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FINANCIAL STATEMENTS BULLETIN 2010

10 February 2011

1-12

## Uponor's boosts performance in Europe

- Net sales improved but operating profit declined in October-December year-on-year
- Full-year operating profit reached a major improvement from European building solutions
- Net sales 1-12: €749.2 million (2009: €734.1m), change +2.0%
- Operating profit 1-12: €52.4 million (€41.2m), change +27.0%
- Earning per share at €0.34 (€0.16)
- In 2011, net sales growth is expected to accelerate and operating profit to improve
- The Board's dividend proposal, €0.55 per share is based on the company's strong operative cash flow and balance sheet position

### President and CEO Jyri Luomakoski comments on the reporting period:

- I am delighted with our improved performance in the European Building Solutions business, which reflects livelier demand in the Nordic countries and, more importantly, the positive results of our business integration and organisational development.
- The biggest disappointments have been subdued demand for building solutions in North America and the development of Infrastructure Solutions, which – in addition to intense competition – was affected by rising raw material prices that could not be fully passed onto sales prices.
- Plastic and metal price trends have been a cause for concern recently, since they can have an impact on both our building solutions and infrastructure solutions businesses. In the current year, we are planning sales price increases, in addition to those already announced or implemented, to compensate for higher material costs.

## Interim results October – December 2010

The market situation under the last quarter of 2010 continued much like in the third quarter. The early winter and the cold weather somewhat disturbed building activities particularly in Northern and Central Europe. In spite of that, building solutions demand remained lively, especially in Northern Europe. In North America, building solutions demand remained at a subdued level. No big changes in market demand were recorded in other areas as well.

### Net sales

Net sales growth continued brisk in the largest segment, Building Solutions – Europe, largely supported by the lively demand in the Nordic countries. In North America, the trends weakened from the autumn and net sales declined both in euros and in dollar terms. Despite the early onset of winter in the Nordic countries, Infrastructure Solutions managed to record a growth in net sales.

The impact of major currencies on the last quarter net sales was €6.5 million positive.

#### Breakdown of net sales, October - December:

M€	10-12/2010	10-12/2009	Change
Building Solutions – Europe	123.6	115.8	+6.7%
Building Solutions – North America	26.7	28.1	-5.1%
(Building Solutions – North America, M\$)	35.8	41.2	-13.1%)
Infrastructure Solutions	33.4	31.6	+6.1%
Eliminations	-2.0	-1.1	
Group (continuing operations)	181.7	174.4	+4.1%

### Profits and profitability

The Group's consolidated operating profit development turned out to be weaker than in the last quarter of 2009, when, among other things, the raw material price development was more stable. This had a particular impact on Infrastructure Solutions, which was also hit by the decline in net sales due to the hard winter and harsh competition.

The operating profit of Building Solutions – Europe was burdened by higher marketing expenses than in the last quarter of 2009. In North America, notable changes in machinery write-downs had an effect.

#### Breakdown of operating profit, October - December:

M€	10-12/2010	10-12/2009	Change
Building Solutions – Europe	8.8	10.2	-13.4%
Building Solutions – North America	1.0	3.2	-67.5%
(Building Solutions – North America, M\$)	1.4	4.5	-69.0%)
Infrastructure Solutions	-0.9	1.8	-153.3%
Other	-0.5	-2.8	
Eliminations	0.2	-0.1	
Group (continuing operations)	8.6	12.3	-30.4%

## Financial statements January – December 2010

### Markets

In 2010, a clear change was seen in demand in the building construction market, year on year, and in some markets, including large parts of the Nordic region, demand took a strong upward turn. Slight buoyancy was reported in Central Europe – in the German-speaking markets, in particular – while development in the Netherlands, for example, trended downwards. In south-west Europe, total demand continued its decrease – especially so in Spain - while in other large market areas, such as the UK, Italy, and France, the decline in demand seemed to reach its turning point in the year 2010. Despite the high hopes, no increase in demand was detected in North America. This was mainly due to the weak economic situation in the US financing sector, and also a result of consumer uncertainty.

For Uponor's building solutions, the development of the new residential building market in 2010 reflected the overall development of the construction market described above. The same is true for commercial and public building, whose current cycle is following residential building with a slight delay. On a more positive note, renovation and modernisation projects remained at a relatively healthy level in many markets.

Demand for infrastructure solutions was affected by the severe winter conditions in early 2010 and toward the end of the year, and the lack of funding in the public sector, the largest end-customer sector for this segment, further contributed to this situation.

After the restructuring and cuts implemented during the recession, Uponor initiated various projects to promote the growth programmes specified in Uponor's strategy, and the company continued to develop its supply chain and enhance its operational excellence.

### Net sales

In 2010, Uponor's net sales from continuing operations reached €749.2 (2009: 734.1) million, up 2.0% year on year. Building Solutions - Europe achieved substantial growth in net sales in Northern Europe while Central Europe declined. In other areas, net sales remained at the previous year's level or improved slightly. Net sales in North America improved when measured in euros but fell slightly when measured in US dollars. Net sales for Infrastructure Solutions decreased because of the severe winter, and as a result of the intense competition.

Fluctuations in foreign currencies, mainly the Swedish krona, the US and Canadian dollars, and the Norwegian krona, increased 2010 net sales by €23.3 million. Without the impact of currencies, net sales would have decreased by 1.0% from 2009.

### Net sales by segment for 1 Jan. – 31 Dec. 2010:

M€	1–12 2010	1–12 2009	Reported change, %
Building Solutions - Europe	504.4	482.2	+4.6%

Building Solutions - North America	114.6	109.0	+5.1%
(Building Solutions - North America (M\$))	151.1	151.8	-0.5%
Infrastructure Solutions	138.3	148.1	-6.5%
Eliminations	-8.1	-5.2	
Group (continuing operations)	749.2	734.1	+2.0%

In terms of net sales, the top 10 countries and their respective shares of consolidated net sales were as follows (figures for 2009 in brackets): Germany 16.4% (17.5%), Finland 11.9% (12.1%), USA 11.3% (11.4%), Sweden 10.6% (9.7%), Spain 5.3% (6.0%), Norway 5.0% (4.2%), Italy 4.9% (5.3%), Denmark 4.7% (5.4%), the Netherlands 4.4% (5.2%), and Canada 4.0% (3.5%).

## Results

Uponor's consolidated gross profit from continuing operations came to €288.1 (271.1) million, up €17.0 million year on year. Thanks to operational leverage as a result of higher net sales, the gross profit margin improved by 1.5 percentage points, despite higher raw material input costs.

Continuing operations generated an operating profit of €52.4 (€41.2) million, up 27.0% (-19.4%) from the previous year's level. Profitability improved as the profit margin rose to 7.0% (5.6%) of net sales.

In Building Solutions - Europe, the operating profit rose markedly alongside the growth in net sales. Operating profit improved most significantly in Northern Europe, although units in south-west Europe and Eastern Europe as well as the International Sales unit also improved their results. Better supply chain efficiency had a positive effect on Uponor's operating profit. As measured in both euros and US dollars, the operating profit for Building Solutions - North America decreased amid the challenging market situation. Following a lively spring season in the U.S., increased investment in marketing initiatives, which proved premature when the markets weakened again during the summer and autumn, was one reason for the decline. For Infrastructure Solutions, operating profit took a sharp downward turn, remaining just barely positive, as a result of declining net sales and intense price competition. In comparison to the previous year, the unfavourable development of raw material prices further affected the profitability of the infrastructure business.

### Operating profit by segment for 1 Jan. – 31 Dec. 2010:

M€	1-12 2010	1-12 2009	Reported change, %
Building Solutions – Europe	55.7	32.6	+70.4%
Building solutions - North America	3.1	3.9	-20.1%
(Building solutions - North America (M\$))	4.1	5.5	-24.4%
Infrastructure Solutions	0.4	14.2	-97.2%
Other	-6.8	-9.3	
Eliminations	-0.0	-0.2	
Group (continuing operations)	52.4	41.2	+27.0%

Expenses from discontinued operations include unanticipated costs due to soil clean-up measures associated with the factory property for sale in Ireland. This soil clean-up work was completed in summer 2010.

Profit before taxes rose by 46.4%, to €41.7 (28.5) million. Net financial expenses fell to €10.7 (12.7) million, of which €4.5 (6.3) million as a result of currency translation differences.

At a tax rate of 35.2% (39.6%), income taxes totalled €14.7 (11.3) million. The lower tax rate is primarily attributable to the occurrence of taxable income in 2009, in countries with relatively higher tax rates. Additionally, the relative amount of non-deductible expenses decreased, year on year. Profit for the financial year totalled €24.7 (11.5) million, of which continuing operations accounted for €27.0 (17.2) million.

Return on equity rose to 9.7% (4.1%) and return on investment to 14.4% (8.1%), while the long-term target is a minimum of 30%.

Earnings per share were €0.34 (0.16), and €0.37 (0.24) for continuing operations. Equity per share was €3.45 (3.53). For other share-specific information, please see the tables section.

To maintain a solid financial position, the company paid particular attention to cash flow management over the last year. Efficient net working capital management measures were continued but cash flow before financing declined from the comparison period, largely as a result of an increase in inventories and sales receivables in 2010, compared to a declining trend in 2009.

Consolidated cash flow from operations was €49.2 (78.8) million while cash flow before financing came to €35.6 (60.6) million.

Key figures are reported for a five year period in the financial section.

## **Investments, research and development, and financing**

The investment level remained low. Any investments were made either to improve productivity or for maintenance purposes. Neither acquisitions nor divestments were carried out. The implementation of a Europe-wide enterprise resource planning (ERP) system was completed with the system's successful implementation in Infrastructure Solutions. This was the biggest single step taken in the entire project, which was launched in 2006.

Gross investments totalled €19.0 (27.4) million, down by €8.4 million year on year. Net investments totalled €13.6 (22.8) million.

Research and development costs totalled €16.1 (15.5) million, or 2.1% (2.0%) of net sales.

In 2010, the Group's credit limit reserves were reorganised through bilateral agreements with the main banks. In the same connection, the loan periods were extended to 2015. Available credit limit reserves amounted to €190 million, and none of these were in use on the balance sheet date. The company borrowed back €80 million from the pension insurance company in 2008, of which €48 million was outstanding at year end, maturing



in 2011–2013. Moreover, the Group has a domestic commercial paper programme worth €150 million available. On the balance sheet date, €18 million had been issued.

Consolidated net interest-bearing liabilities increased slightly to €66.8 (64.6) million. The solvency ratio was 50.8% (51.8%) and gearing came to 26.5% (25.0%). Average quarterly gearing was 45.5 (45.2), compared to the range of 30-70 set in the company's financial targets.

## Events during the period

In 2010, Uponor participated in several events focusing on sustainable solutions and comfortable living. One of these events was the World Expo 2010 in Shanghai, China. The main trade fair of the year was Mostra Convegno, which was held in Italy. Uponor's installation was an actual home that demonstrated in practice how Uponor's solutions contribute to comfortable living.

Last year was the first time Uponor took part in the Carbon Disclosure Project. As a result, we have started to report our environment-related figures to investor audiences in more detail.

In the autumn, Uponor organised its largest meeting of international management to date, held in Germany. In total, 150 Uponorians participated, discussing corporate strategy and its implementation.

We continued our efforts to enhance supply chain efficiency by closing down some warehouse operations and concentrating others throughout Europe. In Spain, Uponor moved to a new distribution centre. Some significant new distribution agreements and partnerships were established in Russia, Spain, and the UK.

Several important new additions were made to Uponor's product and system portfolio. A new battery-powered tool to install PEX pipe fittings was launched in North America. This innovative tool facilitates quick and easy installation. The tool will see its European launch in 2011. Marketing efforts concerning the automatic indoor climate control system, which was launched in 2010, were continued, and the system was also introduced in new countries, including Italy, France, and Eastern Europe. An interesting addition to the range of infrastructure solutions is Uponor's new, easy-to-install surface and storm water system, which is aimed at meeting the increased demand in regions susceptible to floods.

## Personnel and organisation

At the end of the year, the Group had 3,197 (3,316) employees. In full-time-equivalent terms, this is 119 fewer than at the end of 2009. The average number of employees for the year was 3,219 (3,426).

The geographical breakdown of the Group's personnel was as follows: Germany 998 (31.2%), Sweden 544 (17.0%), Finland 473 (14.8%), the USA 372 (11.6%), Spain 199 (6.2%), the UK 122 (3.8%), Italy 64 (2.0%), Denmark 63 (2.0%), other countries 362 (11.3%).

A total of €169.4 (€182.6) million was paid in wages and other remunerations during the financial period.

In March, the Uponor Board nominated Executive Committee member Sebastian Bondestam, Executive Vice President for Supply Chain, as deputy to the CEO of the parent company Uponor Corporation.

A member of Uponor Corporation's Executive Committee, Georg von Graevenitz, Executive Vice President responsible for the infrastructure business, entered retirement on a part-time basis on 1 October 2010 and will retire completely at the end of 2011. Graevenitz left the Executive Committee on 1 September 2010. Robin Carlsson was appointed as a member of the Executive Committee, responsible for the infrastructure business. His responsibilities also include the Group's technology development and product and systems development in Europe.

Starting in September, responsibilities on the ExCom level for the business groups of Building Solutions - Europe (i.e., indoor climate systems and plumbing systems) were integrated into the responsibilities of the Executive Vice Presidents for Sales and Marketing. Jukka Kallioinen, Executive Vice President for Offering and Development, resigned from the company.

### **Key risks associated with business**

Uponor's financial performance may be affected by several strategic, operational, financial, and hazard risks.

#### **Market risks**

Uponor's principal areas of business are 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), end-market demand for the company's products is distributed across a wide customer base. The five largest customer groups generate approximately one third of Uponor's net sales, and it is distributed between 24 countries.

Demand for Uponor's products depends on business cycles in the construction sector. Traditionally, Uponor's main end market has comprised single-family housing. However, the company's products are increasingly being supplied for commercial and public building. Fluctuations in demand often differ between these sectors. Fluctuations are also being offset to a certain degree by demand for renovation projects, which is not always as discretionary as new housing projects. Nearly a fifth of the company's net sales are generated by infrastructure technology. To safeguard itself against risks associated with the economic cycles and fluctuations in demand, the company has developed its sales forecasting processes and enhanced the flexibility of its organisation and supply chain.

In many countries, Uponor's operations are regulated by legislation. Uponor closely monitors the laws and regulations under preparation, to anticipate their impact on Uponor and its customers.

#### **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 on to its selling prices with a reasonable delay, in such a way that this has not resulted in any major losses in income. Uponor manages the risk of fluctuations in the price of metals and plastics raw



materials through supply agreements with fixed prices. Uponor manages the risk of fluctuations in electricity prices at the Nordic level by using financial instruments.

With respect to component and raw material purchases, Uponor aims to use supplies and raw materials that are available from several suppliers. Any sole raw material supplier used should have at least two production plants manufacturing goods used by Uponor. Uponor implements systems for material and raw material quality control and supplier accreditation.

Uponor manages its organisational and management risks, such as employee turnover, distortion of age distribution, and unnecessary recruitment, by continuously analysing its human resources and ensuring that its organisational structure supports efficient operations. Personnel development programmes focus on enhancing management skills in a multicultural environment.

Uponor applies an ISO 9000 quality management system and an ISO 14000 environmental management system, or comparable systems, which enhance production safety and productivity while reducing the environmental impact and risks of Uponor's operations.

In its Project Business operations, Uponor seeks to manage risks related to project-specific timing and costs, for example. Such risks are covered as far as possible in project and supplier agreements. Furthermore, the staff's project management skills are actively enhanced.

#### Financial risks

The uncertainty of financial markets poses considerable risks to the availability of financing. Uponor aims to ensure the availability and flexibility of financing through maintaining sufficient credit limit reserves and a well-balanced maturity distribution of loans, as well as by using several banks and various forms of financing.

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

The international nature of its operations exposes the Group to currency risks associated with different currencies. A significant part of Uponor's net sales are created in currencies other than the euro. Subsequently, expenses associated with these net sales are also denominated in the same local currencies, decreasing the currency risks. 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.

Uponor is exposed also to currency translation risk, which manifests itself in the translation of non-euro-area results into euros. According to the company's hedging policy, non-euro-area balance sheet items are not hedged, with the exception of internal loans classified as net investments and included in hedge accounting.

#### Hazard risks

Uponor operates 10 production plants, in five countries, and products manufactured at these plants generate the majority of the company's net sales. Uponor co-ordinates indemnity and business interruption insurance at Group level on a central basis, in order to achieve extensive insurance cover neutralising the 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 addressed through insurance at Group level. Various measures are taken to manage risks of indemnity and interruptions to business. These include safety training for personnel, adherence to maintenance schedules, and actions to maintain the availability of major spare parts.

#### Risk management in 2010

The global economic recession was reflected in the demand for Uponor's products in 2010 also. Over the last year, the focus in risk management remained on managing market risks.

In the first half of the year, risks were comprehensively mapped and risk management plans updated accordingly. During the autumn of 2010, the impact of business interruptions was analysed in all production units, and their business continuity management plans were updated.

In 2010, Uponor assessed the functionality of risk management in four production units. The results showed that the risk management was sound in all units.

As the economic crisis continued, the focus on financial risks was shifted to maintaining liquidity by securing sufficient credit limit reserves and through efficient cash flow management. Credit limit agreements were renewed in 2010 and their validity extended to 2015. Credit risks received special attention.

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

#### Administration and audit

The Annual General Meeting (AGM) of 17 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. It elected Jari Paasikivi as Chairman of the Board and Aimo Rajahalme as Deputy Chairman. The AGM elected Deloitte & Touche Oy, Authorised Public Accountants, as the company's auditor, with Mikael Paul, Authorised Public Accountant, acting as the principal auditor.

The company prepares a separate report on corporate governance, which will be available online after the financial statement has been published, on Uponor's Investor Site at [www.uponor.com](http://www.uponor.com) > Investors > Governance > Corporate governance.

#### Share capital and shares

In 2010, Uponor's share turnover on the NASDAQ OMX Helsinki stock exchange was 37.4 (45.8) million shares, totalling €481.5 (€455.8) million. The share quotation at the end of 2010 was €13.84 (€15.00), and the market capitalisation of the outstanding shares was €1,013.2 (€1,098.1) million. At the end of the year, there were a total of 22,087 (20,214) shareholders. Foreign shareholding in Uponor accounted for 19.1% (23.7%) of all shareholding in the company at the end of the reporting period.

In 2009, Uponor Corporation's share capital totalled €146,446,888 and the number of shares stood at 73,206,944. No changes were made in the share capital during the year.

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

#### Board authorisations

The AGM of 17 March 2010 authorised the Board to decide on 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% of the company's shares. The authorisation is valid for one year from the date of the AGM.

#### Treasury shares

By the end of the year, Uponor held 160,000 treasury shares, representing approximately 0.2% of the company's shares and voting rights.

#### Management shareholding

The members of the Board of Directors, the CEO and his deputy, along with corporations known to the company, in which they exercise control, held, in total, 686,183 Uponor shares on 31 December 2010 (677,092 on 31 December 2009). These shares accounted for 0.9% of all shares in the company and votes.

#### Share-based incentive programme

In the course of 2007 and 2008, the Uponor Corporation Board of Directors launched long-term incentive schemes for members of the company's Executive Committee and persons holding international executive positions. Shares based on both schemes will be awarded in the spring of 2012. More information on these schemes is available in the Corporate Governance section of the annual report and on the company's Web site.

### Near-term outlook

The recovery from the downturn has started, although regional differences remain significant. Taking at of all the markets together, the positive development is expected to continue in 2011. There are, however, several risks and uncertainties associated with the global economy, and these could significantly hinder the recovery process if they materialise.

Demand for building solutions is expected to remain positive and at the current level in the Nordic countries. In Central Europe, demand is expected to continue its slow but steady growth. Growth is anticipated in the larger markets of south-west Europe, excluding Spain and Italy. Markets are expected to continue to recover in Eastern Europe as well. In North America, significant changes in demand are not expected in the short term.

Infrastructure Solutions' outlook is being overshadowed by the severe winter weather, weak end-user demand in 2011, as well as higher raw material prices, the effects of which will be counter-acted by active sales price increases.

Uponor's reorganisation and development programmes have to a large extent been completed, and measures to boost growth have been launched. These measures involve innovating Uponor's product offering, launching new and new kinds of partnerships, and expanding operations to new geographical areas, such as Asia. It is generally believed

that the recession in construction has now passed and growth in the residential and commercial building markets will be strong in the long and short term, depending on geographical location. Uponor is fully prepared to meet customer demand.

Organic growth in Uponor's net sales in 2011 is expected to accelerate from the 2010 level, and operating profit is expected to improve on last year's reported operating profit. The Group's fixed-asset investments are not expected to exceed depreciation, and efficient net working capital management measures will help to retain a good cash flow level for the Group.

Uponor Corporation  
Board of Directors

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## FINANCIAL STATEMENTS BULLETIN Jan –Dec 2010

### Table part

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

M€	1-12/ 2010	1-12/ 2009	10-12/ 2010	10-12/ 2009
<b>Continuing operations</b>				
Net sales	749.2	734.1	181.7	174.4
Cost of goods sold	461.1	463.0	113.6	106.7
Gross profit	288.1	271.1	68.1	67.7
Other operating income	2.2	4.2	0.4	3.9
Dispatching and warehousing expenses	30.1	32.4	7.4	8.2
Sales and marketing expenses	145.1	140.1	35.9	34.8
Administration expenses	45.0	45.0	10.5	11.0
Other operating expenses	17.7	16.6	6.1	5.3
Operating profit	52.4	41.2	8.6	12.3
Financial expenses, net	10.7	12.7	1.8	2.9
Profit before taxes	41.7	28.5	6.8	9.4
Income taxes	14.7	11.3	4.2	6.0
Profit for the period from continuing operations	27.0	17.2	2.6	3.4
<b>Discontinued operations</b>				
Profit for the period from discontinued operations	-2.3	-5.7	-1.0	-1.5
Profit for the period	24.7	11.5	1.6	1.9
<b>Other comprehensive income</b>				
Translation differences	12.6	2.4	2.8	3.0
Cash flow hedges	1.6	0.5	1.1	0.6
Net investment hedges	-8.4	-	-1.9	-
Other comprehensive income for the period	5.8	2.9	2.0	3.6
Total comprehensive income for the period	30.5	14.4	3.6	5.5
Earnings per share, €	0.34	0.16	0.02	0.03
- Continuing operations	0.37	0.24	0.03	0.05
- Discontinued operations	-0.03	-0.08	-0.01	-0.02
Diluted earnings per share, €	0.34	0.16	0.02	0.03
- Continuing operations	0.37	0.24	0.03	0.05
- Discontinued operations	-0.03	-0.08	-0.01	-0.02

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

M€	31.12.2010	31.12.2009
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	171.3	175.1
Intangible assets	96.9	101.5
Securities and long-term investments	8.4	7.5
Deferred tax assets	13.9	12.0
Total non-current assets	290.5	296.1
<b>Current assets</b>		
Inventories	84.4	74.3
Accounts receivable	93.1	88.2
Other receivables	17.3	26.8
Cash and cash equivalents	11.9	13.2
Total current assets	206.7	202.5
<b>Total assets</b>	497.2	498.6
<b>Shareholders' equity and liabilities</b>		
<b>Shareholders' equity</b>	252.1	258.0
<b>Non-current liabilities</b>		
Interest-bearing liabilities	43.5	60.2
Deferred tax liability	9.5	9.7
Provisions	5.6	5.7
Employee benefits and other liabilities	21.6	22.1
Total non-current liabilities	80.2	97.7
<b>Current liabilities</b>		
Interest-bearing liabilities	35.2	17.6
Provisions	6.4	12.7
Accounts payable	51.0	45.0
Other liabilities	72.3	67.6
Total current liabilities	164.9	142.9
<b>Total shareholders' equity and liabilities</b>	497.2	498.6



## CONSOLIDATED STATEMENT OF CASH FLOW

M€	1-12/2010	1-12/2009
Cash flow from operations		
Net cash from operations	74.9	65.7
Change in net working capital	-22.6	25.9
Income taxes paid	1.1	-8.5
Interest paid	-4.7	-5.2
Interest received	0.5	0.9
<b>Cash flow from operations</b>	<b>49.2</b>	<b>78.8</b>
Cash flow from investments		
Acquisition of subsidiary shares	-	-1.9
Proceeds from share divestments	0.2	-
Purchase of fixed assets	-19.0	-24.0
Proceeds from sales of fixed assets	5.0	7.3
Received dividends	0.1	0.2
Loan repayments	0.1	0.2
<b>Cash flow from investments</b>	<b>-13.6</b>	<b>-18.2</b>
Cash flow from financing		
Borrowings and repayments of debt	67.6	53.8
Repayments of debt	-84.0	-89.1
Change in other short-term loan	18.0	-1.1
Dividends paid	-36.5	-62.1
Payment of finance lease liabilities	-2.1	-2.0
<b>Cash flow from financing</b>	<b>-37.0</b>	<b>-100.5</b>
Conversion differences for cash and cash equivalents	0.1	-0.1
<b>Change in cash and cash equivalents</b>	<b>-1.3</b>	<b>-40.0</b>
Cash and cash equivalents at 1 January	13.2	53.2
Cash and cash equivalents at end of period	11.9	13.2
<b>Changes according to balance sheet</b>	<b>-1.3</b>	<b>-40.0</b>

## STATEMENT OF CHANGES IN EQUITY

M€	Share capital	Share premium	Other reserves*	Trans-lation reserve	Treasury shares	Retained earnings	Total
Balance at 1 Jan 2009	146.4	50.2	0.8	-16.4	-1.2	125.8	305.6
Total comprehensive income for the period			0.5	2.4		11.5	14.4
Dividend paid (€0.85 per share)						-62.1	-62.1
Share-based incentive scheme						0.1	0.1
Transfers between reserves			0.0			0.0	-
Balance at 31 Dec 2009	146.4	50.2	1.3	-14.0	-1.2	75.3	258.0
Balance at 1 Jan 2010	146.4	50.2	1.3	-14.0	-1.2	75.3	258.0
Total comprehensive income for the period			-6.8	12.6		24.7	30.5
Dividend paid (€0.50 per share)						-36.5	-36.5
Share based incentive plan						0.1	0.1
Transfers between reserves			0.0			0.0	-
Balance at 31 Dec 2010	146.4	50.2	-5.5	-1.4	-1.2	63.6	252.1

\*) Includes a €-8.4 million effective portion of the net investment hedge.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### ACCOUNTING PRINCIPLES

The interim report has been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and IAS 34 Interim Financial Reporting. In its interim reports Uponor Group follows the same principles as in the annual financial statements for 2010.

### Hedge accounting

Hedges of net investments in foreign operations are accounted for from the beginning of 2010 for certain designated internal loans as defined by Group Treasury Committee. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in other reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. The application of net investment hedges did not result in any one-time effects.

### Operating segments

Since 1 January 2009, Uponor has applied three segments in its financial reporting. These were defined based on geographic regions and businesses, in accordance with the Group organisational structure effective from 1 October 2008 onwards, as follows:

- Building Solutions - Europe
- Building Solutions - North America

Infrastructure Solutions - Nordic.

On 1 Jan 2010, the following redefinitions were implemented: the reporting of the Estonian and Latvian businesses was split between Building Solutions and Infrastructure Solutions, in contrast to the earlier practice of including everything within Building Solutions - Europe. In addition, the ventilation and ground energy product groups that were part of Infrastructure Solutions are now classified as belonging to Building Solutions - Europe.

The impact of these redefinitions on segment sizes is small.

The names of the reporting segments, since 1 Jan 2010, are:

Building Solutions - Europe  
Building Solutions - North America  
Infrastructure Solutions.

Despite the above, small sales volumes of infrastructure products in north-eastern Europe will continue to be included in the segment Building Solutions - Europe. The size of this business is marginal.

Comparative data for 2009 has been changed to comply with the new structure.

#### PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

M€	1-12/2010	1-12/2009
Gross investment	19.0	27.4
- % of net sales	2.5	3.7
Depreciation	29.1	32.0
Write downs	1.4	0.5
Book value of disposed fixed assets	5.4	4.6

#### PERSONNEL

Converted to full time employees	1-12/2010	1-12/2009
Average	3 219	3 426
At the end of the period	3 197	3 316

#### OWN SHARES

	31.12.2010	31.12.2009
Own shares held by the company, pcs	160 000	160 000
- of share capital, %	0.2 %	0.2 %
- of voting rights, %	0.2 %	0.2 %
Accounted par value of own shares held by the company, M€	0.3	0.3

## SEGMENT INFORMATION

M€	1-12/2010			1-12/2009		
	External	Internal	Total	External	Internal	Total
<b>Net sales by segment, continuing operations</b>						
Building Solutions - Europe	503.6	0.8	504.4	481.1	1.1	482.2
Building Solutions - North America	114.6	-	114.6	109.0	-	109.0
Infrastructure Solutions	131.0	7.3	138.3	144.0	4.1	148.1
Eliminations	-	-8.1	-8.1	-	-5.2	-5.2
Total	749.2	-	749.2	734.1	-	734.1

M€	10-12/2010			10-12/2009		
	External	Internal	Total	External	Internal	Total
<b>Net sales by segment, continuing operations</b>						
Building Solutions - Europe	123.5	0.1	123.6	115.5	0.3	115.8
Building Solutions - North America	26.7	-	26.7	28.1	-	28.1
Infrastructure Solutions	31.5	1.9	33.4	30.8	0.8	31.6
Eliminations	-	-2.0	-2.0	-	-1.1	-1.1
Total	181.7	-	181.7	174.4	-	174.4

M€	1-12/2010	1-12/2009	10-12/2010	10-12/2009
<b>Operating result by segment, continuing operations</b>				
Building Solutions - Europe	55.7	32.6	8.8	10.2
Building Solutions - North America	3.1	3.9	1.0	3.2
Infrastructure Solutions	0.4	14.2	-0.9	1.8
Others	-6.8	-9.3	-0.5	-2.8
Eliminations	0.0	-0.2	0.2	-0.1
Total	52.4	41.2	8.6	12.3

M€	1-12/2010	1-12/ 2009
<b>Segment depreciation and impairments, continuing operations</b>		
Building Solutions – Europe	13.2	16.2
Building Solutions - North America	8.0	6.1
Infrastructure Solutions	5.6	5.5
Others	4.3	4.1
Eliminations	-0.5	0.6
Total	30.6	32.5

<b>Segment investments, continuing operations</b>		
Building Solutions – Europe	8.0	10.5
Building Solutions - North America	4.3	5.1
Infrastructure Solutions	6.2	10.1
Others	0.5	1.7
Total	19.0	27.4

M€	31.12. 2010	31.12. 2009
<b>Segment assets</b>		
Building Solutions - Europe	414.9	393.0
Building Solutions - North America	126.8	118.1
Infrastructure Solutions	88.8	80.4
Others	534.2	509.9
Eliminations	-667.5	-602.8
Total	497.2	498.6
<b>Segment liabilities</b>		
Building Solutions - Europe	303.1	281.3
Building Solutions - North America	72.8	69.7
Infrastructure Solutions	64.2	60.0
Others	496.0	451.2
Eliminations	-691.0	-621.6
Total	245.1	240.6
<b>Segment personnel, continuing operations, average</b>		
Building Solutions - Europe	2 222	2 416
Building Solutions - North America	427	422
Infrastructure Solutions	509	527
Others	61	61
Total	3 219	3 426
<b>Reconciliation</b>		
M€	1-12/2010	1-12/2009
<b>Operating result by segment, continuing operations</b>		
Segment results total	52.4	41.2
Financial expenses, net	-10.7	-12.7
Group's profit before taxes	41.7	28.5

## CONTINGENT LIABILITIES

M€	31.12.2010	31.12.2009
Group:		
Pledges		
- on own behalf	0.0	0.0
Mortgages		
- on own behalf	-	0.0
Guarantees		
- on own behalf	0.1	0.1
- on behalf of others	7.0	7.4
Parent company:		
Guarantees		
- on behalf of a subsidiary	11.2	10.0
- on behalf of others	6.9	6.9
<b>OPERATING LEASE COMMITMENTS</b>	<b>29.3</b>	<b>30.1</b>

## DERIVATIVE CONTRACTS

M€	Nominal value 31.12.2010	Fair value 31.12.2010	Nominal value 31.12.2009	Fair value 31.12.2009
Currency derivatives				
- Forward agreements	175.1	4.0	115.1	-0.6
- Currency options, bought	21.6	0.0	-	-
- Currency options, sold	21.6	-0.3	-	-
Commodity derivatives				
- Forward agreements	6.0	1.6	7.2	-0.7

## DISCONTINUED OPERATIONS

In 2010 and 2009, the discontinued operations include costs related to the Irish infrastructure business sold in 2008. These costs stem from soil cleaning operations started in 2008.

M€	1-12/2010	1-12/2009
Expenses	2.3	5.7
Profit before taxes	-2.3	-5.7
Income taxes	-	-
Profit after taxes	-2.3	-5.7
Profit for the period from discontinued operations	-2.3	-5.7
Cash flow from discontinued operations	-1.6	-5.2



## RELATED-PARTY TRANSACTIONS

M€	1-12/2010	1-12/2009
Continuing operations		
Purchases from associated companies	1.4	1.7
Balances at the end of the period		
Accounts payables and other liabilities	0.0	0.0

## KEY FIGURES

	1-12/2010	1-12/2009
Earnings per share, €	0.34	0.16
- continuing operations	0.37	0.24
- discontinued operations	-0.03	-0.08
Operating profit (continuing operations), %	7.0	5.6
Return on equity, % (p.a.)	9.7	4.1
Return on investment, % (p.a.)	14.4	8.1
Solvency ratio, %	50.8	51.8
Gearing, %	26.5	25.0
Net interest-bearing liabilities	66.8	64.6
Equity per share, €	3.45	3.53
- diluted	3.45	3.53
Dividend per share, €	0.55*)	0.50
Dividend per earnings, %	162.5	316.3
Effective share yield, %	4.0	3.3
P/E ratio	40.9	94.9
Market value of share capital	1,013.2	1,098.1
Trading price of shares		
- low, €	10.58	6.80
- high, €	15.66	15.10
- average, €	12.88	9.95
Shares traded		
- 1,000 pcs	37 389	45 815
- M€	482	456
- of average number of shares, %	51.2	62.7

\*) Board of Directors' proposal

## DEFINITIONS OF KEY RATIOS

Return on Equity (ROE), %

$$= \frac{\text{Profit before taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest, average}} \times 100$$

Return on Investment (ROI), %

$$= \frac{\text{Profit before taxes} + \text{interest and other financing costs}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities, average}} \times 100$$

Solvency, %

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

Gearing, %

$$= \frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$$

Net interest-bearing liabilities

$$= \text{Interest-bearing liabilities} - \text{cash, bank receivables and financial assets}$$

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

$$= \frac{\text{Dividend per share}}{\text{Profit per share}} \times 100$$

Effective dividend yield

$$= \frac{\text{Dividend per share}}{\text{Share price at end of financial period}} \times 100$$

Price-Earnings ratio (P/E)

$$= \frac{\text{Share price at end of financial period}}{\text{Earnings per share}}$$

Share trading progress

$$= \text{Number of shares traded during the year in relation to average number of shares}$$

Market value of shares

$$= \text{Number of shares at end of financial period} \times \text{last trading price}$$

Average share price

$$= \frac{\text{Total value of shares traded (EUR)}}{\text{Total number of shares traded}}$$