74,820,444
	23 Sept.	Increase (stock option rights)	348,000	74,820,444	37,410,222
	28 Apr.	Increase (stock option rights)	216,000	74,472,444	37,236,222
	22 Mar.	Reduction (invalidation of own shares)	1,120,000	74,256,444	37,128,222
	19 Jan.	Increase (stock option rights)	542,000	75,376,444	37,688,222
2003	31 Dec.			74,834,444	37,417,222

Shareholders by category on 31 December 2008

Category	No. of shares	% of shares
Private non-financial corporations	21,125,518	28.9
Public non-financial corporations	18,820	0.0
Financial and insurance corporations	5,569,914	7.6
General government	9,572,492	13.1
Non-profit institutions	4,663,160	6.4
Households	15,728,948	21.5
Foreign (including nominee registrations)	16,527,238	22.6
Other (joint account)	854	0.0
Total	73,206,944	100.0

Shareholders by size of holding on 31 December 2008

Shares per shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1–100	297,208	0.4	4,262	22.9
101–1,000	4,714,751	6.4	11,072	59.4
1,001–10,000	8,004,402	10.9	2,966	15.9
10,001–100,000	8,144,300	11.1	288	1.5
100,001–1,000,000	10,004,776	13.7	34	0.2
1,000,001–	42,041,507	57.4	7	0.0
Total	73,206,944	100.0	18,629	100.0

Parent company financial statement (FAS)

Income statement

MEUR		2008	2007
Net sales		12.6	7.9
Other operating income	3	64.0	0.2
Personnel expenses	4	4.6	3.7
Depreciation and impairments	5	0.2	0.2
Other operating expenses	3	13.7	12.2
Operating profit		58.1	-8.0
Financial income and expenses	6	87.0	35.1
Profit before extraordinary items		145.1	27.1
Extraordinary items	7	3.7	9.6
Profit before appropriations and taxes		148.8	36.7
Appropriations		0.0	0.0
Income taxes	8	1.1	2.4
Profit for the period		147.7	34.3

Balance sheet

MEUR		31 Dec 2008	31 Dec 2007
Assets			
Fixed assets			
Intangible assets			
Other capitalised long-term expenditure		0.3	0.4
Investment in progress		0.7	0.2
Intangible assets	9	1.0	0.6
Tangible assets			
Machinery and equipment	9	0.2	0.1
Tangible assets	9	0.2	0.1
Securities and long-term investments			
Shares in subsidiaries		183.7	158.2
Other shares and holdings		0.1	0.1
Loan receivable		160.4	266.5
Securities and long-term investments	10	344.2	424.8
Total fixed assets		345.4	425.5
Current assets			
Current receivables			
Accounts receivable		5.0	2.2
Loan receivable		111.4	11.6
Accruals		1.8	3.0
Deferred tax assets		0.3	0.4
Other receivable		39.3	44.1
Current receivables	11	157.8	61.3
Cash and cash equivalent		49.8	1.7
Total current assets		207.6	63.0
Total assets		553.0	488.5

Balance sheet

MEUR	31 Dec 2008	31 Dec 2007
Liabilities and shareholders' equity		
Shareholders' equity		
Share capital	146.4	146.4
Share premium	50.2	50.2
Unrestricted equity	0.1	0.1
Retained earnings	17.8	87.2
Profit for the period	147.7	34.3
Total shareholders' equity	12 362.2	318.2
Accumulated appropriations	13 0.1	0.1
Obligatory provisions	14 1.2	1.5
Liabilities		
Non-current liabilities		
Loans from financial institutions	64.0	-
Non-current liabilities	64.0	-
Current liabilities		
Loans from financial institutions	16.0	-
Accounts payable	1.3	1.4
Accruals	3.8	1.3
Other current liabilities	104.4	166.0
Current liabilities	15 125.5	168.7
Total liabilities	189.5	168.7
Total liabilities and shareholders' equity	553.0	488.5

Cash flow statement

MEUR	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from operations		
Net cash from operations		
Profit before appropriations and taxes	148.8	36.7
Depreciation	0.2	0.2
Sales gains/losses from the sale of fixed assets	-64.0	-0.2
Other non-cash items	1.8	0.4
Income taxes	-1.1	-2.4
Group contributions	-3.7	-9.6
Net cash from operations	82.0	25.1
Change in working capital		
Receivables	-2.7	-10.0
Non-interest-bearing liabilities	-60.4	-5.6
Change in working capital	-63.1	-15.6
Cash flow from operations	18.9	9.5
Cash flow from investments		
Share acquisitions	-35.9	-
Share divestments and result of subsidiary liquidations	0.0	0.9
Purchase of fixed assets	-0.8	-0.4
Proceeds from sale of fixed assets	69.4	-
Granted loans	-58.3	-8.8
Loan repayments	68.8	33.4
Cash flow from investments	43.2	25.1
Cash flow before financing	62.1	34.6
Cash flow from financing		
Borrowings of debt	80.0	51.9
Dividends paid	-102.5	-102.5
Purchase of own shares	-1.2	-
Group contributions	9.6	11.2
Cash flow from financing	-14.1	-39.4
Change in cash and cash equivalents	48.0	-4.8
Cash and cash equivalents at 1 January	1.7	6.5
Cash and cash equivalents at 31 December	49.7	1.7
Changes according to balance sheet	48.0	-4.8

Notes to the parent company's financial statement (FAS)

1. Accounting Principles

The Parent Company's Financial Statement has been prepared according to Generally Accepted Accounting Principles in Finland. Uponor Group's financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS), and the parent company observes the Group's accounting policies whenever this has been possible. Presented below is principally the accounting policies in which the practice differs from the Group's accounting policies. In other respects, the Group's accounting policies are applied.

Pension arrangements

The Company's pension liabilities are handled through a pension insurance company. All expenses incurred in pension benefits are recorded as expenses in the period during which the corresponding work was performed.

Extraordinary income and expenses

Extraordinary income and expenses consist of Group contributions received and given, which are eliminated at the Group level.

Income taxes

The Group's accounting policies are applied to income taxes and deferred tax assets and liabilities to the extent permitted under Finnish financial statement practice.

Financial assets, financial liabilities and derivative contracts

Financial assets and liabilities are booked at their acquisition cost or their value less write-downs, except for derivatives, which are measured at their fair value. Changes in the value of financial assets and liabilities, including derivatives, are booked as a credit or charged to income under financial income and expenses. The methods of measuring derivative contracts are presented in the section on the Group's accounting principles.

In year 2007 derivative contracts between the parent company and the subsidiaries are recognised in the parent company's books when they realised. The fair value of the derivatives is presented in the notes.

Leases

All leasing payments have been treated as rental expenses.

2. Parent Company's business

Parent Company's business consists of Group functions. The parent company turnover consists of the service charges to the Group companies.

3. Other operating income and expenses

MEUR	2008	2007
Other operating income		
Gains from sales of fixed assets	64.0	0.2
Total	64.0	0.2

Other operating income includes mainly capital gains from the reorganisation of the Group's legal structure.

MEUR	2008	2007
Other operating expenses		
Environmental expenses	0.9	0.9
Other	12.8	11.3
Total	13.7	12.2

Other operating expenses include environmental expenses relating to the domestic real estate business divested in 2004, as well as other operating expenses.

4. Personnel expenses

MEUR	2008	2007
Salaries and bonuses	3.6	3.0
Pension expenses	0.5	0.2
Other personnel expenses	0.6	0.5
Total	4.6	3.7

During financial period company employed:		
Employees, average	40	35

Salaries and emoluments paid to the President & CEO and Board Members TEUR ^{*)}		
President & CEO and his deputy	667.2	2,573.1
Board of Directors	252.0	270.0
Total	919.2	2,843.1

^{*)} specification per persons has been reported in the notes of the consolidated income statement

Loans to company directors

At 31 December 2008, the company's President & CEO and members of the Board of Directors had no loans outstanding from the company or its subsidiaries. The retirement age for the parent company's President & CEO has been agreed as 63 years.

5. Depreciation and impairment

MEUR	2008	2007
Other capitalised long-term expenditure	0.1	0.1
Machinery and equipment	0.1	0.1
Total	0.2	0.2

6. Financial income and expenses

MEUR	2008	2007
Interest income	0.6	2.2
Intercompany interest income	18.4	15.8
Dividend income from subsidiaries	81.5	28.9
Total	100.5	46.9
Interest expenses	6.5	6.5
Intercompany interest expenses	3.6	3.1
Other financial expenses	0.3	0.2

9. Intangible and tangible assets

2008 MEUR	Intangible rights	Other capitalised long-term expenditure	Intangible investment in progress	Machinery and equipment	Intangible and tangible assets
Acquisition costs 1 Jan	-	1.3	0.2	0.4	1.9
Increases		0.0	0.7	0.0	0.8
Decreases		0.0		0.0	0.1
Transfers between items		0.0	-0.2	0.2	-
Acquisition costs 31 Dec	-	1.3	0.7	0.6	2.6
Accumulated depreciations and impairments 1 Jan	-	0.9	-	0.3	1.2
Accumulated depreciation of transfers between items		-0.0		0.0	-
Depreciation for the financial period		0.1		0.1	0.2
Accumulated depreciations and impairments 31 Dec	-	1.0	-	0.4	1.4
Book value 31 December	-	0.3	0.7	0.2	1.3
2007 MEUR					
Acquisition costs 1 Jan	0.2	4.5	-	1.0	5.7
Increases	-	0.1	0.2	0.1	0.4
Decreases	0.2	3.3	-	0.7	4.2
Acquisition costs 31 Dec	-	1.3	0.2	0.4	1.9

MEUR	2008	2007
Exchange differences		
- Realised	-2.9	-0.9
- Unrealised	6.1	2.9
Total	13.5	11.8
Financial income and expenses	87.0	35.1

7. Extraordinary income

MEUR	2008	2007
Group contributions	3.7	9.6

8. Taxes

MEUR	2008	2007
For the financial period	0.8	2.5
For previous financial periods	0.2	-
Change in deferred taxation	0.1	-0.1
Total	1.1	2.4

2007 MEUR	Intangible rights	Other capitalised long-term expenditure	Intangible investment in progress	Machinery and equipment	Intangible and tangible assets
Accumulated depreciations and impairments 1 Jan	0.2	4.1	-	1.0	5.3
Acc. depreciation on disposals and transfers	-0.2	-3.3	-	-0.7	-4.2
Depreciation for the financial period	-	0.1	-	-	0.1
Accumulated depreciations and impairments 31 Dec	-	0.9	-	0.3	1.2
Book value 31 December	-	0.4	0.2	0.1	0.7

10. Non-current investments

MEUR	2008	2007
Shares in subsidiaries 1 January	158.2	158.9
Increases	35.9	-
Decreases	10.4	0.7
Shares in subsidiaries 31 December	183.7	158.2
Other shares and holdings 1 January	0.1	0.1
Other shares and holdings 31 December	0.1	0.1
Loans receivables		
- Subsidiaries	156.2	266.5
- Others	4.2	-
Total	344.2	424.8

11. Current receivables

MEUR	2008	2007
Accounts receivable		
- from subsidiaries	5.0	2.2
Loan receivable		
- from subsidiaries	111.4	11.6
Accruals		
- from subsidiaries	0.0	0.1
- from others	1.8	2.9
Deferred tax assets	0.3	0.4
Other receivable		
- from subsidiaries	31.0	44.1
- from others	8.3	-
Total	157.9	61.3

Deferred tax assets are recognised from obligatory provisions in the balance sheet.

MEUR	2008	2007
Accruals		
Interest income	0.4	0.2
Other financial income	-	1.7
Taxes	1.2	0.5
Others	0.2	0.6
Total	1.8	3.0

12. Changes in equity

MEUR	2008	2007
Restricted equity		
Share capital on 1 January	146.4	146.4
Share capital on 31 December	146.4	146.4
Share premium on 1 January	50.2	50.2
Share premium on 31 December	50.2	50.2
Total restricted equity	196.6	196.6
Unrestricted equity		
Unrestricted equity 1 January	0.1	-
Increases	-	0.1
Unrestricted equity 31 December	0.1	0.1
Retained earnings 1 January	121.5	189.7
Dividend payments	-102.5	-102.5
Treasury shares	-1.2	-
Profit for financial period	147.7	34.3
Retained earnings 31 December	165.6	121.5
Total unrestricted equity	165.7	121.6
Shareholders' equity 31 December	362.2	318.2

EUR	2008	2007
Distributable funds		
Unrestricted equity	66,613.56	66,613.56
Retained earnings	17,800,964.94	87,158,541.96
Profit for the period	147,743,548.24	34,296,207.38
Distributable funds, 31 December	165,611,126.74	121,521,362.90

13. Accumulated depreciation differences

MEUR	2008	2007
- Other capitalised long-term expenditure	0.1	0.1
Total	0.1	0.1

Accumulated depreciation differences include deferred tax liabilities, which have not been recorded in the parent company's financial statement.

14. Obligatory provisions

MEUR	2008	2007
Pension obligation	0.1	0.1
Environmental provision	1.1	1.4
Total	1.2	1.5

15. Non-current liabilities

MEUR	2008	2007
Loans from financial institutions		
- Other loans	64.0	-
Total	64.0	-

MEUR	2010	2011	2012	2013	2014-
Maturity of non-current interest bearing liabilities					
Loans from financial institutions					
- Other loans	16.0	16.0	16.0	16.0	-
Total	16.0	16.0	16.0	16.0	-

16. Current liabilities

MEUR	2008	2007
Loans from financial institutions	16.0	-
Accounts payable		
- from subsidiaries	0.3	0.4
- from others	1.0	1.0
Accruals		
- from subsidiaries	0.1	0.2
- from others	3.7	1.1

MEUR	2008	2007
Other current liabilities		
- from subsidiaries	85.2	6.8
- from others	19.2	159.2
Total	125.5	168.7

MEUR	2008	2007
Accrued liabilities		
Personnel expenses	0.6	0.7
Taxes	0.2	-
Bonuses	0.2	-
Interest	1.1	0.2
Others	1.7	0.4
Total	3.8	1.3

17. Contingent liabilities

MEUR	2008	2007
- on behalf of a subsidiary		
Guarantees issued	9.0	10.5
- on behalf of others		
Guarantees issued	7.0	9.3

MEUR	2008	2007
Operating lease commitments		
Operating lease commitments for next 12 months	0.5	0.5
Operating lease commitments over next 12 months	0.9	1.3

MEUR	2008	2007
Guarantees issued	16.1	19.8
Lease commitments	1.5	1.8
Total	17.5	21.6

Letter of Comfort commitments undertaken on behalf of subsidiaries are not included in the above figures.

18. Exchange and interest rate risk management

MEUR	2008	2007
Foreign currency derivatives:		Nominal value
Forward agreements	128.9	85.9
Intercompany forward agreements	39.7	56.1

MEUR	2008	2007
Foreign currency derivatives:		Fair value
Forward agreements	7.7	1.7
Intercompany forward agreements	1.0	-0.2

MEUR	2008	2007
Foreign currency derivatives:		Fair value changes recognised in the income statement
Forward agreements	-1.6	-
Intercompany forward agreements	-0.6	-

Proposal of the Board of Directors

The distributable funds of the parent company Uponor Corporation are EUR 165,611,126.74 of which profit for the period is EUR 147,743,548.24.

The Board of Directors proposes to the Annual General Meeting that

- | | |
|---|---------------------------|
| • a dividend of EUR 0.85 per share will be paid, totaling | EUR 62,089,902.40 |
| • the remainder be retained in the shareholders' equity | EUR 103,521,224.34 |
| | <u>EUR 165,611,126.74</u> |

Vantaa, 10 February 2009

Jari Paasikivi
Chairman

Aimo Rajahalme

Anne-Christine Silfverstolpe Nordin

Jorma Eloranta

Rainer S. Simon

Jyri Luomakoski
Managing Director

Auditors' report

To the Annual General Meeting of Uponor Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Uponor Corporation for the financial period 1 January–31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors. The audit was performed in accordance with good auditing

practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Vantaa, 10 February 2009

KPMG OY AB

Sixten Nyman
KHT

Information for shareholders

The Annual General Meeting

Uponor Corporation's Annual General Meeting is to be held on Wednesday, 18 March 2009 at 5 p.m. at the Helsinki Exhibition and Convention Centre, Messuaukio 1, Helsinki, Finland.

Important dates in the year 2009

- Financial accounts bulletin for 2008 10 February
- Financial Statements for 2008 10 February
- Annual General Meeting 18 March at 5 p.m.
- Record date for dividend payment 23 March*
- Date for dividend payment 31 March*
- Interim report: January–March 29 April at 1 p.m.
- Interim report: January–June 12 August at 8 a.m.
- Interim report: January–September 27 October at 1 p.m.

* Proposal of the Board of Directors

Publications

The annual report will be published in Finnish and English and will also be available on the company website at www.uponor.com. Starting 2010, the annual report will only be sent out to shareholders who have ordered it from the company.

The interim reports and corporate releases will be published in Finnish and English on the company website.

Ordering of publications

You can order Uponor's investor publications conveniently via the company website, at www.uponor.com > Investors > Subscription services, where you can also notify us of any changes in your contact information or cancel your subscription.


You can also order publications by contacting:

Uponor Corporation, Communications
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Insider register

The public register of Uponor Corporation's insiders may be viewed at the Uponor Legal Department at the address above, tel. +358 20 129 2837. E-mail address to the Legal Department is legal@uponor.com. The share and stock option holdings of company's permanent insiders are also available on the website at www.uponor.com > Investors.

 MORE INFORMATION AVAILABLE AT
WWW.UPONOR.COM

Uponor's IR contacts

Silent period

Uponor applies the principle of a silent period in its IR communications. During a silent period, Uponor does not comment on market prospects or factors affecting business and performance, nor does the company engage in discussion on events or trends related to the current or unreported fiscal period. Uponor will not pay visits to, or receive them from, investors or representatives of media in which these matters are discussed.

A silent period starts at the end of each reporting period, and not later than three weeks prior to the disclosure of annual accounts or interim reports, and lasts until the release of the annual accounts or an interim report.

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Shareholders are requested to notify their bank, their brokerage firm, or any other financial institution responsible for maintaining their book-entry securities account of any changes in their mailing address.

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Uponor assumes no responsibility for the presented analyses.

Vocabulary

Application

A technical entity, such as a radiant underfloor heating or plumbing system.

Business group

A set of logically interconnected applications. Uponor's business groups are Indoor climate, Plumbing and Infrastructure.

Commercial construction

Construction for commercial purposes, such as shops or offices. Also termed 'non-residential construction'.

Composite pipe

A plastic pipe with a metal inner layer designed to provide the best characteristics of both materials. Due to its form stability, it is widely used for surface installations e.g. in renovation projects.

ERP, Enterprise Resource Planning

A data system used for managing an enterprise's operations and information flow related to, for example, production, sales, financials, distribution etc.

High-rise building/segment

A multi-storey residential, commercial, office or public building. In the Uponor context, high-rise business refers to a market segment in which the customers are construction sector professionals and projects are usually large. Opposite of 'single-family segment'.

Housing solutions

At Uponor, this business group covers the following applications: underfloor heating and cooling, plumbing and radiator pipes, and pre-insulated house connections for heating and tap water.

HPAC

Heating, plumbing, ventilation and air conditioning systems in buildings.

Hydronic cooling

A cooling method based on the same principle as hydronic heating. Enables the comfortable and energy-efficient cooling of buildings and dwellings.

Hydronic heating (also 'radiant heating')

A heating method in which heat generation and distribution are separated from each other. Any source of energy can be used to produce the heat, which is then distributed in the building through, for example, underfloor pipes circulating heated water.

Indoor climate

The business group Indoor climate in Uponor provides applications for heating, cooling and ventilation.

Infrastructure solutions

At Uponor, this business group covers the following applications: water and sewer pipe networks; cable protection pipes; on-site wastewater treatment units; soil and waste systems for buildings etc.

Multilayer pipe

A pipe consisting of multiple layers. Different layers can have different functions, such as to protect the pipe or prevent oxygen from passing through the pipe wall. The layers are typically made of plastic or adhesives, but a composite pipe also contains a layer of aluminium.

Municipal infrastructure (also 'utility infrastructure')

Water, sewerage, electricity, district heating and other such utility services that are centrally produced for buildings situated in population centres.

On-site waste water treatment

A wastewater cleaning method for buildings that are not connected to the municipal sewerage network.

PEX pipe

PEX is an extremely strong plastic that withstands high temperatures and pressure. It is made of polyethylene through cross-linkage that forms a net-like bond structure.

Plastic pipe

A general term referring to various types of pipes made of plastic. Compared to other pipe types, plastic pipes offer many benefits, including easy installation, durability and low lifetime cost.

Polyethylene pipe

Polyethylene pipes are widely used in municipal infrastructure and also as cold-water plumbing pipes in buildings. Their benefits include versatility and weldability.

Polypropylene pipe

Polypropylene pipes are used both for infrastructural purposes and for buildings. Advantages include, for example, weldability and, especially in building use, their low cost.

Renovation

Repair, renovation, or replacement of existing buildings, pipework etc.

Segment

Uponor's two business segments are housing solutions and infrastructure solutions.

Single-family building/segment

In the Uponor context, this segment refers to the residential home market where projects are small and key decision-makers are mainly home-owners and installers.

Sprinkler system

An additional feature available for Uponor's plumbing system to protect people and property from fire hazards. A heat-activated sprinkler system sprays water into the area affected by the fire.

Surface installation

An installation method used in, for example, renovation and modernisation that involves installing new pipes onto the wall rather than into the wall as is typically the case in new building. Surface installation makes the work quicker and often saves money.

Underfloor heating

A heating method in which the floor's thermal storage mass is utilised for heating the space. This can be carried out as a hydronic system (cf. hydronic heating) or by using electric cables.

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Design: Kreab Gavin Anderson

Photos: Cover - Tomi Parkkonen. CEO, Executive Committee and Board of Directors - Dick Lindberg
Others - Uponor, unless otherwise noted

Printing: Lönberg 2009



441 017
Printed matter

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