1–12

FINANCIAL STATEMENTS 2008

Uponor Financial Statements 1-12/2008

Uponor failed to reach targets as markets contracted

- Full year net sales and operating profit declined as building markets contracted
- Q4 2008: decline in net sales and operating profit steepened towards year-end
- Net sales* Jan-Dec: EUR 949.2m (2007: 1,047.4m), a change of -9.4%
- Operating profit Jan-Dec: EUR 51.2m (135.7m), down by 62.3%
- The company's earnings per share were at EUR 0.99 (EUR 1.39)
- In 2009, net sales is expected to remain below the 2008 level and profit for the year 2009 is expected to be positive
- The Board's dividend proposal at EUR 0.85/share

(* Unless otherwise specified, the figures refer to continuing operations.)

President and CEO Jyri Luomakoski comments on the performance:

- Market developments in 2008 will make a permanent mark in history due to the associated, exceptionally wide and strong decline in demand. Uponor's financial performance lagged far behind our targets, but thanks to cost savings and their careful management, we succeeded in preserving a moderate level of profitability.
- Our operating profit remained at 8% of net sales, if we exclude non-recurring items, a level which is fairly satisfactory in the current market environment.
- Towards the latter part of the year, we focussed largely on managing our net working capital, and were successful in keeping the cash flow at a good level. At the end of the year, our inventories and receivables were at a record low.
- We will continue focussing on strategic growth initiatives much as before. We made good progress in the high-rise segment, and our new cooling offering has a fine tail wind. Our customers' interest in these is mounting as various environmental regulations provide them with competitive support.

Dividend proposal

The Board of Directors of Uponor Corporation propose to the Annual General Meeting that the company pay a dividend of EUR 0.85 per share, totalling EUR 62.1 million or 85.7 per cent of the earnings in 2008. With the proposed dividend, it is estimated that the company's gearing in 2009 will remain within a spread of 30 to 70, as defined in the company's long-term targets. Last year, Uponor paid out EUR 1.40 as a dividend per share.

Presentation material and the webcast:

Following the release of this report, the presentation material for the results briefing will be available at www.uponor.com > Investors > IR material.

The webcast of the results briefing will be broadcast in English today at 2:00pm EET (London 12:00noon, New York 7:00am). The link to the webcast can be found at www.uponor.com. Questions are invited to ir@uponor.com. A recording of the webcast will be made available after 18:00pm EET at the latest, at www.uponor.com.

Performance in Q4 2008

Demand for Uponor's product groups clearly worsened during the last quarter of 2008 compared to the situation in the first half of the year. Although demand for housing solutions had already weakened in most markets during the preceding quarters, the decline steepened in the final quarter. This was a result of increasingly stringent financial markets, the low number of new construction sites opened, and the closure of many already in progress. The encroaching economic drought in the markets was especially noticeable in Eastern Europe, where, after a strong start to the year, business came to a practical halt. Demand in the public and commercial building segments also softened, and in some markets growth peaked before turning towards a modest decline. In the Nordic countries, infrastructure demand also suffered in certain product categories, as a result of the decline in house building.

Net sales

Uponor's net sales in the final quarter totalled EUR 198.9m (EUR 238.2m), which is 16.5 per cent less than in 2007. Net sales contracted in all Regions, with the strongest changes taking place in Europe – WES and in North America.

The reason for this decline was the sharp fall in demand in housing solutions in all markets. This trend was somewhat offset by the progress made in the high-rise sector, mounting interest in Uponor's cooling offering as well as advances achieved by the multilayer composite pipe offering in several markets.

Net sales by Region, October - December:

EUR million	10-12/2008	10-12/2007	Change
Central –Europe	70.8	75.7	-6.5%
Nordic	71.2	88.1	-19.2%
Europe – WES	46.3	63.9	-27.6%
North America	31.2	38.7	-19.5%
(North America, MUSD	39.7	56.8	-30.1%)
Eliminations	-20.6	-28.2	
Group	198.9	238.2	-16.5 %

Profits and profitability

Uponor's October –December operating profit came to EUR -19.9m (EUR 25.4m), which is EUR 45.3m less than in the comparison period. The main reason for this drop was the strong contraction in net sales. However, the Group's expenses increased considerably, due to non-recurring items such as the EUR 14.5 million provision in North America for plumbing replacements, and the global cost-reduction programme that incurred a cost of EUR 4.1 million in the fourth quarter.

Operating profit suffered in all Regions, especially in North America and the Nordic countries.

Operating profit by Region, October - December:

EUR million	10-12/2008	10-12/2007	Change
Central –Europe	5.0	7.1	-29.4%
Nordic	-4.2	7.7	-154.0%
Europe – WES	-1.6	8.8	-117.8%
North America	-18.4	4.0	-556.7%
(North America, MUSD	-27.0	5.9	-560.3%)
Other	-1.1	-3.5	
Eliminations	0.4	1.3	
Group	-19.9	25.4	-178.4%

The Group's October–December earnings per share, also diluted, were EUR -0.22 (EUR 0.29), while they amounted to EUR -0.22 (EUR 0.27) for continuing operations. The cash flow generated during the period came to EUR 25.7m (EUR 29.6m).

Review by the Board of Directors 1 January–31 December 2008

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

EUR million	2008 1-12	2007 1-12	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

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.

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

EUR million	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, EUR	-10.2	-13.2	
Eliminations	0.3	-0.7	
Total	51.2	135.7	-62.3

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%.

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).

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 company. 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 divestment 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 company'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 needless 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 suppliers. 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 international 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.

Uponor Corporation
Board of Directors

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ENCLOSURE: Table part

The text may contain forward-looking statements, which are based on the present business scope and the management's present expectations and beliefs about the future. The actual result may differ materially from such statements.

Information on the financial results bulletin

The figures in brackets in this financial results bulletin are the reference figures for the equivalent period in 2007. The change percentages reported in the financial results bulletin have been calculated from exact figures, not from rounded figures published in the financial results bulletin.

FINANCIAL RESULTS BULLETIN 1-12/2008

CONSOLIDATED INCOME STATEMENT

MEUR	1-12/2008	1-12/2007	10-12/2008	10-12/2007
Continuing operations				
Net sales	949.2	1,047.4	198.9	238.2
Cost of goods sold	607.4	640.4	136.6	146.0
Gross profit	341.8	407.0	62.3	92.2
Other operating income	1.4	5.9	0.8	0.9
Dispatching and warehousing expenses	30.2	28.8	7.1	7.7
Sales and marketing expenses	175.0	178.5	44.0	41.6
Administration expenses	50.8	51.7	11.5	12.1
Other operating expenses	36.0	18.2	20.4	6.3
Operating profit	51.2	135.7	-19.9	25.4
Financial expenses, net	10.2	2.6	5.6	-1.5
Profit before taxes	41.0	133.1	-25.5	26.9
Income taxes	10.9	41.7	-9.6	7.0
Profit for the period from continuing operations	30.1	91.4	-15.9	19.9
Discontinued operations				
Profit for the period from discontinued operations	42.4	10.5	-0.1	1.4
Profit for the period	72.5	101.9	-16.0	21.3
Earnings per share, EUR	0.99	1.39	-0.22	0.29
- Continuing operations	0.41	1.25	-0.22	0.27
- Discontinued operations	0.58	0.14	0.00	0.02
Diluted earning per share, EUR	0.99	1.39	-0.22	0.29
- Continuing operations	0.41	1.25	-0.22	0.27
- Discontinued operations	0.58	0.14	0.00	0.02

CONSOLIDATED BALANCE SHEET

MEUR	31 Dec 2008	31 Dec 2007
Assets		
Non-current assets		
Property, plant and equipment	184.5	218.9
Intangible assets	101.3	101.7
Securities and long-term investments	6.3	3.6
Deferred tax assets	17.0	16.3
Total non-current assets	309.1	340.5
Current assets		
Inventories	104.5	150.6
Accounts receivable	91.4	144.6
Other receivables	36.7	22.3
Cash and cash equivalents	53.2	6.3
Total current assets	285.8	323.8
Total assets	594.9	664.3
Shareholders' equity and liabilities		
Shareholders' equity	305.6	333.0
Non-current liabilities		
Interest-bearing liabilities	77.0	14.7
Deferred tax liability	8.1	15.0
Provisions	7.7	8.8
Employee benefits and other liabilities	21.3	28.1
Total non-current liabilities	114.1	66.6
Current liabilities		
Interest-bearing liabilities	36.8	76.1
Provisions	22.3	7.4
Accounts payable	50.1	75.2
Other liabilities	66.0	106.0
Total current liabilities	175.2	264.7
Total shareholders' equity and liabilities	594.9	664.3

CONSOLIDATED CASH FLOW

MEUR	1-12/2008	1-12/2007
Net cash from operations	85.0	186.0
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
Cash flow from investments		
Proceeds from disposal of subsidiaries and businesses	76.4	-
Purchase of fixed assets	-39.0	-58.1
Proceeds from sales of fixed assets	0.4	5.0
Received dividend	0.2	0.2
Loan repayments	0.2	0.2
Cash flow from investments	38.2	-52.7
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 end of period	53.2	6.3
Change according to balance sheet	46.9	-6.1

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

MEUR	Share capital	Share premium	Other reserves	Treasury shares	Translation reserve	Retained earnings	Total
Balance at 1 Jan 2008	146.4	50.2	2.2	-	-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				-1.2			-1,2
Dividend paid (EUR 1.40 per share)						-102.5	-102.5
Other adjustments					2.5	-2.5	-
Balance at 31 Dec 2008	146.4	50.2	0.8	-1.2	-16.4	125.8	305.6
Balance at 1 Jan 2007	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 (EUR 1.40 per share)						-102.5	-102.5
Share based incentive plan				1.3		-1.3	-
Other adjustments			0.2			-0.1	0.1
Balance 31 Dec 2007	146.4	50.2	2.2	-	-24.1	158.3	333.0

NOTES TO THE FINANCIAL RESULTS BULLETIN

ACCOUNTING PRINCIPLES

The financial results bulletin has been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by EU and IAS 34 Interim Financial Reporting. In the financial results bulletin Uponor Group follows the same principles as in the annual financial statements 2008.
Divestments of infrastructure business in the UK, Ireland and Germany have been classified as discontinued operations.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

MEUR	1-12/2008	1-12/2007
Gross investment	39.0	58.1
- % of net sales	4.1	4.8
Depreciation	31.8	37.2
Book value of disposed fixed assets	5.2	2.2

PERSONNEL

Converted to full-time employees	1-12/2008	1-12/2007
Average	4,211	4,497
End of period	3,678	4,581

OWN SHARES

	31 Dec 2008	31 Dec 2007
Own shares held by the company, pcs	160,000	-
- of share capital, %	0.2%	-
- of voting rights, %	0.2%	-

SEGMENT INFORMATION

Geographical segments

	1-12/2008			1-12/2007		
MEUR	External	Internal	Total	External	Internal	Total
Segment revenue, continuing operations						
Central Europe	280.3	59.1	339.4	283.7	67.6	351.3
Nordic	305.3	60.4	365.7	325.4	72.3	397.7
Europe – West, East, South	232.8	1.5	234.3	271.1	1.8	272.9
North America	130.8	-	130.8	167.2	2.0	169.2
Eliminations	-	-121.0	-121.0	-	-143.7	-143.7
Total	949.2	-	949.2	1,047.4	-	1,047.4

MEUR	10-12/2008 External	Internal	Total	10-12/2007 External	Internal	Total
Segment revenue, continuing operations						
Central Europe	60.2	10.6	70.8	61.3	14.4	75.7
Nordic	61.5	9.7	71.2	74.6	13.5	88.1
Europe – West, East, South	46.0	0.3	46.3	63.6	0.3	63.9
North America	31.2	-	31.2	38.7	-	38.7
Eliminations	-	-20.6	-20.6	-	-28.2	-28.2
Total	198.9	-	198.9	238.2	-	238.2

MEUR	1-12/2008	1-12/2007	10-12/2008	10-12/2007
Segment result, continuing operations				
Central Europe	38.2	41.1	5.0	7.1
Nordic	23.6	49.7	-4.2	7.7
Europe – West, East, South	15.3	42.2	-1.6	8.8
North America	-16.0	16.6	-18.4	4.0
Others	-10.2	-13.2	-1.1	-3.5
Eliminations	0.3	-0.7	0.4	1.3
Total	51.2	135.7	-19.9	25.4

MEUR	1-12/2008	1-12/2007
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
Total	31.4	29.5
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
Total	39.0	52.0

MEUR	31 Dec 2008	31 Dec 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
Total	594.9	664.3
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
Total	289.3	331.3

	1-12/2008	1-12/2007
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
Total	4,211	4,497
Continuing operations	4,006	4,008
Discontinued operations	205	489

Business segments

	1-12/2008		
Segment external revenue, continuing operations	Housing solutions	Infrastructure solutions	Total
Central Europe	280.3	-	280.3
Nordic	119.6	185.7	305.3
Europe – West, East, South	220.4	12.4	232.8
North America	130.8	-	130.8
Total	751.1	198.1	949.2

Segment external revenue, continuing operations	1-12/2007 Housing solutions	 Infrastructure solutions	 Total
Central Europe	283.7	-	283.7
Nordic	133.8	191.6	325.4
Europe – West, East, South	255.2	15.9	271.1
North America	167.2	-	167.2
Total	839.9	207.5	1,047.4

CONTINGENT LIABILITIES

MEUR	31 Dec 2008	31 Dec 2007
Group:		
Mortgages		
- on own behalf	0.0	0.0
Guarantees		
- on behalf of others	7.8	11.5
Parent company:		
Guarantees		
- on behalf of subsidiaries	9.0	10.5
- on behalf of others	7.0	9.3
OPERATING LEASE COMMITMENTS	31.9	24.4

DERIVATIVE CONTRACTS

MEUR	Nominal value 31 Dec 2008	Fair value 31 Dec 2008	Nominal value 31 Dec 2007	Fair value 31 Dec 2007
Currency derivatives - Forward agreements	128.9	7.7	85.9	1.7
Commodity derivatives - Forward agreements	7.4	-1.5	3.6	0.8

SHARE-BASED PAYMENTS

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.

The incentive plan did not have any impact on the result during the reporting period.

DISCONTINUED OPERATIONS

Divested infrastructure businesses in the UK, Ireland and Germany have been classified as discontinued operations according to IFRS 5 -standard. In June Uponor closed the deal concerning the disposal of infrastructure business in the UK and Ireland. The deal included the sale of Uponor Ltd. in the UK, its subsidiary Radius Plastics Ltd. in Northern Ireland and the Uponor Ltd's business in the Republic of Ireland. In April, Uponor Klärtechnik GmbH in Germany was sold.

MEUR	1-12/2008	1-12/2007
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

Book value of assets disposed

MEUR	1-12/2008	1-12/2007
Property, plant and equipment	33.7	-
Deferred tax asset	1.9	-
Inventories	17.8	-
Accounts receivable and other receivables	25.1	
Cash and cash equivalent	1.1	-
Total assets	79.6	-
Deferred tax liability	3.1	-
Employee benefits and other liabilities	4.3	-
Accounts payable and other current liabilities	33.2	-
Total liabilities	40.6	-
Net assets	39.0	-
Cash received from sales	77.5	-
Cash and cash equivalent disposed of	1.1	-
Cash flow effect	76.4	-

In addition to the cash received from sales, a 5.0 MEUR vendor loan note was issued at closing of the deal. Total sales price of the transaction was 82.5 MEUR.

RELATED-PARTY TRANSACTIONS

MEUR	1-12/2008	1-12/2007
Continuing operations		
Purchases from associated companies	2.0	2.1
Balances at the end of the period		
Loan receivable from associated companies	-	1.0
Accounts and other receivables	-	1.1
Accounts and other liabilities	0.0	0.2

KEY FIGURES

	1-12/2008	1-12/2007
Earnings per share, EUR	0.99	1.39
- continuing operations	0.41	1.25
- discontinued operations	0.58	0.14
Operating profit (continuing operations), %	5.4	13.0
Return on equity, %, cumulative	22.7	30.1
Return on investment, %, cumulative	22.2	39.2
Solvency ratio, %	51.4	50.2
Gearing, %	19.8	25.4
Net interest-bearing liabilities, MEUR	60.6	84.5
Equity per share, EUR	4.18	4.55
- diluted	4.18	4.55
Dividend per share, EUR	0.85*)	1.40
Dividend per share ratio, %	85.9	100.7
Effective dividend yield, %	11.0	8.1
Price-Earnings ratio (P/E)	7.8	12.4
Market value of shares, MEUR	563.7	1,260.6
Trading prices of shares		
- low, EUR	6.10	15.31
- high, EUR	18.91	31.45
- average, EUR	12.04	23.76
Shares traded		
- 1,000 pcs	99,227	99,423
- MEUR	1,195	2,362
- of average number of shares, %	135.6	135.8

*) Proposal of the Board

DEFINITIONS OF KEY RATIOS

Return on equity (ROE), %

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

Return on investment (ROI), %

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

Solvency, %

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

Gearing, %

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

Net interest-bearing liabilities

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

Earnings per share (EPS)

$$= \frac{\text{Profit for the period}}{\text{Number of shares adjusted for share issue in financial period excluding treasury shares}}$$

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

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

Price-Earnings ratio (P/E)

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

Share trading progress

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

Market value of shares

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

Average share price

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