
How would you build a better human environment?
uponor
ANNUAL REPORT 2010

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Partnering with professionals

People all over the world can enjoy the comfort and peace of mind provided by Uponor's innovative building and infrastructure solutions. Uponor's solutions provide invisible comfort in homes, offices and public facilities. The cornerstone of Uponor's operations lies in its focus on mutually beneficial, long-term partnerships.

This Annual Report includes examples of joint efforts with our partners. For example, Uponor participated in the construction of a new office building in Hamburg's HafenCity, Germany; in the Cape Town Stadium building project for the FIFA World Cup 2010 in South Africa; in creating a water and sewer system for a Kronfågel factory building in Sweden; and in building Tim McTavish's remodelled energy-efficient home in Colorado, USA.

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


Eco-efficient use of energy: page 16
Old harbour transforms into a lively neighbourhood: page 8

Information for shareholders

The Annual General Meeting

Uponor Corporation's Annual General Meeting is to be held on Tuesday, 15 March 2011 at 5 p.m. at the Helsinki Exhibition and Convention Centre, Messuaukio 1, Helsinki, Finland.

Important dates in the year 2011

Financial accounts bulletin for 2010	10 February
Financial Statements for 2010	10 February
Annual General Meeting	15 March, 5 p.m. EET
Record date for dividend payment	18 March*)
Date for dividend payment	25 March*)
Interim report: January–March	28 April, 8 a.m. EET
Interim report: January–June	10 August, 8 a.m. EET
Interim report: January–September	26 October, 8 a.m. EET

*) Proposal of the Board of Directors

Shareholder value development 1997–2010

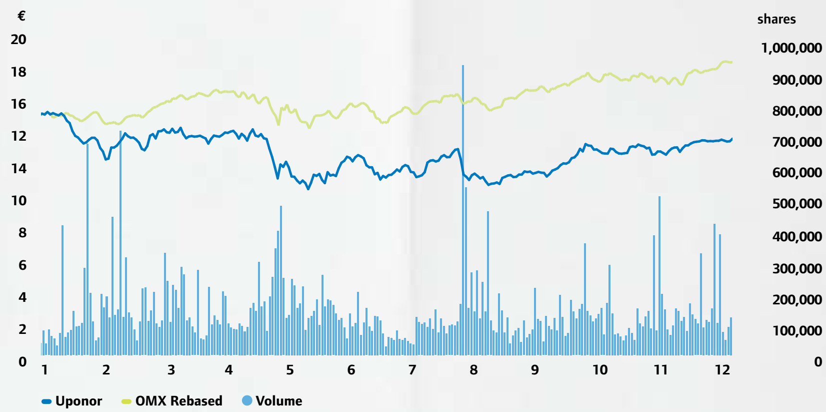
* FAS

Share-specific key figures

	2010	2009	2008	2007	2006
Market value of share capital at year-end, M€	1,013.2	1,098.1	563.7	1,260.6	2,076.6
Earnings per share (fully diluted), €	0.34	0.16	0.99	1.39	1.32
Dividend, M€	40.2 2)	36.5	62.1	102.5	102.5 1)
Dividend per share, €	0.55 2)	0.50	0.85	1.40	1.40 1)
Effective share yield, %	4.0 2)	3.3	11.0	8.1	4.9
Issue-adjusted share prices					
highest, €	15.66	15.10	18.91	31.45	29.35
lowest, €	10.58	6.80	6.10	15.31	18.00
Number of shareholders	22,087	20,214	18,629	12,564	7,799

The definitions of key ratios are presented in the financial statements.
Notes to the share-specific key figures:
1) includes an extra dividend payment 0.25 euros per share
2) proposal of the Board of Directors

Share performance and trading 2010



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Uponor in brief

Uponor is a leading international supplier of indoor climate and plumbing systems for the residential and commercial building markets. It is also a major supplier of municipal infrastructure systems in the Nordic countries.

Our safe, high-quality solutions provide invisible comfort in homes, offices, public facilities and neighbourhoods. In addition to being technologically advanced, Uponor's solutions are sustainable and energy-efficient.

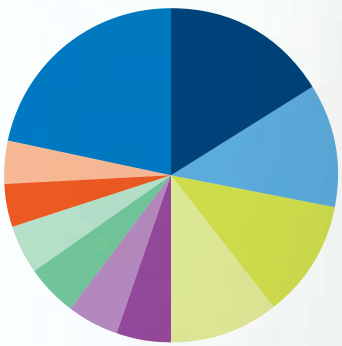
Reliability, expert advice and future ability to live up to our promises are some of the key assets we provide to our customers. Reliable products form only part of Uponor's know-how – genuine added value is created through thorough understanding of customer needs and the ability to provide solutions and services meeting these needs.

Our goal remains unchanged: we seek partnerships with other professionals, to create better human environments.

The blue colour indicates countries where Uponor has operations. In addition, our solutions are sold in a number of other countries.

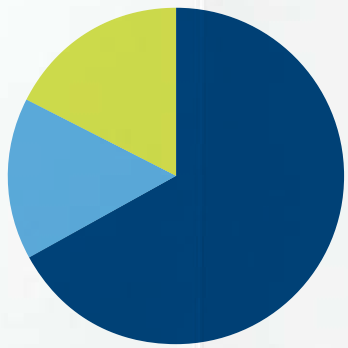
Production facility

Breakdown of net sales by country



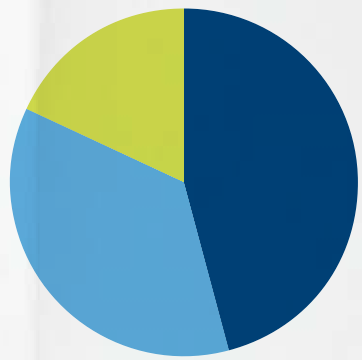
- Germany 16.4%
- Finland 11.9%
- USA 11.3%
- Sweden 10.6%
- Spain 5.3%
- Norway 5.0%
- Italy 4.9%
- Denmark 4.7%
- Netherlands 4.4%
- Canada 4.0%
- Others 21.5%

Net sales by segment



- Building Solutions – Europe 67%
- Building Solutions – North America 15%
- Infrastructure Solutions 18%

Group net sales by business group



- Plumbing 46%
- Indoor climate 36%
- Infrastructure 18%

UPONOR'S SOLUTIONS

Improving indoor climates

Uponor's heating, cooling and ventilation solutions form the basis of a healthy and pleasant indoor climate. Our objective is to offer solutions, optimised in terms of health, cost level, productivity and energy consumption, for controlling indoor temperature and air quality. Our portfolio also includes energy distribution systems. Uponor's indoor climate solutions efficiently utilise renewable energy sources and help to reduce energy consumption.

Comprehensive plumbing solutions

Uponor's plumbing systems portfolio includes solutions, such as pipe systems for potable water and for radiator connections, which meet a variety of needs. Uponor's hygienic PEX and composite pipe systems are corrosion resistant, and have a long service life. In comparison to metal pipes, the advantages of plastic and composite pipe systems include easy installation, leak-proof connections, and high tolerance of fluctuations in water quality. Our systems are also ideal for renovation and modernisation projects.

Reliable infrastructure systems

Uponor's infrastructure business focuses on water and sewer pipes, as well as wastewater treatment systems for non-urban areas. Our reliable and secure pipe and tank systems are ideal for the transport and storage of clean water, rainfall and sewage. They also help to reduce installation and operating costs over their extended life cycle.

Uponor and its customers

Uponor wants to create added value for its customers. We are interested in long-term co-operation and lasting partnerships, and our aim is to develop and provide solutions that will contribute to the success of our customers in their respective business areas.

The customers of our distribution business include HPVAC installers and heating and plumbing contractors, who obtain their Uponor products from wholesalers near them. Our project business seeks co-operation with large construction companies and property developers. In this segment, architects, specifiers, and various other service providers can play a major role. Municipalities and public utility corporations providing infrastructure services, construction and design, form the core customer base of our Infrastructure Solutions.

Year 2010 in brief

In 2010, signs of recovery were detected in some markets, although major differences between countries remained. Thanks to successful savings and reorganisation measures, we can now focus on meeting increasing demand in recovering markets.

Market situation

Severe winter weather negatively affected the construction business's recovery. However, in the spring many European markets began to grow. Successful new products increased Uponor's sales of building solutions.

In the Nordic countries, demand became significantly livelier, remaining relatively strong throughout the year with the exception of Denmark. Factors boosting growth included renovation and modernisation projects, increased demand in indoor climate solutions, and general interest in sustainability and energy-efficiency in new buildings, as well as in renovation and modernisation projects. In plumbing solutions, the market share of PEX and composite pipes continued to grow. In North America, net sales failed to improve, due to subdued construction business resulting from the economic situation. Infrastructure sales were eroded by the severe winter and overcapacity.

We have prepared for the market recovery by focusing on reliable deliveries. Furthermore, we have implemented information systems to improve the efficiency of resource utilisation.

Major events

Uponor took a step towards the vast Asian markets by opening its own subsidiary in Beijing, China. Another subsidiary was established in Switzerland.

Uponor participated in several events focused on identifying sustainable solutions and improving quality of living. These included the World Expo 2010 Shanghai. The major trade fair of the year was Mostra Convegno, held in Italy. Uponor's installation was an actual home, giving a practical demonstration of how Uponor's solutions contribute to comfortable living. The trade fair attracted approximately 200,000 visitors.

Uponor participated in the Carbon Disclosure Project for the first time in 2010. As a result, we have begun reporting our environmental figures to investors in more detail.

In Germany, Uponor organised the largest meeting of international management so far. There, 150 Uponorians discussed our strategy and its implementation.

We continued our efforts to enhance supply chain efficiency, by closing and concentrating warehouse operations in various parts of Europe. In Spain, Uponor moved into a new distribution centre. Important new distribution agreements and partnerships were established in Russia, Spain and the UK.

New products and services

New marketing and R&D projects were launched in several countries, in co-operation with other manufacturers in the construction market. These new projects enable us to provide our customers with improved service and new product and service concepts.

In North America, the most important product launch was the ProPEX® installation tool. This facilitates the installation process of fittings and is compatible with dozens of Milwaukee's electric tools. The tool will be launched in the European markets in 2011.

Marketing efforts continued for the automatic indoor climate control system, aimed at both professionals and consumers. The system was launched in several new regions, including Italy, France and Eastern Europe.

Uponor's infrastructure solutions launched a new, easy-to-install surface and storm water system. This is primarily aimed at regions where recent increases in annual rainfall are likely to cause flooding.

Organisation

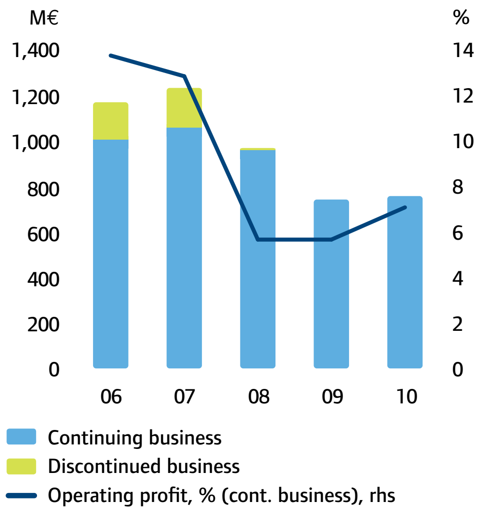
Uponor's marketing and sales organisation was reorganised to reflect its current customer and market segments. Europe's building solutions business was reorganised in the autumn of 2010. The objective was to accelerate decision-making and update the business' offering, to better meet customer needs.

Infrastructure products were marketed in the Nordic countries' neighbouring regions. In this business group, we focused on developing our offering and the supply chain.

Shares

From the beginning of 2011, Uponor's shares have been quoted on the NASDAQ OMX Helsinki Ltd. Mid Cap instead of Large Cap, as a result of Uponor's volume-weighted market value remaining in November 2010 below €1 billion. In 2010, Uponor's lowest share price was €10.58 and its highest €15.66. The number of shareholders continued to climb – by the end of the year, Uponor had over 22,000 shareholders.

Net sales and operating margin



Key figures

	2010	2009	2008	2007	2006
Net sales, M€ *)	749.2	734.1	949.2	1,047.4	1,003.7
Change in net sales, % *)	2.1	–22.7	–9.4	4.4	10.8
Operating profit, M€ *)	52.4	41.2	51.2	135.7	132.9
Operating profit, % *)	7.0	5.6	5.4	13.0	13.2
Profit before taxes, M€ *)	41.7	28.5	41.0	133.1	130.9
Profit for the period, M€ *)	24.7	11.5	72.5	101.9	96.5
Balance sheet total, M€	497.2	498.6	594.9	664.3	643.9
Return on Equity (ROE), %	9.7	4.1	22.7	30.1	25.3
Return on Investment (ROI), %	14.4	8.1	22.2	39.2	35.8
Solvency, %	50.8	51.8	51.4	50.2	53.6
Gearing, %	26.5	25.0	19.8	25.4	6.3
Net interest-bearing liabilities, M€	66.8	64.6	60.6	84.5	21.7
Personnel (FTE) at 31 December	3,197	3,316	3,678	4,581	4,325
Investments, M€ *)	19.0	25.9	39.0	52.0	50.2

*) Continuing operations

Latest fitting technology

The RTM technology (Ring Tension Memory) is the latest addition to Uponor's fitting technologies. It makes the installation process easier, and is ideal for refurbishment and new-builds alike. RTM utilises the so-called "tool-inside" concept, which grips the pipe without scratching the surface, allowing safe, quick and professional joints.

Easier installation

In co-operation with the tool manufacturer Milwaukee, Uponor has developed a comprehensive solution for installing Uponor's Quick & Easy® (ProPEX® in North America) fitting system. The new expanders are easy to use. This, combined with their rotating expander heads, makes installation easier and more efficient than ever.

Better control of storm waters

Uponor IQ is a complete solution for managing storm waters in road and street construction, as well as in agriculture and forestry. It provides good water flow and withstands traffic loads. It comes in different sizes, optimised for specific needs. This flexible system can be combined with Uponor's existing systems, and it is safe and cost-efficient.

Review by the CEO

> *For years, Uponor has promoted low-energy technology. With consumers and policy-makers becoming increasingly aware of environmental issues, we can now see the benefits.*

Our main market areas are recovering from the recession, and Uponor's net sales are taking an upward turn. Admittedly, the recovery has started patchy. In the Nordic countries, the building solutions markets have been lively, enabling us to switch directly from savings programmes to pursuing our growth strategy. At the other extreme is the US, where the decline in housing construction has continued from the extremely low levels of 2009. In such markets, we have tried to adjust our operations to meet anticipated demand in the near-term. Tightening public finances have intensified competition in the infrastructure business. Combined with high resin prices, this has been reflected in less-than-satisfactory profitability.

Alongside the total market development, there are continuously internal trends and developments within the markets that we can use to our advantage, if our timing is right. Looking back on the performance of Europe's building solutions business in 2010, it is a pleasure to see our investments in indoor climate systems begin to pay off. For years, we have promoted low-energy technology and solutions and now, with consumers and policy-makers becoming increasingly aware of environmental issues, we can see the benefits. Our innovation of combining heating and cooling into one reliable, comfortable and energy-efficient solution, has raised interest among customers. Growth in our European building solution segment mainly derived from this specific area. Indoor climate systems increased their share of our total net sales, and our goal is to grow their importance also in the next few years. While the new building markets remained subdued, renovation and modernisation projects increased demand for plumbing solutions. In thousands of private and public buildings, our systems have enabled a fast and easy renovation process, with safe and reliable water delivery.

At Uponor, we want to help create better human environments, as demonstrated by the above low-energy example. While taking responsibility for our shared environment is a challenge, it also presents exciting opportunities. Over the last year, we have participated in several projects aimed at developing sustainable, environmentally friendlier solutions with enhanced energy-efficiency, in both the building and infrastructure businesses. Life cycle analyses conducted by our European industry organisation, and verified by a third party, show that plastic pipe systems are superior to other materials in this respect. Important factors include recyclability of materials and reduced loads on traffic. In our own operations, we have focussed on developing our distribution and warehouse operations to minimise their burden on the environment.

Although our development in net sales last year was modest, we have actively invested in product and systems development. I am confident that such investments will bear fruit and provide us with the necessary competitive edge in our ever harshening business environment. Ensuring operational excellence will remain crucial in the future – it provides the foundation for economic growth and development.

During changing and difficult times, the importance of a company's personnel to its success is highlighted. According to our annual personnel survey, we have succeeded in improving our employees' motivation, their capacity for performing their tasks and their competencies. In these we have achieved our highest marks since the start in 2004 – despite the large cuts caused by the recession.

To support the implementation of Uponor's strategy in a changing business environment, we seek to continue actively developing our know-how. A clear strategy and a motivated team will help us develop our offering portfolio, to accommodate customer expectations and needs and help Uponor become an even stronger company.

I would like to extend my gratitude to each and every Uponorian for their contributions to Uponor's success. I would also like to thank our customers and partners, with whom we have been able to join forces to create better human environments.

Vantaa, February 2011

Jyri Luomakoski
President and CEO

In partnership with professionals

Old harbour transforms into a lively neighbourhood

HafenCity Hamburg is one of Europe's largest rebuilding projects. The aim is to turn the old harbour quarters into a residential area with offices, hotels, shops and public buildings. Once finished in 2030, the area will be home to 12,000 residents and offer a workplace for 40,000 people.

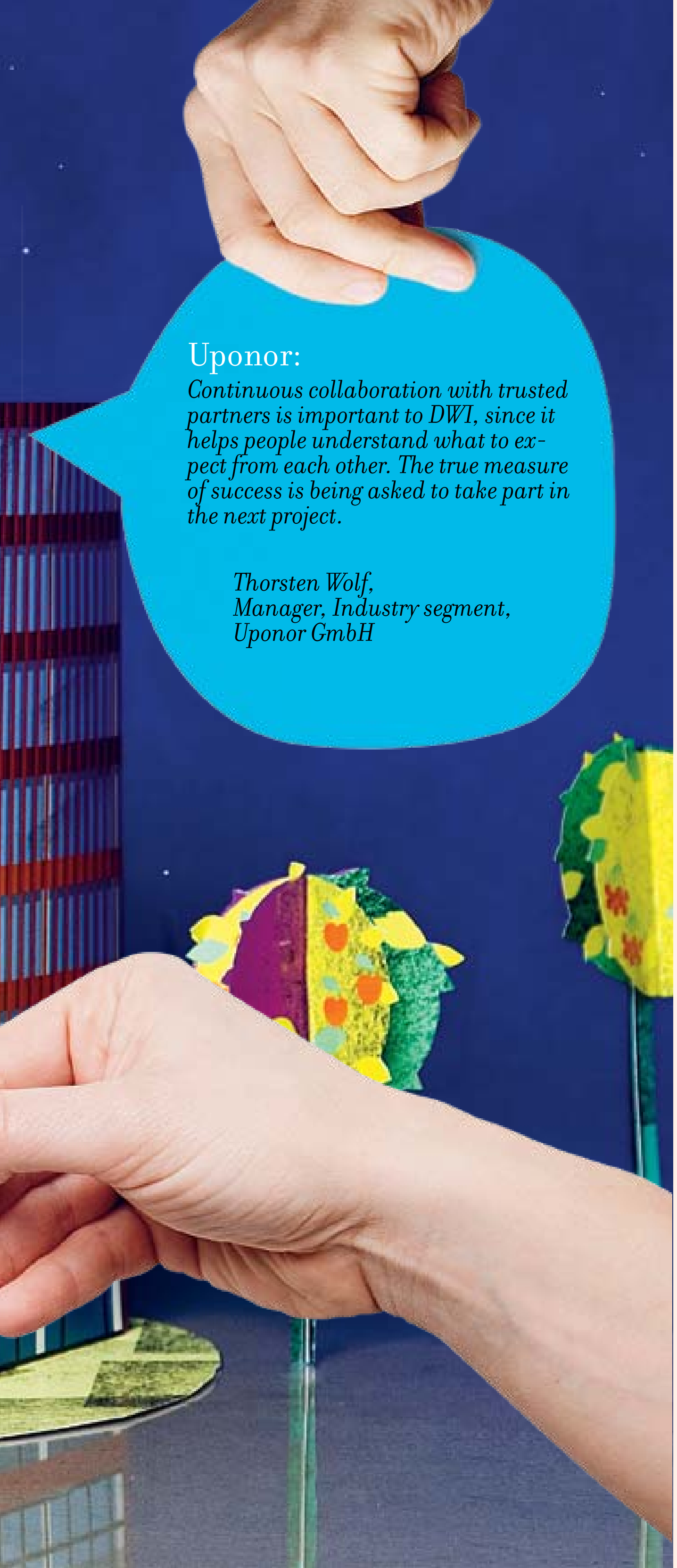
One of the buildings already finished – an office building called SKAI – impresses with its metal and glass façade and high standards of heating and cooling. Uponor indoor climate systems were a natural choice for our partner.

+ **READ MORE:**
www.uponor.com > References

Partner:

Cooperation in this project was very successful, partly because we managed to involve the technology provider, Uponor, in planning from the earliest stages. The technical knowhow and support they provided during implementation was highly professional. Uponor's experts inspected the entire cooling system and documented the results.

Bernhard Steinkopf, Technical manager, DWI Grundbesitz GmbH



Strategy and business environment

The core purpose of our operations is to partner with professionals to create better human environments, and we have a strategy to help us implement this objective in practice. Since 2003, Uponor's corporate strategy has rested on three main pillars: growth, operational excellence, and the corporate brand.

In 2010, the effects of the global economic recession started to level out in most markets. During the recession, Uponor significantly improved its operational efficiency by reorganising and streamlining its supply chain. In 2011, Uponor's main strategic objectives will include meeting the recovering demand and taking advantage of growth opportunities.

Uponor's three main strategic pillars

1 Growth

Uponor's goal is to achieve organic growth through sales and marketing initiatives, improved product and service offering and geographical expansion. Also acquisitions can present growth opportunities when they complement our offering, provide openings to new customer relations, or enhance our technology or knowledge base.

In 2010, Uponor continued its efforts to consolidate its market position in Eastern Europe, and we also looked for growth opportunities in Asia. Success in the wide Asian markets requires precise segmentation in pre-defined areas, customer segments and solutions offering. For example, in the colder climate zones in China, radiant underfloor heating is gaining popularity and the market area is the size of Europe.

Developing project business is a key growth initiative for Uponor. Our extensive international operations provide an excellent starting point for success in this segment. We aim at closer collaboration with contractors, building companies and developers already during the initial stages of a project. The industrialisation of the construction business can be seen in the enhanced planning and construction site processes and in the rising degree of prefabrication. In major building companies, this is already reality. To meet these needs, we are developing new solutions in partnerships with other professionals in the field.

The need to combine energy-efficiency, 'green building' and comfortable living defines building culture in many countries and provides growth opportunities for Uponor's indoor climate solutions, in particular. We have expanded our offering with new innovations, such as the automatic indoor climate control system launched in at beginning of the year and Uponor Climate Controller, which was introduced towards the end of 2010. It enables an automatic adjustment of heating and cooling based on external temperatures. It can operate as a stand-alone product or integrated into the Uponor control system.

2 Operational excellence

An efficient organisation and supply chain play an important role in guaranteeing customer satisfaction. In the last few years, we have significantly improved our operational excellence mainly to increase customer satisfaction and to improve profitability in production, warehouse operations and transportation. In addition to Building Solutions - Europe, our new ERP system is now implemented in the Infrastructure Solutions. We have also implemented measures to centralise our sourcing activities and

An efficient organisation and supply chain play an important role in guaranteeing customer satisfaction.

their management. A further target is to enhance operational excellence also in sales, marketing and offering management.

In 2010, our focus on supply chain development was at reliable deliveries in order to secure our capacity for meeting the recovering demand and maintaining customer satisfaction. In the summer of 2009, we launched our World Class Operations programme which raised our delivery reliability to 90% in 2010, which we consider to be a good level.

We are also working to improve our efficiency by harmonising our plumbing and indoor climate offerings in Europe. In addition to improved efficiency, it will also help customers choose the most appropriate solutions for their respective needs. The benefits resulting from the harmonisation are manifest in increased sales and reduced inventory.

3 The corporate brand

The cornerstone of our branding operations is building and developing a strong and recognised brand. A uniform brand combined with the simultaneous harmonisation of our offering contributes to an improved cost-benefit ratio and also enhances the quality of our operations. A good example of this is Uponor's new website which was completed in 2010 and serves Uponor's customers in over 30 countries.

Each year, we conduct a study to determine how strong the Uponor brand is and how well it is recognised. Last year, new countries to participate in the study were France and the UK. The overall results fell shy of the previous year which could partly be attributed to a change in our measuring system. However, the final conclusion of the study was that customers continue to rely on Uponor's strong brand. In 2010, the visibility of Uponor's brand was promoted specifically in Eastern Europe.

Customers

Uponor's customers represent several different segments. The segments can be defined, for example, by factors affecting decision-making. Home builders tend to put emphasis on personal comfort, small investment capital and low operating costs in addition to environmental issues and energy efficiency, while property developers and investors prioritise efficient construction processes and the generation of maximal added value through the construction project.

For the development of our project business, important customers and targets in commercial building include logistics centres, shopping centres, office buildings and renovation and modernisation of offices. Important customers in the residential building sector include e.g. major lessors.

In public building processes, decision-making tends to differ from the criteria applied in privately funded residential and commercial projects. Public building abides by strict environmental and quality regulations of their own which may sometimes override cost considerations, while in other cases cost factors may be the decisive feature. The quality of buildings has become increasingly important and is being demonstrated by energy certificates and indoor air quality classifications, for example.

The majority of Uponor's solutions are sold through our distributors to the installers, and in such cases that may be the only part of the construction process we are involved in. In our distribution business, we seek to be in the forefront of developing the skills and the business of our selected installation partners through training and the distribution of information.

Factors creating demand

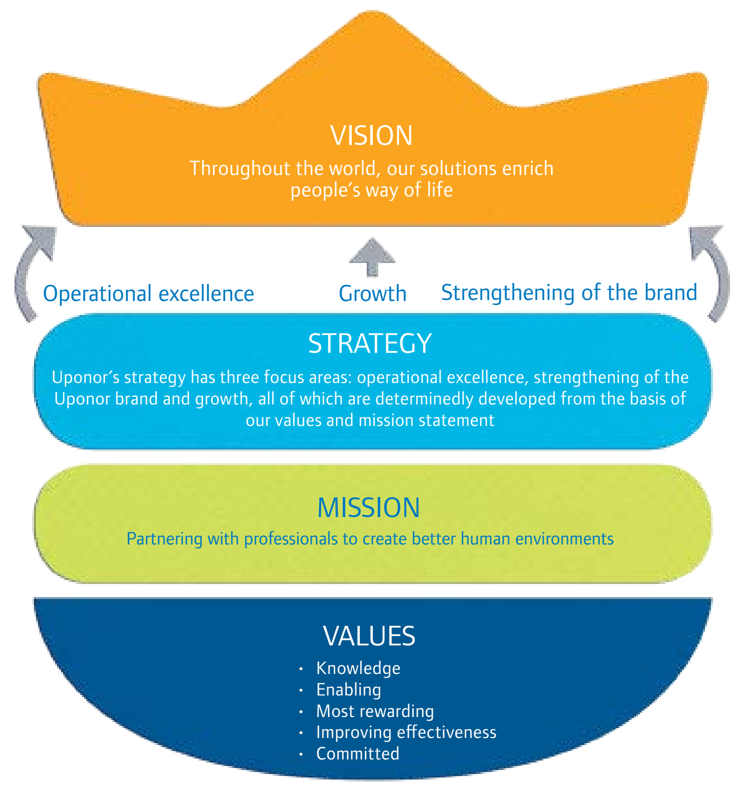
Uponor's indoor climate solutions meet the demand for energy-efficiency, 'green building' and sustainability, which are mounting in the building and construction industry, much due to lively public debate, increased interest in the impact of the construction activity on the environment, as well as official regulations. In the current operating environment, combining comfortable living and ease of operation with eco-friendliness is definitely one of Uponor's solutions' competitive assets.

The high-quality pipes used in our plumbing systems meet the standards for providing clean water. Environmental considerations, energy savings, building codes and political decisions in addition to the need to reduce water consumption in some areas all contribute to the increased demand for our plumbing solutions.

In plumbing solutions, our comprehensive, high-quality service and product range is a competitive asset. Our solutions are safe and reliable, contributing to the enhanced speed of the construction process and helping installers improve the efficiency of their work. Uponor's advanced fitting solutions and colour coded fittings and pipes help reduce installation errors. Excellent corrosion resistance and the extended life cycle of Uponor's products are features valued especially in commercial building.

The demand for Uponor's plumbing solutions, in renovation and modernisation projects in Europe, for example, has exceeded the demand in new building projects since the recession, and we expect the development to continue in this direction.

Our infrastructure business provides reliable solutions for building a demanding and well-functioning infrastructure that meets the needs of the society. Additionally, Uponor's solutions meet the requirements on life cycle and durability.



Solutions development

Indoor climate solutions for enhanced energy-efficiency and comfort

Uponor is developing into a total indoor climate solution supplier. Our aim is to develop and launch solutions that provide ideal indoor climates by combining the strengths of surface heating, cooling and also ventilation. Our target is to increase the level of comfort while keeping the installed and operating costs of the systems relatively low. The growing popularity of low-energy buildings results in an increased demand for such solutions, because tightly insulated houses need effective ventilation and cooling.

Partnering with professionals is a vital part of the development process of our indoor climate solutions. In Central Europe, we collaborate with heat pump and prefabricated wall/floor manufacturers. Joint operations include marketing efforts, seminars and exchanging product know-how. Together we have also developed new products that utilise geothermal heat. In co-operation with floor and concrete manufacturers, we develop solutions to meet the needs arising from the industrialisation of the construction business. Examples include ready-to-install elements, introduced in Finland, facilitating plumbing renovations and pre-installed manifold boxes. In Belgium and the Netherlands, Uponor manufactures TABS cooling and heating systems on modular measure concrete elements. In the UK and Ireland, Uponor offers installed heated floors with its local partners.

High-quality plumbing solutions

The aim of our plumbing solutions development is easy installation and superior water quality which can be achieved through comprehensive solutions made primarily of plastic. We aim at constantly improving the pipe and fitting materials we use.

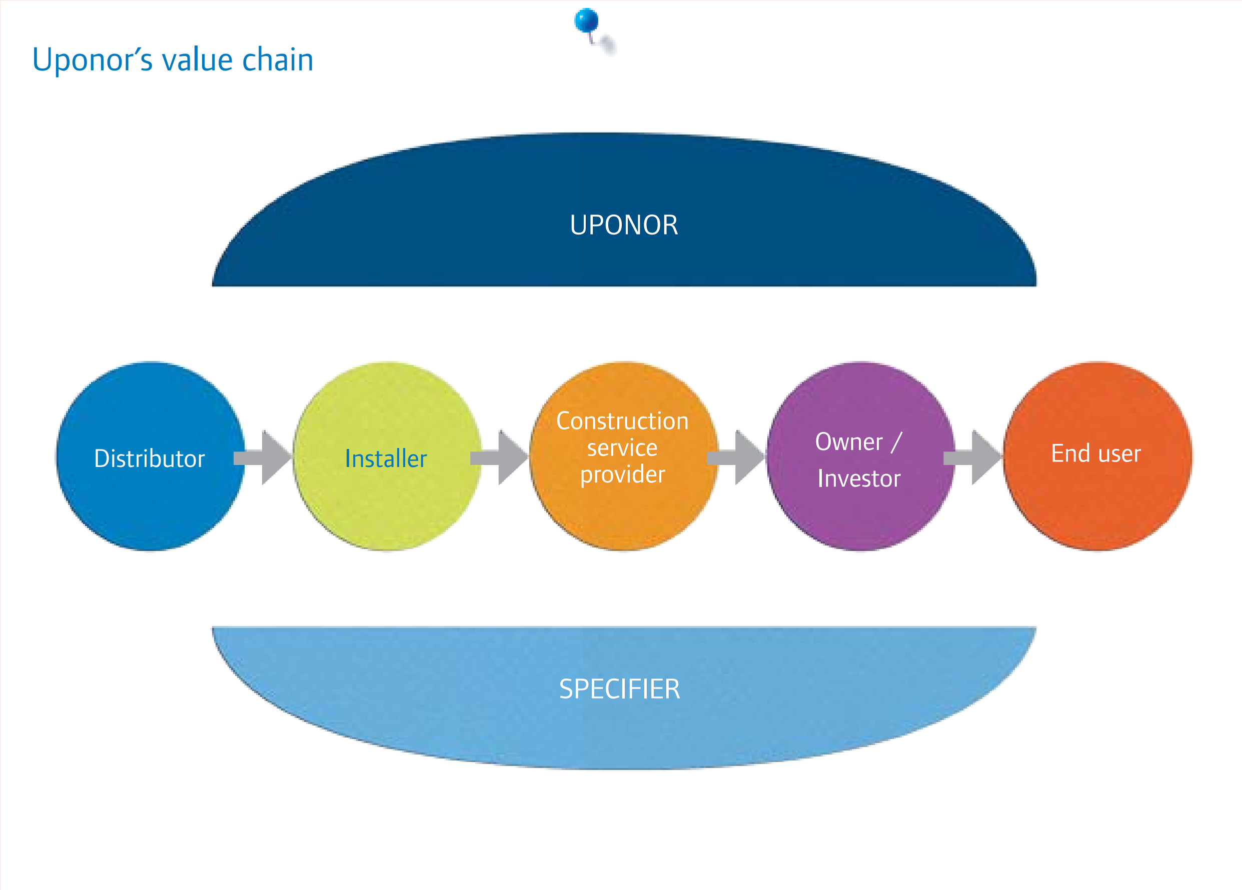
To meet the needs of our project business, we have expanded our product range with prefabricated solutions and PEX pipes with large diameters designed for large construction projects. Our response to the increasing numbers of renovation and modernisation projects includes unique, easily customised solutions.

In our distribution business, our aim is to guarantee maximum availability of Uponor products to professional installers through our wholesaler network. In this respect, training periods designed for installers play a major role.

Sustainable infrastructure solutions

We are developing our infrastructure offering according to the comprehensive solutions approach by combining sustainability and cost-efficiency. Eco-efficiency is an important factor in the development of our new products and services.

In our marketing effort, we emphasise customer segmentation which enables us to better recognise the needs of the different customer groups, and to create solutions and increase sales by the segment with the objective of making quality purchases as easy for the customer as possible. This is supported by expert customer services and training.



Markets and competition

Building solutions in Europe

In Central Europe, the construction of increasingly energy-efficient houses is reflected in demand for energy-saving cooling solutions preferably utilising renewable sources of energy. Currently, our underfloor cooling solutions are mainly intended for public and commercial buildings, but we intend to increase our share in residential buildings as well. In Germany, up to 70% of the building solutions market comprises plumbing solutions for renovation and modernisation projects. In the Netherlands, emphasis is on new building projects – typically, the old building is demolished and a new one is built in its place.

Energy performance and water savings play a key role also in the Nordic markets. The EU-wide drive towards water conservation, and its greater recycling, has yet to reach the directive phase. Many member states' building regulations nevertheless take account of water conservation. In practice, there is a need for saving water already, coming from the EU's climate and energy savings targets, as water usage represents a considerable part of the energy consumption within communities. There is also an increasing demand for sprinkler systems as general concern for reducing the number of deaths by fire increases.

In the Iberian Peninsula, a new building code imposes strict limits on energy consumption, affecting the renovation and modernisation of buildings which in turn increases demand for Uponor's solutions.

In Eastern Europe, green thinking is not yet a visible market trend partly because energy remains relatively inexpensive. Underfloor heating is typically a feature of upper class houses. Next to Central Europe, Eastern Europe provides the most promising opportunities for growth in the plumbing solutions business. Plastic pipes are commonly used, but the quality of tap water is often not an issue and hence, the competitive edge of Uponor's pipes remains partly ignored.

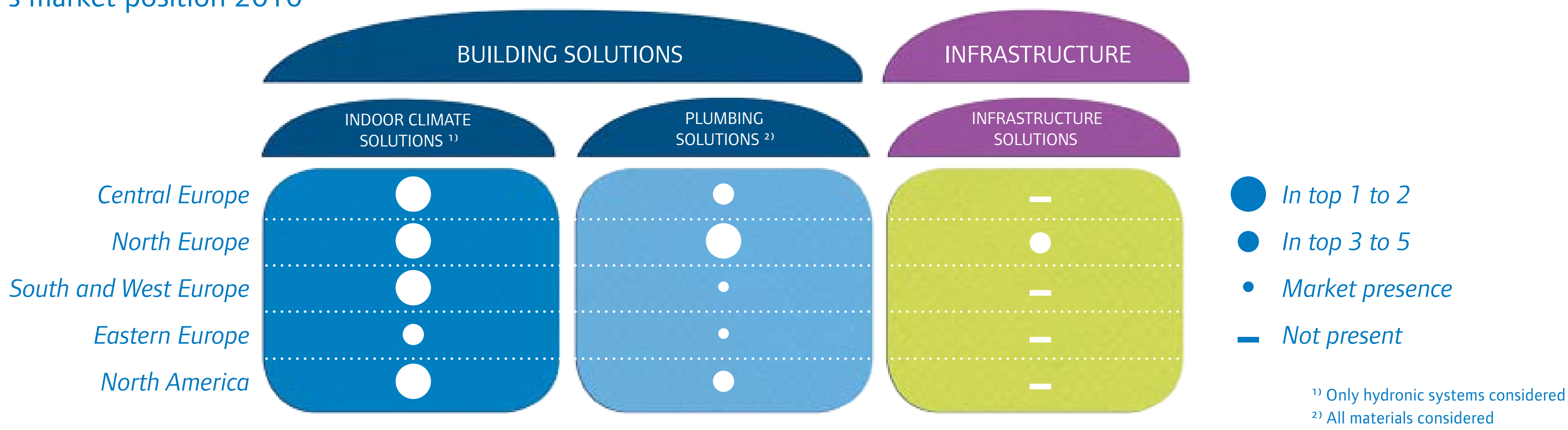
Several opportunities for plumbing solutions present themselves in international sales and in the Asian markets, although in these areas the cheaper materials are often used for which Uponor does not have competitive alternatives. In China, the need for underfloor heating creates potential for growth. In the other international markets, demand for cooling solutions exists, and Uponor plans to increase its market share primarily through customer service and expert advice.

Building solutions in North America

In North America, Uponor's major customer segments include residential and commercial new building projects. In the US, demand in the commercial building sector exists primarily for underfloor heating and cooling systems. Plumbing solutions are mainly sold on the home building markets; in Canada, also in the commercial building market.

In the US, demand for sprinkler systems present promising growth opportunities for Uponor, as the states ratify the national building code on sprinkler systems.

Uponor's market position 2010



In 2010, the state of California approved PEX pipes for use in plumbing systems in buildings. This enables Uponor to enter the markets in California's large cities.

Competition in building solutions

The competitive situation of underfloor heating solutions varies extensively between different countries. In Europe, Uponor's solutions typically compete with radiators in residential buildings and renovation and modernisation projects. In the commercial building sector, Uponor's solutions compete with central air conditioners connected to a forced-air distribution system which in the US are used in residential houses as well. Furthermore, in the Nordic home building sector, Uponor's solutions compete with various electrical heating systems. Uponor's underfloor cooling systems compete with various cooling systems based on the circulation of air. The benefits of selecting Uponor's heating or cooling systems include enhanced comfort, energy-efficiency and the possibility to utilise various sources of energy.

In Europe, Uponor's indoor climate solutions have some international and several local competitors. Local competition is mainly present in connection with home building projects while the number of competitors is generally reduced in larger projects. Uponor's assets include extensive skills in customer services and planning, the reliability and durability of its products and systems, eco-friendliness and the support of a Europe-wide organisation.

In North America, the most common heating solutions found in residential houses are forced-air heating and cooling solutions using gas and requiring only a relatively small initial investment. Markets for underfloor heating remain small, but Uponor holds a major market share. In Canada, underfloor heating is more popular than in the US, but forced-air heating systems are the market leader in Canada as well. However, the rises in the prices of energy and the increased public awareness of the environment both provide Uponor's solutions with significant potential for growth.

Uponor's plumbing solutions compete with metal pipes and fittings as well as the plastic pipe systems offered by other suppliers. PEX and composite pipes are superseding copper pipes on the market, and in the future the competition will be between these solutions. Brass and steel fittings are likely to hold their position, but the popularity of plastic fittings is increasing steadily.

There are some worthy international competitors offering plastic and metal pipes. In addition to competitive products, Uponor's assets include co-operating with the customer and a strong brand image. In Europe, Uponor's plumbing solutions have become the standard in the field.

Infrastructure solutions and the business environment

Environmental considerations have a major impact on Uponor's growth potential, because floods and increased rainfalls are a serious threat to the old sewer systems in many large cities.

We aim at closer collaboration already during the initial stages of a project.

Additional opportunities for growth are created through developments in the infrastructure and changes in customer and end-user needs. Furthermore, standardisation and environmental regulations affect the markets.

The market position of Uponor's solutions is relatively strong in the Nordic countries, except Norway. In 2010, we started to expand our operation to regions adjacent to the Nordic countries, the Baltic countries and Russia, in particular, where the need for infrastructure construction and renovation is considerable.

Market development has been slowed down by the global recession and the resulting crisis of the public economy. The severe winter in 2009 and 2010 contributed further to the reduced demand. Withering demand intensified competition and resulted in over-capacity. However, opportunities for market growth can be created through customer segmentation, improved offering and advanced production technology.

Management analysis and discussion

In this interview, Riitta Palomäki, Uponor's CFO, and Jyri Luomakoski, Uponor's President and CEO, discuss topical questions from investors.

Residential construction began to show signs of recovery in 2010. Are we now on firm ground, and how solid is it?
JYRI The recovery in residential construction is very modest, even impossible to measure in many places. In the Nordic countries, for example, the recovery has partly resulted from public funding granted in support of residential construction projects. Although the most recent building permit figures show a fall from this level, the market situation is nevertheless improving. From a broader perspective, we might even claim that residential construction is on solid ground precisely because of these modest indications, although the situation varies between countries and is not particularly strong anywhere.
RIITTA In the US, residential construction has reached its all time low since World War II. Furthermore, buildings currently under construction are smaller and more modest than before. This shows as a decrease in our sales and in the scope of supplied solutions per project.
JYRI In 2011, we are still likely to see a steady decrease in residential construction in some markets. Spain, Portugal and Ireland are certain to have other things on their minds.

What could boost commercial and public building?
JYRI Now that the majority of national economies are recovering and aiming for growth, demand for public and commercial building can be expected to increase in parallel with the growth of companies' businesses and increased consumption. However, the availability of financing and widespread caution will slow this development. Take Germany as a positive example; there, the number of building permits for commercial and public buildings already took a slight upward turn in 2010.

RIITTA It is also encouraging that existing buildings and structures are being remodelled for new purposes, like the transformation of Helsinki's Salmisaari power plant into a commercial building. Renovation and modernisation projects like this create interesting opportunities for Uponor.

What has been the effect of public incentives and stimulation packages, and their recently declining numbers in different countries?
RIITTA Support packages and public building have both taken a downward turn, now that municipalities and cities have less money to spend. In the current economic situation, the focus is on maintaining existing services, such as schools and hospitals, instead of initiating new building projects. In the US, tax relief programmes targeted at households have been more effective than public projects.
JYRI When the tax relief programmes ended in the US, it reflected negatively in our sales. On the other hand, there have been several public projects, such as the Nordic traffic projects, which have had no effect on our sales.

How, in the current market situation, can we achieve growth in the infrastructure business?
JYRI Over the last year, we have completed several initiatives to improve our infrastructure business. Among other things, we have concentrated our production in two highly effective main manufacturing units. In addition, Uponor's new IQ storm drain pipes are a perfect example of our improved product portfolio.
RIITTA As a result of the decline in infrastructure building, our short-term objectives include seeking improved cost-efficiency by enhancing our internal processes. Through customer segmentation and investing in environmentally friendly solutions, we expect to see growth in sales.

How can we achieve growth in the building solutions business outside of the Nordic countries?
JYRI As an example of our quest for future growth, we have expanded our operations into Eastern Europe and Asia, founding our own subsidiary in China in 2010.
RIITTA And there are still areas and countries - even within our established markets - with significant growth potential for Uponor.
JYRI Which can be achieved through effective sales and marketing.
RIITTA Finding suitable distribution channels in new countries, and ensuring availability in this way, is essential to achieving our growth targets.

What part do employees play in achieving growth?
JYRI Uponor's personnel play a major role. As a share of net sales, investment in R&D increased during the economic crisis and we intend to continue growing it. Innovative and talented professionals are the key to successful R&D. We need people who have vision and are experienced in building techniques, processes and project management, for example. Furthermore, we are actively striving to identify talented people already working at Uponor. We are also trying to close the gap, created during the recession, in our emerging talent training programme. Topical training themes include skills required in the project business and various expert duties.
RIITTA In a changing world, companies must also change – and employees make that change happen. For this, training and education provide the best tools. Our business is increasingly being managed at European level, which requires a more comprehensive understanding of the mechanics of business from all employees. Our working community includes an increasing number of cross-cultural and virtual teams; these new forms of working together place new demands on our personnel.

Long-term financial targets

Target	Scale	2010	2009	2008
Annual organic net sales growth (over the cycle)	> 6%	2.0%	–22.7%	–9.4%
Operating profit margin	~ 15%	7.0%	5.6%	5.4%
Return on investment (ROI)	> 30%	14.4%	8.1%	22.2%
Gearing (average across quarters)	30–70	45.5	45.2	46.4
A growing ordinary dividend payout	> 50% of earnings	162.5%	316.3%	85.7%

However, we should bear in mind that our changing world and developing organisation also open up new and interesting opportunities for personnel.
JYRI On all levels of the organisation, we have been developing a more transparent communication culture.

What are the major risks involved in net sales and profitability?
JYRI The economic environment poses the greatest risk. The current uncertainty in the financial markets and possible negative developments could have a strong impact on the construction business, which is always financed by loans – to some extent at least. Furthermore, changing laws and regulations must be observed, and the effects of possible changes on our current practices need to be considered. Plumbing systems and solutions, for example, are very closely regulated and monitored at national and local level.
RIITTA In addition to risks, national administrations and legislation can also be viewed from the perspective of creating new opportunities. Legislation on energy-efficiency, for example, tends to promote sales of Uponor's solutions.

Over recent years, Uponor's operational efficiency has significantly improved. What are the future targets for improvement and what do you expect to gain from these improvements?
JYRI Customer-orientation is our first priority and plays a major role in supporting growth. However, improving the efficiency of our own operations is not enough – we need customers who are increasingly satisfied as well. Our aim is to constantly improve our service level, without compromising our inventory turnover.
RIITTA We recently launched our European-wide ERP system, which continues to offer new application possibilities.

At the end of 2009, Uponor acquired a British company specialising in the project business. What have been the benefits of that acquisition so far? And is Uponor contemplating any new acquisitions?
JYRI Primarily, the acquisition of Velta has provided us with a deeper understanding of the project business and how that channels to customers' functions. It has contributed to our development of Uponor's project business, which we are moving forward in Europe as well as in North America. Additionally, it has helped us model how to combine our traditional business model with a project business model, efficiently and within the same market area.

Of course, we are continuously looking into possible new acquisitions. However, the challenge is to identify the right companies.

Uponor's objective is to increase its net sales and operating profit. What role do Uponor's indoor climate solutions play in this?
RIITTA For us, increasing the share of indoor climate business is a strategic choice. It provides our business with broad geographic growth potential and, through growth, a chance to improve our operating profit.
JYRI Increased sales volumes would have an extremely positive effect on profitability. However, we must remember that our comprehensive indoor climate solutions incorporate products, such as panels and ready-to-install floors, manufactured by other suppliers. An increase in sales would not, therefore, necessarily result in a one-to-one improvement in profitability, as is the case with plumbing and infrastructure solutions.

Many of Uponor's solutions take account of increasing customer concern about energy-efficiency and the environment. On a more general level, what does sustainability mean for Uponor?
RIITTA Naturally, as a company, it is important for us to support sustainable practices, while benefiting from the business opportunities sustainability has to offer. The energy-efficiency of our products and their compatibility with renewable energy sources, for example, improve both our sales and our image. R&D continues to focus on finding ever better solutions. Due to our centralised production, it is now easier and faster to implement changes and improvements.
JYRI Uponor is a responsible corporate citizen and we monitor the development of our environmental footprint – nearly all of our plants have an environment certificate – while we do our best to minimise our burden on the environment. And our footprint is indeed relatively small compared to many other industries. Furthermore, transparency and sustainability reporting more and more often form part of our bigger customers' decision-making processes.
RIITTA And our environmental policies have an impact on the investment decisions of some of Uponor's shareholders.

In partnership with professionals

Eco-efficient use of energy

When Tim McTavish set out to remodel his home in Colorado, USA, his plans called for energy-efficient building concepts and exceptional means of heating and cooling the updated residence. In total, 64 solar panels for radiant heating, ventilation and snow melting were installed, including a control system to integrate it all. Energy efficiency is chiefly based on integrated control of the various individual systems. For this reason, the Uponor Climate Control network system was chosen.

As well as being pre-programmed for many functions straight out of the box, Uponor's system is also customisable. Modes can be switched remotely and from a single point in the system, with minimal interaction from the homeowner.

+ **READ MORE:**
www.uponor.com > References

Partner:

Uponor's specialists were extremely helpful. They even flew in to join us onsite during the initial custom programming. I developed a good working relationship with Uponor; I hope this was as much of a help to them as it has been to me.

Raymond J. Blum,
Heating Sales Manager,
Dahl-Denver

Overview of business 2010

Over the last year, our major focus has been on customer segmentation, launching interesting new products, improving our sales performance and developing our employees' competencies. In September, we implemented organisational changes. The aim was to speed up decision-making and make better use of customer perspectives in the development of our product offering. Due to the subdued residential building market, our business focus was intensified in the area of commercial and public building.

Building Solutions - Europe

Markets stabilise in Europe

Uponor's markets in Central Europe - in Germany and Austria, in particular - have been subdued for some years, accompanied by relatively steady development in net sales. On the other hand, the economic crisis did not have as dramatic an impact on the construction business there as in other markets. An exception to the rule is the Netherlands, which saw a fall in demand: after the property bubble burst, bank loans for construction projects became less easily available.

In the Nordic countries, construction business clearly increased during 2010. Contributing factors include the general economic recovery, environmental awareness and the increase in renovation and modernisation projects supported by public funding. In Finland, marketing aimed at end users led to rising sales of renovation and modernisation products.

In Western and Southern Europe, there was a further decline in construction activity on the Iberian Peninsula and in Ireland, Italy, France and the UK. Compared to 2009, the recession's impacts somewhat levelled out. Furthermore, a brighter outlook was signalled by various indicators, such as rising housing prices in parts of Spain and the UK, and a higher number of building permits granted in France.

In Eastern Europe, the aftermath of the financial crisis is still keeping sales on a moderate level except in Russia, where positive signals resulted in a favourable sales development. We implemented a customer relationship management system for the Eastern European countries, with the intention to improve our profitability through more efficient use of resources. This online system allows for easier follow-up and monitoring of sales activities.

Supply chain improvements

Last year, we shifted our focus from the management of product flows towards securing reliable delivery, while growing our inventories in response to mounting demand in the second and third quarter. Growth in deliveries was strongest in our Nordic factories.

In Central Europe, Uponor's performance improvements were implemented through enhancements to the distribution network. For example, a warehouse was closed in the Czech Republic, the decision being taken to manage administration and logistics centrally from a German warehouse. This enhances our operational excellence while allowing personnel in the Czech Republic to focus on customers and sales efforts. Similar arrangements were made elsewhere in Eastern Europe.

In Germany, we established a new inventory system for products with marginal sales. Centralised warehouse operations improve the reliability and speed of delivery of these products.

New building solutions applications

At the beginning of last year, we launched Uponor Control System - an automatic indoor climate management system. It is based on Dynamic Energy Management (DEM), a unique technology developed by Uponor for the automatic adjustment of heating based on preselected modes. Used in combination with radiant heating and cooling systems, the system offers extra comfort while creating energy savings.

In plumbing solutions, we launched PEX Quick & Easy® fittings in the Italian, French and Eastern European markets. Around Europe, new sizes were introduced to our riser and PPSU fittings. In Sweden, we broadened our selection of press fittings and multilayer composite pipes. In the Nordic markets, to complement our offering meeting the Nordic standard, we launched products compliant with the ISO standard. We also concluded new local co-operation agreements with distributors.

Building Solutions – North America

Decline in construction reflected in sales

The US economy, and the construction market in particular, remained weak, with consumers and many companies more focussed on saving than investing. The US home-building market was particularly weak, but, more recently, the non-residential construction has also been affected. The situation is similar, though not quite as difficult, in Canada where Uponor has been successful in improving its share in the single-family home-building market. However, the Canadian commercial building sector, a market in which Uponor has a strong position, saw a decline.

Uponor's net sales and profitability saw a decrease year over year. Decline in demand for plumbing solutions was pronounced. Nonetheless, because our system promotes installer efficiency, we managed to increase our market share in the plumbing solutions business in spite of the market downturn. However, the decline in the number of new home-building projects and the smaller size of houses being built affected demand for our underfloor heating solutions.

To enhance our operational efficiency, we implemented a model for continuous productivity improvement. So far, the programme's major impacts have been visible in production and warehouse operations, such as those involving tools and processes. We are looking for ways to extend initiatives into other parts of the organisation. Programme objectives include eliminating all forms of waste, reducing lost working hours, and improving occupational safety. In addition to achieving operational efficiencies, we also improved our cost position by scaling back investments in marketing in response to the market situation.

Important new products

In partnership with an industry-leading tool manufacturer, Uponor has developed new ProPEX® (Quick & Easy® in Europe) expansion tools. This year, we will launch versions of these tools Europe. The tools represent a major improvement in our offering and will strengthen the market position of Uponor's Quick & Easy® pipe fittings. We also launched an alternative method of installing underfloor heating and cooling pipes with our Rapid Rollout™ Mats. Designed for large commercial projects, the mats are delivered in rolls for fast installation. In addition, we expanded our selection of pre-insulated pipes.

Infrastructure solutions

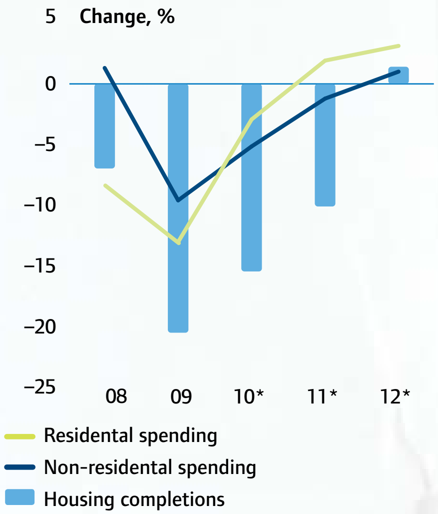
Intense competition

Due to an exceptionally cold winter, the beginning of the year was difficult, but business began to recover in the spring. The declining market situation contributed to over-capacity and intense price competition. We chose not to participate in the fierce price competition characterising the Baltic and Nordic countries, leading to a decline in net sales.

To lay the foundation for profitable growth, we renewed our Nordic production network and supply chain. A factory was closed in Denmark and production was reorganised in Uponor's two main factories in Fristad, Sweden, and Nastola, Finland. The manufacture of pressure pipe systems is now concentrated in Forssa, Finland. We harmonised our Baltic offering and consolidated the warehouse structure to increase customer focus and improve service, as well as enhance operational efficiency.

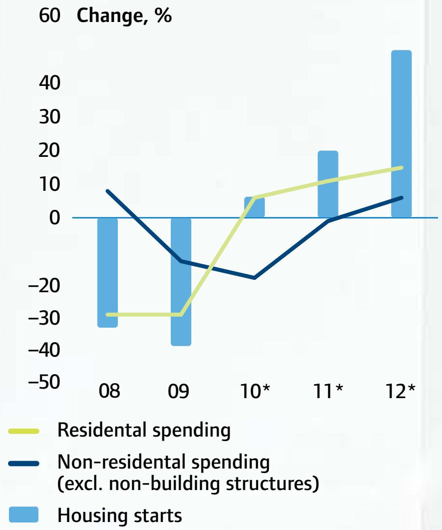
Product and systems development has been in the focus during 2010, giving us the possibility to have a strong launch plan in 2011 that is well aligned with our strategy and technology base. In October 2010, the new Uponor IQ storm water system was launched in Sweden. With increased annual rainfalls, this system meets the need for controlled storm water management. We have now laid an efficient product base for the future expansion of our storm water solutions by adding applications and product solutions that will serve the needs driven by heavier rainfalls.

Construction activity: Europe (Euroconstruct countries)



* Forecast Source: Euroconstruct 11/2010

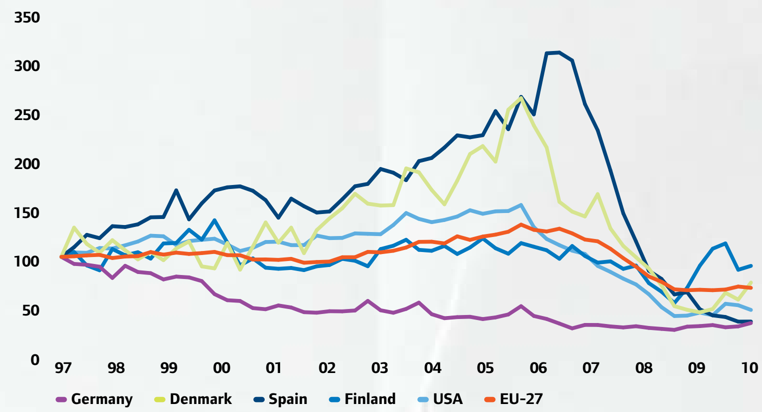
Construction activity: USA



* Forecast Source: NAHB (12/2010) & FMI (Q3 2010)

Long-term development of residential building activity

(index of building permits in selected countries)



Key figures by segment	Building Solutions – Europe		Building Solutions – North America		Infrastructure Solutions	
M€	2010	2009	2010	2009	2010	2009
Net sales	504.4	482.2	114.6	109.0	138.3	148.1
Operating profit (EBITA)	55.7	32.6	3.1	3.9	0.4	14.2
EBITA ratio	11.0	6.8	2.7	3.6	0.3	9.6
Assets	414.9	393.0	126.8	118.1	88.8	80.4
Investments	8.0	10.5	4.3	5.1	6.2	10.1
Personnel, 31 Dec.	2,222	2,416	427	422	509	527

In partnership with professionals

Flexible solutions at the World Cup Stadium

Uponor:

I am delighted that we could show our client that Uponor plumbing systems were perfect for the job. Thanks to our long-lasting collaboration with our local partner, Afripex, we understand how to do things together. Our cooperation just keeps improving with every project.

Edgar Stumpf,
Regional sales manager,
Africa and Far East, Uponor GmbH

Preparations for the FIFA World Cup 2010 in South Africa began three years prior to the event. One of the major projects involved building a new football stadium in Cape Town, to host seven games.

The shape of the stadium proved somewhat problematic for traditional plumbing solutions, since it placed the pipe connections under stress, resulting in leaks.

Uponor's flexible PEX-a pipe system rose to the challenge. It was chosen for the job of supplying water for 68,000 spectators. The easy installation of Uponor pipe systems resulted in time savings, and the project was completed in early 2010, well before the games began.

Systems at the stadium feature Uponor PEX-a pipe, connected using Uponor Quick & Easy® fittings.

+ READ MORE:
www.uponor.com > References

Corporate responsibility

Over the years, we have invested in improving Uponor's operations and ensuring that customers using our solutions can enhance the sustainability of their own operations. For instance, customers using Uponor solutions have the option to increasingly utilise renewable sources of energy while at the same time improving energy-efficiency. We actively seek to continue in this direction while pursuing transparency and responsibility in our operations. We will continue our successful co-operation with other players in the industry, to promote sustainable development in the construction business.

For Uponor, sustainable development means acting responsibly as a corporate citizen, while being viewed as an attractive employer and partner. Our objective is to meet the expectations of our stakeholders by improving the energy-efficiency, eco-friendliness and safety of our solutions. We aim at transparent interaction with all stakeholders, including customers, partners, public authorities, media and educational institutions.

In building solutions, we want to be known as the market leader in creating sustainably built environments. To achieve this goal, we need to offer innovative and responsible solutions, which meet the customers' needs to improve their living environments, These must also be eco-efficient, while minimising the environmental impact of Uponor's operations and the customer's activities.

With the rise of sustainability as a powerful market trend over the last few years, understanding, promoting and including environmental values into the core of our operations supports our central strategic objective of profitable growth. Our customers no longer perceive the eco-friendliness of our solutions as an additional bonus; it is swiftly becoming a fundamental requirement.

To significantly reduce the impact on the environment within our industry, i.e. the building and living sectors of the market, more attention should be paid to holistic planning. Eco-efficiency should be a factor considered already in the initial planning stages. Uponor seeks participation in projects from the very beginning. It is also for this reason that we wish to actively build partnerships with professionals representing different parts of our value chain. Co-operating with the entire value chain gives us the best opportunities to meet customer needs in, for example, improving energy-efficiency, use of renewable and free sources of energy, and creating cost savings.

Ever stricter standards also apply to us since we form part of our customers' purchase chain. Hence, responsible operations are a strength and asset from the business perspective, and it offers us yet another way to strengthen the Uponor brand and differentiate us from competition.

Leadership in sustainable development

Sustainable development has been an integral part of our local operations and corporate culture for a long time. Recently, we have boosted it on the corporate level as well.

In 2010, we took a step in the management of corporate responsibility, by forming an international working group to co-ordinate sustainability from the Group perspective, and to create common guidelines for managing sustainable operations within Uponor, and for sharing best practices at local and international level. This will be done while ensuring that these values are incorporated across the organisation. Another objective is to improve our reporting and ensure that the environmental approach is always taken into account in operational development. In August 2010, Uponor's Executive Committee approved the new corporate sustainability statement. 2010 was also the first time that Uponor took part in the Carbon Disclosure Project, a forum at which major international investors can obtain information on companies' greenhouse gas emissions and climate change strategies worldwide.

First and foremost, the starting point in sustainable management in Uponor is following international and local rules and regulations. Our goal is to have our production environmentally certified. We harmonised our certification and reporting practices in 2010, and acquired for the first time the ISO 14001 and ISO 9001 certification for both the entire Building Solutions - Europe, and Infrastructure Solutions, through one audit by DNV. Excluding the US, all the Group's manufacturing sites have been certified.

In Europe, our units report on environmental and personnel data internally, once a month. Similar data is compiled in North America also, but is currently not reported on a monthly basis. One of the objectives of the sustainability working group is to create the basis for international reporting and to propose uniform goals to ensure that the data compiled in different units is comparable.

Environmental impact of Uponor solutions

As a leading international supplier of plumbing and indoor climate solutions, the greatest potential for Uponor to influence the development of sustainable living environments is through improved energy-efficiency and wiser use of energy. Our product range includes durable, high-quality building and infrastructure solutions offering extended life-cycles with reduced environmental impact.

Indoor climate solutions are essential to improve the energy-efficiency of buildings. Our underfloor heating and cooling systems are based on regulating large surfaces with relatively low temperatures that deviate only a few degrees from room temperature. Additionally, Uponor's solutions are fully capable of utilising renewable sources of energy, including geothermal heat and solar energy. Increased utilisation of nature's own energy sources provides opportunities for improving the energy-efficiency of buildings while enhancing comfort in the living environment.

Demand for residential and commercial cooling solutions has grown and is likely to increase in the future, since tightly insulated houses will require additional cooling, even if their heating requirements have been reduced. In 2010, we mapped the possibilities and needs generated by the increasing popularity of low-energy houses, and how this will affect Uponor's offering.

From the environmental point of view, plastic pipe systems have many advantages. Our pipe systems are designed for a lifetime of well over 50 years, which means that they seldom need to be replaced. Using a lighter material limits the impacts of installation and transportation. Furthermore, plastic pipes have an excellent tightness, which reduces clean water loss and soil pollution caused by leaking wastewater.

Uponor's solutions also offer economic and health benefits. Correctly designed and installed, Uponor's PEX and MLCP pipes maintain water quality as it passes through the distribution and plumbing system. Similarly, Uponor's indoor climate solutions maintain good air quality. The effects of indoor air quality on costs accrued due to illnesses, and on the quality and productivity of work, have been widely recognised. Its effect on decisions made by real estate investors and insurance companies is increasing, ultimately impacting on the building's value. In addition, Uponor's sprinkler systems and snow and ice melting solutions improve the safety of buildings and their surroundings.

Responsibility in co-operation and partnerships

Collaboration and forming partnerships is the basis of Uponor's approach to promoting sustainability in the construction business. In this way, environmental aspects can be included in the construction process, from design all the way through to the completed project. Uponor is a member of the ENCORD (European Network of Construction Companies for Research and Development), and participates alongside major companies within the industry in the development of a European wide concept and frame of reference for sustainability in the construction industry.

As a member of TEPPFA (The European Plastic Pipes and Fittings Association), Uponor is committed to promoting the interests of the industry on the European level and focussing on environmental issues and sustainable development. Of particular note has been an extensive lifecycle analysis study of plastic pipe systems, demonstrating the environmental benefits in comparison with traditional materials. Likewise, in North America, Uponor participates in the sustainability activities of the US-based PPFA (Plastic and Pipe Fitting Association). In several countries, Uponor is a member of the Green Building Councils, which promote sustainable practices related to the built environment globally.

Co-operating with our partners helps us develop improved solutions for their needs, while identifying how to better utilise the entire value chain for the benefit of the customer. Uponor Academy organises training for our customers and the end-users of our products, for instance in reducing buildings' energy consumption and adopting Uponor products.

Environmental indicators

		2010	2009	
Total energy consumption	1,000 MWh	163.1	170.4	Total amount of energy used by the company
Electricity used	1,000 MWh	107.8	104.2	Total amount of electricity used by the company
Fossil fuels used	1,000 litres	55.3	66.2	Total amount of fuel consumed by the company. Includes conventional fossil fuels like oil, gas, coke, coal, diesel fuel.
Raw materials used	1,000 tonnes	95.3	90.9	Total amount of raw materials consumed by the company
of which, % recycled materials	actual %	6.0	5.3	Percentage of raw materials used from recycled sources
Water consumption	1,000 m³	139.3	151.2	Total amount of water consumed by the company
Total GHG emissions (Scope 1 + Scope 2)	1,000 tonnes	45.6	52.7	Total amount of greenhouse gases (GHG) emitted by the company. Greenhouse gases are carbon dioxide, methane and nitrous oxide emissions.
GHG (Scope 3)	1,000 tonnes	178.4[1)]	175.2[1)]	Greenhouse gas (GHG) emissions from the company's supply chain operations, employee travel and other indirect sources.
Waste water discharged	1,000 m³	36.6	39.0	Liquid waste discharged by the company
Hazardous waste	1,000 tonnes	0.2	0.3	Amount of hazardous waste the company discards
Total waste	1,000 tonnes	11.4	10.6	Total amount of waste the company discards, both hazardous and non-hazardous
Waste recycled	1,000 tonnes	10.8	9.0	Total amount of waste the company recycles
Total number of manufacturing sites		10	10	Number of manufacturing sites at the end of the reporting period
ISO 14001 certified sites		8[2)]	8	Number of manufacturing sites that are certified by the ISO 14001 environmental management standards.
% sites certified	%	80	80	Percentage of the company's total manufacturing sites that are certified by the ISO 14001 environmental management standards.

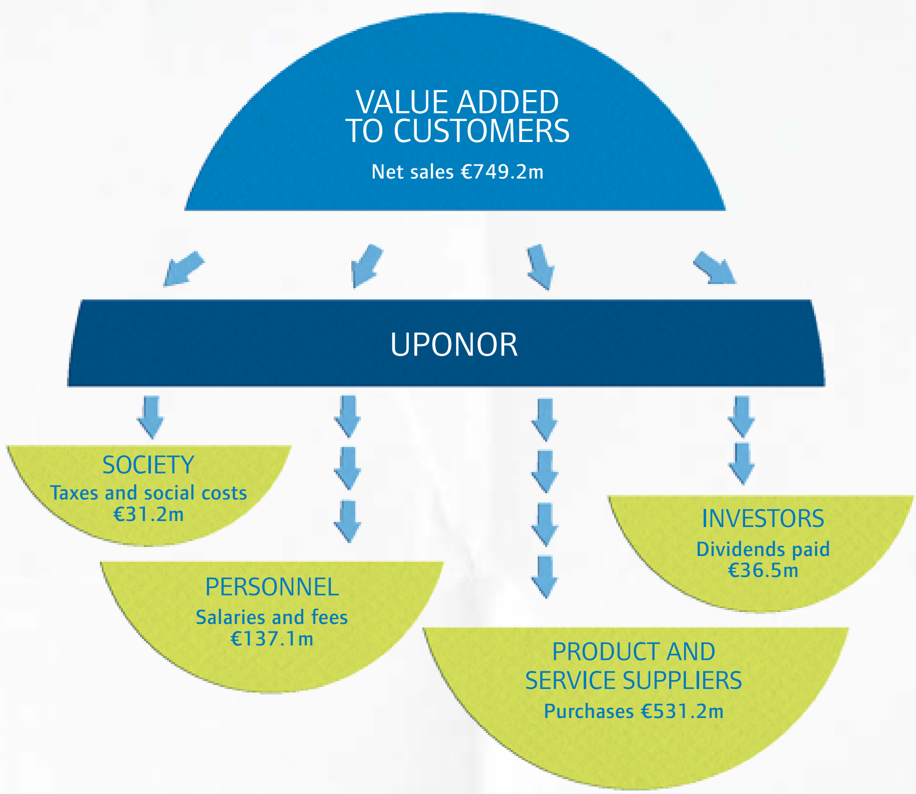
Social indicators

Number of employees (FTE)		3,197	3,316	Total number of employees at the end of the reporting period
Employee turnover	%	4.75	5.64	Number of employees that left the company within the past year expressed as a percentage of the average total number of employees.
Workforce accidents		82	67	Number of accidents resulting in injuries to employees during the reporting period
Lost time from accidents		10,733	9,230	Total number of hours out of work by employees who suffered accidents
Lost time incident rate		0.19	0.16	Number of work hours lost due to injuries as a percentage of total working hours.

1) Includes only raw material supply chain related emissions

2) North America target was end 2010, but postponed till later date

Financial impact on stakeholders



Responsibility in internal operations

According to evaluations commissioned on Uponor's internal operations, the greatest environmental impacts are the result of energy consumption in Uponor's production facilities, transportation and other logistics. Waste management is a development target in our production facilities. Plastic is highly recyclable and part of our surplus production can be sold for use in other production processes. Additionally, in the absence of any other sensible option, part of our waste can be sold for energy use. However, in waste management our main objective is to reduce the amount of waste ending up in landfills. In Building Solutions - Europe, we managed to reduce this amount to 2% in 2010 (2009: 3%).

We progressed steadily in monitoring our supply chain; supply chain management was a focus area in 2010. Furthermore, we expect our suppliers to comply with the principles of ISO 14001 and ISO 9001 and any legislation on the environment and on employee relations. Uponor's supplier framework agreement aims to ensure standards governing quality and corporate responsibility within our supply chain. In 2010, the framework agreement applied to 65% of our subcontractors (2009: 53%).

In 2010, Uponor continued coordination of North American sustainability activities through its environmental team, comprised of employees from various parts of the organisation, supporting in promoting sustainable development and eco-efficiency in production and other operations. This team has actively organised personnel training and events to promote environmental matters. To ensure extensive know-how and that they have an influence, each department has a representative on the team. The team engages in various activities, such as determining measures to conserve energy, increase recycling and reduce packaging materials. This has led to tangible results - the team has developed an efficient packaging method, saving materials while making the onsite use of Uponor's products easier.

Human resources management

Employees play a key role in implementing the corporate strategy. Human resources management can affect company growth, by training and recruiting skilled and motivated work force. Furthermore, operational excellence can be enhanced groupwide by ensuring high utilisation of skills and know-how, with the right employees in the right jobs.

A strong, positive employer image is the key to finding excellent workforce. We want to be seen as a company that takes into account the different needs of its employees, including career development and training opportunities. Furthermore, we want to reward our employees for their accomplishments, and we wish Uponor to be a good place to work in every respect. Our aim is to offer our employees opportunities for promotion, in versatile duties both locally and internationally. In cases where restructuring or downsizing leads to workforce reductions, we assume responsibility to help in retraining our laid-off staff and in finding new jobs. For example, when Uponor had to lay off most personnel affected by the closure of its factory

The greatest potential for Uponor to influence the development of sustainable living environments is through improved energy-efficiency and wiser use of energy.

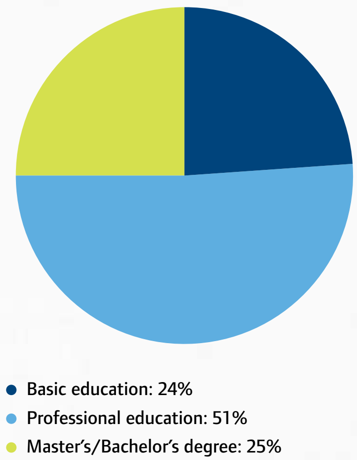
in Hadsund, Denmark, almost 80% of the laid-off employees found new jobs.

Over the last year or two, Uponor's internal training has been limited due to economic constraints. However, in 2010 we made preparations for several programmes to begin in 2011. Uponor's trainee programme starts at the beginning of the year. Trainees work over a two-year period in different units in different countries. In 2011, we are also restarting our Early Talent programme, for emerging new talents who have already been with Uponor for a couple of years. In addition, we will organise training on the development of project administration. We will also initiate other training programmes, in the field of pricing and the supply chain, for example.

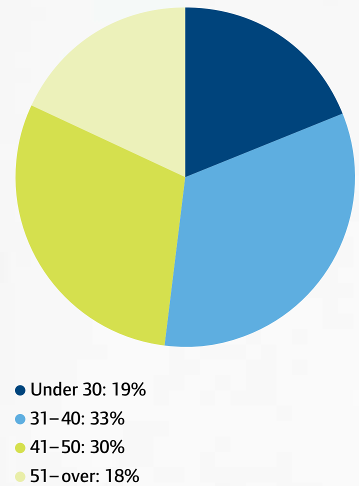
In the autumn of 2010, Uponor organised its largest meeting of its international management to date in Germany. A total of 150 Uponorians participated. The topic was corporate strategy and its implementation and, in addition, the event offered an ideal venue for networking.

Our annual personnel survey measures our performance as an employer and our success in motivating our staff, developing their skills, and improving the working environment. Such surveys have been conducted since 2004, the total index of last year's survey reaching an all time high. The survey results are discussed in teams, with an ultimate target to find ways of improving any negative aspects.

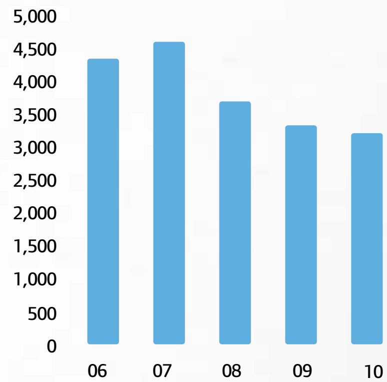
Employees by education



Employee age distribution

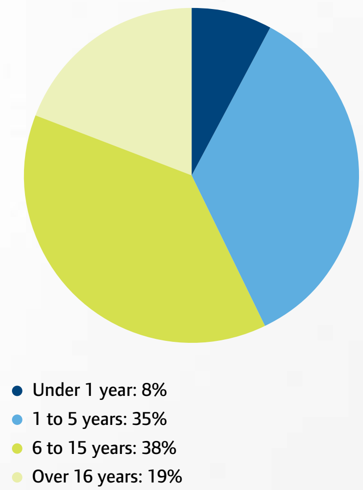


Personnel at year-end*



* Full-time equivalent

Employee service age



In partnership with professionals

Reliable water supply in a new environment

When Kronfågel, a Swedish food manufacturer, decided to build a factory just outside Sweden's Katrineholm municipality, water supply proved a major challenge. The problem was that the factory would consume more water than the existing mains could supply. To help it renew the entire water and sewer distribution for the new building, the municipality chose Uponor.

Uponor's pressure pipe system, featuring coated Profuse pipes, was selected to convey both water and sewage. Both pipes, tailor-made according to the customer's wishes, ran side by side for almost seven kilometres. While the natural scenery surrounding the location posed additional challenges, the pipes were secured so that they could be pulled from the welding station to the trench without sustaining damage.

+ READ MORE:
www.uponor.com > References

Partner:

I have huge confidence in Uponor and Uponor's products. In these difficult conditions, coated pipe was perfect for the project, but there was more: Uponor also provided technical expertise at the installation site.

Jonas Axelsson, Contractor Manager, East Gotland and Sörmland region, Oden Anläggningsentreprenad AB

Uponor:

We've been working together on many projects over the years. This why it was so easy for the contractor to get in touch with us long before the offer was made. There was common interest in using a coated pipe for the job. Hopefully, they will also use Profuse for these kinds of projects in the future.

Linus Thomas, Sales engineer, Uponor AB

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 2010 issued by the Securities Market Association from which it deviates only as regards the order of nomination of members of the Nomination Committee. The reason for the deviation is that the Board of Directors considers that, taking account of the Company's ownership structure, a model in which the largest shareholders nominate the members of the Nomination Committee best serves the interests of the shareholders as well as the goal of transparency. 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

Composition

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 a Board member may serve is not limited, nor is there any defined retirement age. The Board elects a Chairman and a Deputy Chairman for one year at a time from amongst its members.

In March 2010, the AGM elected the following five members to the Board:

- Mr Jorma Eloranta, born 1951, M. Sc. (Tech.), President and CEO, Metso Corporation
- Mr Jari Paasikivi, born 1954, M.Sc. (Econ.), President and CEO, Oras Invest Oy
- Mr Aimo Rajahalme, born 1949, M.Sc. (Econ.)
- Ms Anne-Christine Silfverstolpe Nordin, born 1950, M.A. (Soc.), Partner and Senior Consultant, Neuhauser & Falck AB
- Mr Rainer S. Simon, born 1950, Dr. Sc. (Econ.), Managing Director, BirchCourt GmbH.

For more detailed information on Uponor's Board members, please see pages 34–35 in the annual report 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 of the current Board members are independent of the Company and, with the exception of Mr Jari Paasikivi, they are also independent of major shareholders. According to Finnish legislation, all Board members are required to act in the best interest of the Company and its subsidiaries ("Group") as well as shareholders, and to disclose any potential conflicts of interest.

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

Remuneration paid to the current Board members for 2010

Board member	Annual remuneration,€	Remuneration per meeting for committee members, total, €
Paasikivi, Jari, Chairman	71,000	3,000
Rajahalme, Aimo, Deputy Chairman	49,000	3,000
Eloranta, Jorma	44,000	3,000
Silfverstolpe Nordin, Anne-Christine	44,000	-
Simon, Rainer S.	44,000	-
Total	252,000	9,000

The AGM determines Board remuneration and fees. Based on the 2010 AGM's decision, the annual Board remuneration is as follows: Chairman €71,000, Deputy Chairman €49,000 and ordinary Board members €44,000. The AGM further decided that approximately 40 per cent of the annual remuneration be paid in company shares acquired on behalf and in the name of the Board members, and approximately 60 per cent in cash.

The AGM also decided that a remuneration per meeting shall be paid to the members of the committees of the Board of Directors amounting to €600 for Finnish residents, €1,200 for persons residing elsewhere in Europe, and €2,400 euro for non-European members.

Travel expenses are compensated for in accordance with the Company travel policy.

The attached table shows the total annual remuneration paid to the current Board members for 2010.

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

The Company has taken out voluntary pension insurance for Board members. Upon retirement, this entitles them to a pension according to the Finnish Employees' Pensions Act (TyEL).

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

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 Group'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 as well as any investments that exceed the approved total annual investment limit,
h) approve investments and leasing arrangements whose net present value exceeds the limit specified in the Signing and Authorisation Policy,
i) approve acquisitions, joint ventures, partnerships, licensing arrangements and asset divestments that exceed the limits 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, the annual report and the annual financial statements,
r) meet the external auditor at least once a year in a closed session without the management,
s) Prepare proposals for general meetings of shareholders,
t) annually evaluate the performance of the CEO and members of the Board as well as that of the Chairman,
u) approve key Group operational policies, such as compensation policy,
v) deal with other issues raised by the Chairman or the CEO.

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 different business units. The Board may also meet at any time without the presence of the management and make decisions without holding a meeting. Minutes of a meeting are taken in English for each meeting.

During 2010, the Board held 12 meetings, two of which at a business unit. Two non-attendances were recorded, one of which was partial. The Board additionally made 6 decisions without having a meeting.

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

The Audit Committee was established in December 2008. On 17 March 2010, the Board decided to re-establish the Audit Committee with the same charter and same members as earlier, thus nominating Mr Jari Paasikivi, Mr Aimo Rajahalme and Mr Jorma Eloranta as its members who in turn elected Mr Aimo Rajahalme as the chairman of the committee. The charter of the Audit Committee has been amended by a decision of the Board on 28 April 2010.

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

- to monitor and supervise the reporting process of financial statements and assuring that the reporting process generates correct information, to deal with any exceptional and material items and their handling and to approve important accounting principles;
- to review and oversee the quality and integrity of the annual report and the annual financial statements as well as the interim reports;
- to monitor the financial position of the company and the sufficiency of financing and prepare matters and proposals to the Board on a need-to-know basis;
- to monitor the efficiency, plans and processes of the Group's internal control, internal audit and risk management systems;
- to review the Company's corporate governance statement including the description of the main features of the internal control and risk management systems pertaining to the financial reporting process;
- to approve the annual plan and budget, to issue instructions on and to review and monitor the operations, plans and reports of the internal audit function, to receive status reports of the internal audit function in every meeting and to meet with the internal auditor at least twice a year;

- to review the external audit plan and to monitor the statutory audit of the financial statements and consolidated financial statements, to approve the budget of the external audit as well as new assignment above the limit set by the Audit Committee;
- to meet with the external auditor quarterly and to review all material reports from the auditor;
- to evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited;
- to prepare the proposal for a resolution on the election of the auditor
- to meet with the management of the company, particularly the CEO and the CFO, but also others responsible for internal control and risk management.

The invitation and materials of the audit committee meetings shall be sent to the board members, who all have the right to attend the meetings.

During 2010, the Committee held 5 meetings. Two partial non-attendances were recorded.

Nomination Committee

Nomination Committee comprising representatives of shareholders was originally established in December 2008. On 17 March 2010, the Board decided to re-establish the Nomination Committee and to deviate from the Finnish Corporate Governance Code. The Board requested the three largest shareholders, as per 31 July 2010, each nominate one member to the Nomination Committee. Thus, the Nomination committee comprises Pekka Paasikivi (Oras Invest Oy), Risto Murto (Mutual Pension Insurance Company Varma), and Hanna Hiidenpalo (Tapiola Mutual Pension Insurance Co). The Board further appointed Mr Jari Paasikivi, Chairman of the Board, as expert member of the Nomination Committee. The Committee members elected Mr Pekka Paasikivi as Chairman.

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

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

During 2010, the Committee held 2 meetings. No non-attendances were recorded.

Other

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

Mr Jyri Luomakoski, MBA, born 1967, acted as President and CEO of the Company during 2010.

Assisted by the ExCom, 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 Group'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.

In 2010, the salary paid to the CEO, Mr Jyri Luomakoski, totalled €389,633.30, the fringe benefits €28,812.70 and the bonuses €122,400.00, i.e. a total of €540,846.00.

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 an 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 €40,000.00.

Executive Vice President, Supply Chain, and member of the Executive Committee, Mr. Sebastian Bondestam was appointed deputy to the managing director of the parent company on 18 March 2010.

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,

Uponor's Corporate Governance Statement is available in the investor section of the company website at

www.uponor.com > Investors > Governance > Corporate governance

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 36–38 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 2010, the ExCom held 8 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.

The Company has taken a defined contribution pension plan for the deputy managing director Mr Sebastian Bondestam according to which he shall be entitled to a contribution of 9.61% of the annual base salary including fringe benefits for the year 2010. The Board shall decide on the percentage of the defined contribution separately for each year.

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:

- operations are effective, efficient and aligned with the strategy
- financial reporting and management information is reliable, comprehensive and timely
- the Group is in compliance 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 ethical values, good corporate governance and risk management practices
- ensure compliance with laws, regulations and Uponor's internal policies, and

- assure production of reliable financial reporting to support internal decision-making and to serve the needs of external stakeholders.

The base for the internal control environment and integrity of the employees is set in Uponor's Code of Conduct and values.

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 Development and Technology, 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 40).

Financial Risk Management related notes can be found in the section "Notes to the consolidated financial statements" (page 73).

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 four times a year to the Audit Committee, 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 2010 AGM appointed Deloitte and Touche Oy, a corporation of authorised public accountants accredited by the Central Chamber of Commerce in Finland, as the Company's auditor for the financial year 2010, with Mikael Paul, Authorised Public Accountant, acting as the principal auditor. Fees paid to the external auditor for statutory audit services totalled €478,000, for tax services €14,000, and for audit related and other services €257,000, in total €749,000 for the year 2010.

Insider guidelines

The Company complies with the guidelines for insiders issued by the NASDAQ OMX Helsinki Ltd, the standards issued by the Financial Supervisory 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 Euroclear Finland 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 attached table shows the shares owned by the public insiders in 2010 (including any holdings of corporations controlled by them and any holdings of their immediate circle).

Shares held by public insiders in 2010

The Board of Directors and the Auditor

Name	Position	Date	Shares
Eloranta, Jorma	Board member	1 Jan. 31 Dec.	29,882 31,159
Paasikivi, Jari	Chairman of the Board	1 Jan. 31 Dec.	539,207 541,268
Rajahalme, Aimo	Deputy Chairman of the Board	1 Jan. 31 Dec.	25,540 26,962
Silfverstolpe Nordin, Anne-Christine	Board member	1 Jan. 31 Dec.	32,411 33,688
Simon, Rainer S.	Board member	1 Jan. 31 Dec.	29,787 31,064
Paul, Mikael	Auditor as of 17 March 2010	17 Mar. 31 Dec.	- -

The Executive Committee

Name	Position	Date	Shares
Bondestam, Sebastian	ExCom member	1 Jan. 31 Dec.	2,735 4,172
Carlsson, Robin	ExCom member as of 1 September 2010	1 Sep. 31 Dec.	680 680
Folgmann, Heiko	ExCom member	1 Jan. 31 Dec.	2,735 2,735
Luomakoski, Jyri	President and CEO	1 Jan. 31 Dec.	17,000 17,000
Palomäki, Riitta	ExCom member	1 Jan. 31 Dec.	2,000 3,000
Roses, Fernando	ExCom member	1 Jan. 31 Dec.	2,735 2,735
Tollsten, Anders	ExCom member	1 Jan. 31 Dec.	10,874 10,874

Insider statuses terminated during 2010

Name	Position	Date	Shares
Holopainen, Lasse	Auditor until 17 March 2010	1 Jan. 17 Mar.	- -
von Graevenitz, Georg	ExCom member until 1 September 2010	1 Jan. 1 Sep.	10,875 10,875
Kallioinen, Jukka	ExCom member until 1 September 2010	1 Jan. 1 Sep.	12,500 12,500

Aimo Rajahalme

Jari Paasikivi

Anne-Christine Silfverstolpe Nordin

Jorma Eloranta

Rainer S. Simon

Board of Directors, 1 January 2011

Jari Paasikivi

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

- Chairman of the Board, Uponor Corporation, 13 March 2008–
- Member of the Board, Uponor Corporation, 15 March 2007–
- Member of the Audit Committee
- Expert member of the Nomination Committee
- Uponor shareholdings: 541,268

Affiliations

- Member of the Board, Oras Oy
- Member of the Nomination Committee, Kemira Corporation
- Member and Chairman of the Board, Tikkurila Corporation
- Member of the Audit Committee, Tikkurila Corporation
- Expert member of the Nomination Committee, Tikkurila Corporation
- Member and Deputy Chairman 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
- Member of the Supervisory Board, Partiosäätiö-Scoutstiftelsen rs

Career highlights

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

Aimo Rajahalme

b. 1949, Finnish citizen
M.Sc. (Econ.)

- Deputy Chairman of the Board, Uponor Corporation, 15 March 2005–
- Member of the Board, Uponor Corporation, 17 March 2003–
- Chairman of the Audit Committee
- Uponor shareholdings: 26,962

Career highlights

- CFO and member of the Executive Board, KONE Corporation, 1991–2009
- Financial management positions at KONE Corporation in Finland and abroad, 1973–1991

Jorma Eloranta

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

- Member of the Board, Uponor Corporation, 15 March 2005–
- Member of the Audit Committee
- Uponor shareholdings: 31,159

Affiliations

- Chairman of the Supervisory Board, Ilmarinen Mutual Pension Insurance Company
- Chairman of the Supervisory Board, Gasum Oy
- Member of the Supervisory Board, The Finnish Fair Corporation
- Member of the Board, The Strategic Society of Finland
- Member of the Board, Technology Industries of Finland Centennial Foundation
- Member of the Board, Technology Academy 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.)
Partner and Senior Consultant of Neuhauser & Falck AB

- Member of the Board, Uponor Corporation, 17 March 2003–
- Uponor shareholdings: 33,688

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.)
President and CEO, BirchCourt GmbH

- Member of the Board, Uponor Corporation, 17 March 2004–
- Uponor shareholdings: 31,064

Affiliations

- Member of the Board, Joyou AG 2010–
- Owner, BirchCourt GmbH, 2005–

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

Jyri Luomakoski Robin Carlsson Riitta Palomäki Fernando Roses Anders Tollsten Heiko Folgmann Sebastian Bondestam

Executive Committee, 1 January 2011

Jyri Luomakoski
President and CEO (2008–)
MBA
b. 1967, Finnish citizen

- Employed by Uponor since 1996
- Member of the Executive Committee since 1 October 1999
- Uponor shareholdings: 17,000

Career highlights
- Deputy CEO, Uponor Corporation, 2002–2008
- CFO, Uponor Corporation (formerly Asko Corporation), 1999–2008
- Corporate controller, Oy Uponor Ab, 1997–1999
- Controller, Oy Uponor Ab, 1996–1997
- Various managerial positions in Finland and Germany, 1987–1996

Sebastian Bondestam
Executive Vice President, Supply Chain (2007 –)
M.Sc. (Eng.)
b.1962, Finnish citizen

- Employed by Uponor since 2007
- Member of the Executive Committee since 1 April 2007
- Uponor shareholdings: 4,172

Career highlights
- Nominated deputy to the managing director, Uponor Corporation, 18 March 2010–
- Director, Packaging Material Supply Chain EU, Tetra Pak GmbH, 2006–2007
- Director, Converting EU, Tetra Pak Market Operations, 2004–2006
- Various managerial positions in Europe and in Asia, 1991–2004

Robin Carlsson
Executive Vice President, Infrastructure Solutions (2010–)
M.Sc. (Eng.) (Civil Ingenjör)
b.1966, Swedish citizen

- Employed by Uponor since 2006
- Member of the Executive Committee since 1 September 2010
- Uponor shareholdings: 680

Career highlights
- Responsible for Group Technology and European Product and Systems Development, Uponor Corporation, 2010–
- Vice President, Infrastructure Solutions Nordic, Uponor, 2008–2010
- Vice President, Supply Chain, Uponor Nordic, 2006–2008
- Various management positions in Sweden, 1991–2006

Heiko Folgmann
Executive Vice President, Central & Eastern Europe (2008–)
M.Sc. (Bus.) (Diplom-Kaufmann)
b.1967, German citizen

- Employed by Uponor since 1999
- Member of the Executive Committee since 26 October 2007
- Uponor shareholdings: 2,735

Career highlights
- Responsible for Business Group Indoor Climate Solutions (Europe), Uponor Corporation, 2010–
- Responsible for Sales and Marketing – Central and Eastern Europe and International Sales, Uponor Corporation, 2008–
- Executive Vice President, Uponor Europe – East & International, 2007–2008
- Various management positions in Germany and Italy, 1996–2007

Riitta Palomäki
CFO (2009–)
M. Sc. (Econ.)
b. 1957, Finnish citizen

- Employed by Uponor since 2009
- Member of the Executive Committee since 1 June 2009
- Uponor shareholdings: 3,000

Career highlights
- CFO, Kuusakoski Group Oy, 2003–2009
- Vice President, Controlling, ABB Oy, 2001–2003
- Financial Director, Standard Lifting Equipment, Konecranes Oyj, 1997–2001
- Various managerial positions in Finland, 1983–1997

Fernando Roses
Executive Vice President, North, South & West Europe (2008–)
eMBA, M.Sc. (Marketing), B.Sc. (Eng.) (Ingeniero Tècnico en Químíca Industrial)
b. 1970, Spanish citizen

- Employed by Uponor since 1994
- Member of the Executive Committee since 26 October 2007
- Uponor shareholdings: 2,735

Career highlights
- Responsible for Business Group Plumbing Solutions (Europe), Uponor Corporation, 2010–
- Responsible for Sales and Marketing – North, South and West Europe, Uponor Corporation, 2008–
- Executive Vice President, Uponor Europe – South, West, 2007–2008
- Various managerial positions in Spain, 1994–2007

Anders Tollsten
Executive Vice President, Uponor North America (2006–)
M.Sc. (Eng.) (Civil Ingenjör)
b. 1962, Swedish citizen

- Employed by Uponor since 2004
- Member of the Executive Committee since 1 June 2006
- Uponor shareholdings: 10,874

Career highlights
- Executive Vice President, Uponor Nordic, 2004–2006
- CEO, ABB Building Systems AB, 2002–2003
- CEO, NorthNode AB, 2001–2002
- Various managerial positions in Sweden, 1989–2001

Group structure

President and CEO
Jyri Luomakoski*

GLOBAL FUNCTIONS

Finance and Administration
Riitta Palomäki*

Group Marketing and Communications
Georg von Graevenitz

Human Resources
Rauna Kolehmainen

Legal Services
Reetta Härkki

Supply Chain Management
Sebastian Bondestam*

Technology Development
Robin Carlsson*

BUILDING SOLUTIONS – EUROPE

Sales and Marketing
- Central and Eastern Europe – Heiko Folgmann*
- North, South and West Europe – Fernando Roses*

Offering and Business Group Management
- Indoor Climate – Heiko Folgmann*
- Plumbing – Fernando Roses*
- Product & Systems Development – Robin Carlsson*

Supply Chain
Sebastian Bondestam*

BUILDING SOLUTIONS – NORTH AMERICA

USA and Canada – Anders Tollsten*

INFRASTRUCTURE SOLUTIONS

Robin Carlsson*

Further Group responsibilities of the Executive Committee members are as follows:

- Jyri Luomakoski, President and CEO: human resources; legal services
- Riitta Palomäki, CFO: risk management; investor relations; IT services
- Sebastian Bondestam, Executive Vice President, Supply Chain: ERP programme

*) Member of the Excecutive Committee

Financial report 2010

Review by the Board of Directors

Introduction

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.

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%).

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%

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.

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.

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%

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 managing director 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 > 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 managing director 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

Group key financial figures

	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS
Consolidated income statement (continuing operations), M€					
Net sales	749.2	734.1	949.2	1,047.4	1,003.7
Operating expenses	669.9	665.1	868.0	888.1	845.8
Depreciation and impairments	29.1	32.0	31.4	29.5	28.5
Other operating income	2.2	4.2	1.4	5.9	3.5
Operating profit	52.4	41.2	51.2	135.7	132.9
Financial income and expenses	-10.7	-12.7	-10.2	-2.6	-2.0
Profit before taxes	41.7	28.5	41.0	133.1	130.9
Result from continuing operations	27.0	17.2	30.1	91.4	88.8
Profit for the period	24.7	11.5	72.5	101.9	96.5
Consolidated balance sheet, M€					
Non-current assets	218.3	223.1	239.1	270.3	263.7
Goodwill	72.2	73.0	70.0	70.2	70.2
Inventories	84.4	74.3	104.5	150.6	128.1
Cash and cash equivalents	11.9	13.2	53.2	6.3	12.4
Accounts receivable and other receivables	110.4	115.0	128.1	166.9	169.5
Shareholders' equity	252.1	258.0	305.6	333.0	344.4
Provisions	12.0	18.4	30.0	16.2	15.5
Non-current interest bearing liabilities	43.5	60.2	77.0	14.7	17.2
Current interest-bearing liabilities	35.2	17.6	36.8	76.1	16.9
Non-interest-bearing liabilities	154.4	144.4	145.5	224.3	249.9
Balance sheet total	497.2	498.6	594.9	664.3	643.9

	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS
Other key figures					
Operating profit (continuing operations), %	7.0	5.6	5.4	13.0	13.2
Profit before taxes (continuing operations), %	5.6	3.9	4.3	12.7	13.0
Return on Equity (ROE), %	9.7	4.1	22.7	30.1	25.3
Return on Investment (ROI), %	14.4	8.1	22.2	39.2	35.8
Solvency, %	50.8	51.8	51.4	50.2	53.6
Gearing, %	26.5	25.0	19.8	25.4	6.3
Net interest-bearing liabilities, M€	66.8	64.6	60.6	84.5	21.7
- % of net sales	8.9	8.8	6.4	8.1	2.2
Change in net sales, %	2.1	-22.7	-9.4	4.4	10.8
Exports from Finland, M€	30.4	23.0	34.1	42.3	36.7
Net sales of foreign subsidiaries, M€	658.9	644.7	836.5	931.3	897.8
Total net sales of foreign operations, M€	659.6	645.3	837.5	932.2	898.9
Share of foreign operations, %	88.0	87.9	88.2	89.0	89.6
Personnel at 31 December	3,197	3,316	3,678	4,581	4,325
Average no. of personnel	3,219	3,426	4,211	4,497	4,260
Investments (continuing operations), M€	19.0	25.9	39.0	52.0	50.2
- % of net sales	2.5	3.5	4.1	5.0	5.0

Share-specific key figures

	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS
Share capital, M€	146.4	146.4	146.4	146.4	146.4
Number of shares at 31 December, in thousands	73,207	73,207	73,207	73,207	73,223
Number of shares outstanding, in thousands					
- at end of year	73,067	73,067	73,047	73,207	73,135
- average	73,067	73,049	73,187	73,201	73,135
Shareholders' equity, M€	252.1	258.0	305.6	333.0	344.4
Share trading, M€	481.5	455.8	1,195.1	2,362.0	964.0
Share trading, in thousands	37,389	45,815	99,227	99,423	42,417
- of average number of shares, %	51.2	62.7	135.6	135.8	58.0
Market value of share capital, M€	1,013.2	1,098.1	563.7	1,260.6	2,076.6
Adjusted earnings per share (fully diluted), €	0.34	0.16	0.99	1.39	1.32
Equity per share, €	3.45	3.53	4.18	4.55	4.71
Dividend, M€	1) 40.2	36.5	62.1	102.5	102.5
Ordinary dividend per share, €	1) 0.55	0.50	0.85	1.40	1.15
Extra dividend per share, €	-	-	-	-	0.25
Dividend per share, total, €	1) 0.55	0.50	0.85	1.40	1.40
Effective share yield, %	4.0	3.3	11.0	8.1	4.9
Dividend per earnings, %	162.5	316.3	85.9	100.7	106.1
P/E ratio	40.9	94.9	7.8	12.4	21.5
Issue-adjusted share prices, €					
- highest	15.66	15.10	18.91	31.45	29.35
- lowest	10.58	6.80	6.10	15.31	18.00
- average	12.88	9.95	12.04	23.76	22.73

The definitions of key ratios are shown on page 46.

Notes to the table:
1) Proposal of the Board of Directors
The average number of shares allows for the effect of treasury shares.

Definitions of key ratios

$$\text{Return on Equity (ROE), \%} = \frac{\text{Profit before taxes – taxes}}{\text{Shareholders' equity + minority interest, average}} \times 100$$

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

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

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

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

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

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

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

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

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

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

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

Consolidated statement of comprehensive income

M€	Note	2010	2009
Continuing operations			
Net sales	2	749.2	734.1
Cost of goods sold		461.1	463.0
Gross profit		288.1	271.1
Other operating income	5	2.2	4.2
Dispatching and warehousing expenses		30.1	32.4
Sales and marketing expenses		145.1	140.1
Administration expenses		45.0	45.0
Other operating expenses	5	17.7	16.6
Expenses		237.9	234.1
Operating profit	2	52.4	41.2
Financial income	8	16.5	11.7
Financial expenses	8	27.2	24.4
Profit before taxes		41.7	28.5
Income taxes	9	14.7	11.3
Result from continuing operations		27.0	17.2
Discontinued operations			
Result from discontinued operations		-2.3	-5.7
Profit for the period		24.7	11.5

M€	Note	2010	2009
Other comprehensive income			
Translation differences		12.6	2.4
Cash flow hedges		1.6	0.5
Net investment hedges		-8.4	-
Other comprehensive income for the period		5.8	2.9
Total comprehensive income for the period		30.5	14.4
Earnings per share, €	10	0.34	0.16
- Continuing operations		0.37	0.24
- Discontinued operations		-0.03	-0.08
Diluted earnings per share, €		0.34	0.16
- Continuing operations		0.37	0.24
- Discontinued operations		-0.03	-0.08

Consolidated balance sheet

M€	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Non-current assets			
Intangible assets			
Intangible rights		24.4	28.4
Goodwill		72.2	73.0
Other intangible assets		0.1	0.1
Investment in progress		0.2	-
Total intangible assets	11	96.9	101.5
Tangible assets			
Land and water areas		10.3	9.8
Buildings and structures		51.5	54.3
Machinery and equipment		90.9	87.4
Other tangible assets		8.6	7.7
Construction work in progress		10.0	15.9
Total tangible assets	12	171.3	175.1
Securities and long-term investments			
Shares in associated companies	14	0.0	0.0
Other shares and holdings	15	0.2	0.4
Other investments	16	8.2	7.1
Total securities and long-term investments		8.4	7.5
Deferred tax assets	21	13.9	12.0
Total non-current assets		290.5	296.1

M€	Note	31 Dec 2010	31 Dec 2009
Current assets			
Inventories	17	84.4	74.3
Current receivables			
Accounts receivables		93.1	88.2
Loan receivables		0.0	0.0
Current income tax receivables		1.1	8.5
Accruals		9.2	14.7
Other receivables		7.0	3.6
Total current receivables	18, 19	110.4	115.0
Cash and cash equivalents		11.9	13.2
Total current assets		206.7	202.5
Total assets		497.2	498.6

M€	Note	31 Dec 2010	31 Dec 2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		146.4	146.4
Share premium		50.2	50.2
Other reserves		-5.5	1.3
Translation differences		-1.5	-14.0
Retained earnings		37.8	62.6
Profit for the period		24.7	11.5
Total shareholders' equity		252.1	258.0
Liabilities			
Non-current liabilities			
Interest bearing liabilities	24	43.5	60.2
Employee benefit obligations	22	21.1	20.5
Provisions	23	5.6	5.7
Deferred tax liabilities	21	9.5	9.7
Other non-current liabilities		0.5	1.6
Total non-current liabilities		80.2	97.7
Current liabilities			
Interest bearing liabilities	24	35.2	17.6
Accounts payable		51.0	45.0
Current income tax liability		6.7	3.6
Provisions	23	6.4	12.7
Other current liabilities	25	65.6	64.0
Total current liabilities		164.9	142.9
Total liabilities		245.1	240.6
Total shareholders' equity and liabilities		497.2	498.6

Consolidated cash flow statement

M€	Note	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flow from operations			
Net cash from operations			
Profit for the period		24.7	11.5
Adjustments for:			
Depreciation		29.2	32.0
Income taxes		14.7	11.3
Interest income		-2.4	-1.3
Interest expense		4.6	4.3
Sales gains/losses from the sale of businesses and fixed assets		-0.7	-2.7
Share of profit in associated companies		-0.1	-0.2
Other cash flow adjustments		4.9	10.8
Net cash from operations		74.9	65.7
Change in net working capital			
Receivables		6.3	23.0
Inventories		-6.6	31.3
Non-interest-bearing liabilities		-22.3	-28.4
Change in net working capital		-22.6	25.9
Income taxes paid		1.1	-8.5
Interests paid		-4.7	-5.2
Interests received		0.5	0.9
Cash flow from operations		49.2	78.8

M€	Note	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flow from investments			
Share acquisitions	4	-	-1.9
Proceeds from share divestments		0.2	-
Purchase of fixed assets		-19.0	-24.0
Proceeds from sale of fixed assets		5.0	7.3
Dividends received		0.1	0.2
Loan repayments		0.1	0.2
Cash flow from investments		-13.6	-18.2
Cash flow before financing		35.6	60.6
Cash flow from financing			
Borrowings of debt		67.6	53.8
Repayments of debt		-84.0	-89.1
Change in other short term debt		18.0	-1.1
Dividends paid		-36.5	-62.1
Payment of finance lease liabilities		-2.1	-2.0
Cash flow from financing		-37.0	-100.5
Conversion differences for cash and cash equivalents		0.1	-0.1
Change in cash and cash equivalents		-1.3	-40.0
Cash and cash equivalents at 1 Jan		13.2	53.2
Cash and cash equivalents at 31 Dec		11.9	13.2
Changes according to balance sheet		-1.3	-40.0

Statement of changes in shareholders' equity

	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 2009	73,207	146.4	50.2	1.6	0.1	-0.9	-1.2	-16.4	125.8	**305.6**
Total comprehensive income for the period						0.5		2.4	11.5	**14.4**
Dividend paid									-62.1	**-62.1**
Transfers between reserves				0.0					0.0	**-**
Share based incentive plan									0.1	**0.1**
Balance at 31 December 2009	73,207	146.4	50.2	1.6	0.1	-0.4	-1.2	-14.0	75.3	**258.0**
Balance at 1 January 2010	73,207	146.4	50.2	1.6	0.1	-0.4	-1.2	-14.0	75.3	**258.0**
Total comprehensive income for the period						-6.8		12.6	24.7	**30.5**
Dividend paid									-36.5	**-36.5**
Transfers between reserves				0.0					0.0	**-**
Share based incentive plan									0.1	**0.1**
Balance at 31 December 2010	73,207	146.4	50.2	1.6	0.1	-7.2	-1.2	-1.4	63.6	**252.1**

For further information see note 20.

Notes to the consolidated financial statements

1. Accounting principles

Company profile

Uponor is an international industrial Group providing building and municipal infrastructure solutions. The Group's segment structure consists of the following three reporting segments: Building Solutions – Europe, Building Solutions – North America and Infrastructure Solutions. Its segment business risks and profitability factors differ from each other in respect of the market and business environment and Uponor's offering, services and customers. Group management, control and reporting structures are organised according to the business segments.

Uponor Group's parent company is Uponor Corporation, domiciled in Helsinki in the Republic of Finland. Its registered address is:
Uponor Corporation
P.O. Box 37 (street address: 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.

At its meeting of 10 February 2011, Uponor Corporation's Board of Directors approved the publication of these financial statements. 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 have been 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 2010. In the Finnish Accounting Act and ordinances based on the provisions of the Act, IFRS refer to the standards and their interpretations adopted in accordance with the procedures as set in regulation (EC) No 1606/2002 of the European Parliament and of the European Council. The consolidated financial statements also include additional information required by the Finnish Accounting Act and the Limited Liability Companies Act. The consolidated financial statements are presented in millions of euros (M€) and are based on the historical cost convention, unless otherwise specified in the accounting principles section below.

Use of estimates

The preparation of consolidated financial statements under IFRS requires the use of estimates and assumptions affecting the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements, as well as the reported amounts of income and expenses during the report period. In addition, judgement is required in the application of accounting policies. Although these estimates are based on the management's best judgement of current events and actions, the actual results may ultimately differ from these 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 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 on the date of acquisition. The excess of the acquisition cost over the 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 book value according to Finnish Accounting Standards (FAS) is applied to goodwill amounts. Intra-Group transactions, receivables, liabilities, unrealised gains and dividends between Group companies are eliminated in the consolidated financial statements.

Associated companies are entities over which the Group has 20–50 per cent of the voting rights, or over which the Group otherwise exercises a major influence. Holdings in associated companies are included in the consolidated financial statements, using the equity method. Accordingly, the share of 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 fulfil the associated company's obligations.

Foreign currency translations and exchange rate differences

Each company translates its foreign currency transactions into its own functional currency, using the rate of exchange prevailing on the transaction date. Outstanding monetary receivables and payables in foreign currencies are stated using the exchange rates on 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 financial transactions 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 on the reporting date. The resulting conversion difference and other conversion differences resulting from the conversion of subsidiaries' equity are shown as a separate item under equity. In addition, in the consolidated financial statements, exchange rate differences in the loans granted by the parent company to foreign subsidiaries in replacement of their equity are treated as translation differences. Realised translation differences in relation to the divestment of subsidiaries and the redemption of material shares in subsidiaries are recognised as income or expenses in the consolidated statement of comprehensive income.

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 or loss from a discontinued operation and gains or losses on its disposal are shown separately in the consolidated statement of comprehensive income. Assets related to non-current assets held for sale and discontinued operations are assessed at book value or, if it is the lower of the two, at fair value. Depreciation from these assets has been discontinued upon the date of classifying assets as non-current assets held for sale and discontinued operations. The Group has no assets classified as non-current assets held for sale at the end of the financial or a comparable period. The disposal of business operation in Ireland has been classified as discontinued operation.

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 of 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 are included in the consolidated statement of comprehensive income in 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 does not have any 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 on 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 calculating 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 beyond 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 operating activities from net sales.

Borrowing costs

Borrowing costs are recognised in the income statement as they incur. 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. The Group companies did not capitalise any borrowing costs in 2010.

Income taxes

Income taxes in the consolidated statement of comprehensive income 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 on 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 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. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Goodwill is allocated to the business segments. Goodwill is not amortised, but 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 licences. 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 incur future economic benefits in excess of the originally assessed standard of performance of the existing asset.

Gains or losses on the 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 within 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 their expected useful life and any impairment losses. Land is not depreciated, as it is deemed to have an indefinite life, but depreciation is otherwise 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 on each balance sheet date and, if necessary, adjusted to reflect any changes in expectations of financial 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 will 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 the discounted future net cash flow expected from 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 at least annually or if any indication of impairment exists, more regularly.

Leases

Lease liabilities, which expose the Group to the risks and rewards inherent in holding such leased assets, are classified as finance leases. These are recognised as 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 consolidated statement of comprehensive income 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 the 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 the costs of completion and sale. In addition to the cost of materials and direct labour, an appropriate proportion of production overheads is 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 an obligation will cause a legal loss and a reliable estimate of the amount of obligation can be made. Provisions can include inter alia environmental provisions, warranty provisions, restructuring costs and onerous contracts. Changes in provisions are included in relevant expenses on the consolidated statement of comprehensive income.

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 on each balance sheet date. Fair value is determined using market prices on 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 a 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 or 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, the probable bankruptcy of the debtor or default in payments are considered as probable indicators of 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 into the consolidated statement of comprehensive income when the asset is disposed of or has lost its value to the extent that an impairment loss must be recognised.

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 hedging purposes and are classified as financial assets at fair value through profit and loss. Hedge accounting has not been applied for financial derivatives, such as currency and interest derivatives, until the end of 2009. Based on the Treasury Committee decision in January 2010, specific foreign currency internal loans are classified as net investments and they are hedge accounted. The Group has applied hedge accounting to electricity derivatives since September 2007.

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

Hedge accounting is applied to those 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, and during, the hedge. Fair value changes in 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 consolidated statement of comprehensive income in the period during 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 consolidated statement of comprehensive income, under cost of goods sold.

Share based payments – 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 this 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 through the scheme, each Executive Committee member is eligible to be awarded Uponor shares in the spring of 2012. Executive Committee members have acquired 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 this 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 cumulative operating profit 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 of 2012. Selected international business managers have acquired Uponor shares as defined under this scheme.

Both management incentive schemes have an in-built and cumulative operating profit-related multiplier. In addition, the international business responsibility scheme includes a limit on the maximum value of its share-based payments.

Uponor will use part of the treasury shares as an incentive scheme payout in the spring of 2012.

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 a reduction in shareholders' equity. Treasury shares are taken into account in calculating key figures and ratios according to IAS 33.

Dividends

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

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

Estimates and assumptions regarding the future must be made during the 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 estimates made in connection with preparing the financial statements reflect the best judgement of the management at the time of the 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 the accounts. On a regular basis, the Group monitors the realisation of these estimates and assumptions through internal and external information sources. Any changes in estimates and assumptions are recognised in the financial statements for 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, the 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 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 reporting segment, is used as the discount rate in impairment tests. The book value of the defined benefit-based pension obligation is based on actuarial calculations, which in turn are based on the assumptions and estimates of a discount rate used for assessing plan assets and obligations at their current value, the expected rate of return on plan assets and developments in inflation, salary and wage levels.

Application of new and amended IFRS standards

The Group has adopted the following new or amended standard(s) and interpretations as of 1 January 2010; comparative figures have not been amended:

- Improvements to IFRS (Annual Improvements), effective mainly for the annual periods beginning on or after 1 January 2010. These improvements' impacts vary by standard, but had no significant impacts on reported figures.
- The application of these new and revised IFRS's has not had any material impact on the amount reported for the current and prior years but may affect the accounting for future transactions and reports.

As of 2011, depending on when they become effective, the Group will apply the following amended and new standards and interpretations:

- IAS 32 (Revised) Financial instruments: Presentation. Effective for accounting periods beginning on or after 1 February 2010.
- IFRIC 19. Effective for accounting periods beginning on or after 1 July 2010.
- IAS 24 (Revised) Related Party Transactions. Effective for accounting periods beginning on or after 1 January 2011.
- IFRIC 14 (Amended) Prepayment of minimum funding requirement. Effective from 1 January 2011.
- IAS 34 (Amended) Interim financial reporting. Effective from 1 January 2011 retrospectively.
- IFRS 3 (Amended) Business Combinations. Applicable to annual periods beginning on 1 July 2010, applied retrospectively. This will have an impact on all business combinations in the future.
- IFRS 9 Financials instruments: Recognition and measurement. Effective date 1 January 2013.
- Improvements to IFRS (Annual Improvements, May 2010), effective mainly for annual periods beginning on or after 1 July 2011. The Group foresees that improvement impacts will vary by standard, but they should have no significant impacts on reported figures.
- The Group aims to anticipate the publication of any other amended and new standards and interpretations with a material impact on the reported figures.

2. Segment information

From 1 January 2009, Uponor's segment structure has been based on business and geographical segments in accordance with the organisational structure published on 1 September 2008. The reporting segments are Building Solutions – Europe, Buildings Solutions – North America and Infrastructure Solutions. The business risks and profitability factors differ from each other in respect of the market and business environments, product offering, services and customers. Group management, control and reporting structures are organised by business segment.

Building Solutions – Europe is in charge of European markets and sales to non-European countries in which Uponor does not have its own operations. Buildings Solutions – North America is responsible for business operations in the USA and Canada. Buildings Solutions in Uponor mainly refers to indoor climate and plumbing solutions for residential and non-residential buildings. A major part of Building solution customers are heating, ventilating and air conditioning (HVAC) installers and building companies.

Infrastructure Solutions's business is located in the Nordic and Baltic countries. Its products and services, such as infrastructure high-pressure pipes and sewage and waste water treatment systems, are sold to construction and renovation customers.

The 'Others' segment includes Group functions and non-operative companies.

Financial target setting and monitoring mainly focus on figures for segment sales, operating profit, operative costs and net working capital. Group resources are managed, for instance, by allocating investments to attractive businesses and balancing human resources and competencies to match the requirements of business processes.

Segment consolidation is based on Group accounting principles. All transactions between segments are market-based and internal sales and margins are eliminated from consolidated figures.

The income statement consists of continuing operations by segment, while balance sheet items match the Group structure on the closing dates. Continuing operations in 2010 and 2009 did not include the infrastructure business in Ireland, which was sold in June 2008.

Segment assets include items directly attributable to a segment and items which can be allocated on a reasonable basis. These are mainly non-interest bearing items such as intangible assets, property, plant and equipment, inventories, accruals, accounts receivables and other receivables. Unallocated assets consist of non-current receivables, cash and interest-bearing items.

Associated companies' share of the result, 0.1 (0.2) million euros, is allocated to the Building Solutions – Europe segment.

M€		2010	
Net sales by segment, continuing operations	External	Internal	Total
Building Solutions – Europe	503.6	0.8	504.4
Building Solutions – North America	114.6	-	114.6
Infrastructure Solutions	131.0	7.3	138.3
Eliminations	-	-8.1	-8.1
Uponor Group	749.2	-	749.2

M€		2009	
Net sales by segment, continuing operations	External	Internal	Total
Building Solutions – Europe	481.1	1.1	482.2
Building Solutions – North America	109.0	-	109.0
Infrastructure Solutions	144.0	4.1	148.1
Eliminations	-	-5.2	-5.2
Uponor Group	734.1	-	734.1

M€	2010	2009
Operating result by segment, continuing operations		
Building Solutions – Europe	55.7	32.6
Building Solutions – North America	3.1	3.9
Infrastructure Solutions	0.4	14.2
Others	-6.8	-9.3
Eliminations	0.0	-0.2
Uponor Group	52.4	41.2

M€	2010	2009
Segment depreciation and impairments, continuing operations		
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
Uponor Group	30.6	32.5

M€	2010	2009
Segment investments, continuing operations		
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
Uponor Group	19.0	27.4

M€	2010	2009
Segment assets		
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
Uponor Group	497.2	498.6

M€	2010	2009
Segment liabilities		
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
Uponor Group	245.1	240.6

	2010	2009
Segment personnel, continuing operations, average		
Building Solutions – Europe	2,222	2,416
Building Solutions – North America	427	422
Infrastructure Solutions	509	527
Others	61	61
Uponor Group	3,219	3,426

Reconciliations

M€	2010	2009
Net sales by segment, continuing operations		
Total net sales for reportable segments	757.3	739.3
Eliminations	-8.1	-5.2
Uponor Group	749.2	734.1

M€	2010	2009
Operating result by segment, continuing operations		
Total result for reportable segments	59.2	50.7
Others	-6.8	-9.3
Eliminations	0.0	-0.2
Uponor Group	52.4	41.2
Unallocated amounts	-10.7	-12.7
Profit before taxes	41.7	28.5

M€	2010	2009
Segment assets		
Total assets for reportable segments	630.5	591.5
Others	534.2	509.9
Eliminations	-667.5	-602.8
Uponor Group	497.2	498.6

M€	2010	2009
Segment liabilities		
Total liabilities for reportable segments	440.1	411.0
Others	496.0	451.2
Eliminations	-691.0	-621.6
Segment liabilities	245.1	240.6
Unallocated amounts	252.1	258.0
Uponor Group	497.2	498.6

Entity-wide information

Information about product and services

M€	2010	2009
External net sales, continuing operations		
Building Solutions	617.0	587.1
Infrastructure Solutions	132.2	147.0
Uponor Group	749.2	734.1

Information about geographical areas

M€	2010	2009
External net sales, continuing operations		
Finland	89.5	88.8
Germany	122.7	128.6
USA	84.5	83.9
Sweden	79.6	71.2
Spain	39.6	44.3
Norway	37.1	30.9
Italy	36.4	39.0
Denmark	35.0	39.3
Others	224.8	208.1
Uponor Group	749.2	734.1

M€	2010	2009
Assets		
Finland	91.9	90.9
Germany	132.6	139.6
Sweden	81.7	64.3
USA	72.2	75.1
Denmark	26.3	29.7
Spain	20.5	23.9
Others	72.0	75.1
Uponor Group	497.2	498.6

3. Discontinued operations

The disposal of the Irish infrastructure business in June 2008 has been classified as discontinued operations according to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The Group has not sold any subsidiaries in 2010 and 2009.

The discontinued operations include 2.3 million euros in costs with regard to the sold Irish infrastructure business. These costs were incurred mainly due to soil cleaning operations, which began in 2008 and were finalised in 2010.

M€	2010	2009
Expenses	2.3	5.7
Result before taxes	-2.3	-5.7
Income taxes	-	0.0
Result after taxes	-2.3	-5.7
Result for the period from discontinued operations	-2.3	-5.7
Cash flow from discontinued operations		
Cash flow from operations	-1.6	-5.2

4. Business combinations

On 30 November 2009, Uponor Group acquired the entire shareholding of the radiant heating and cooling system company The Underfloor Heating Company Limited, based in Skelmanthorpe, Yorkshire in the UK. It is trading under the name Velta UK. The original total purchase consideration was 3.6 million euros (3.3 million pounds sterling), of which 50 per cent represents the initial purchase consideration on the agreement date and 50 per cent the operating profit-based potential earn-out consideration for each year during 2009–2011. The purchase price allocation was finalised on 30 November 2010. The goodwill amount was set at 2.6 million euros. The entire amount has been booked as goodwill, since the purchased net assets were negative on the acquisition date and the asset fair values did not exceed their carrying values for any identifiable item.

M€		Carrying value 30 Nov 2009	Book value 30 Nov 2009
Initial purchase price consideration			
Non-current assets		0.1	0.1
Inventories		0.4	0.4
Accounts receivable and other receivables		2.5	2.5
Cash and cash equivalents		0.0	0.0
Total assets		3.0	3.0
Accounts payable		3.1	3.1
Other current liabilities		0.0	0.0
Total liabilities		3.1	3.1
Net assets		-0.1	-0.1
Acquisition cost		3.2	
Goodwill		3.3	
Final purchase price consideration			
Acquisition cost	30 Nov 2009	3.8	
Disposal due to earn-out consideration	31 Dec 2009	-0.5	
Carrying amount	31 Dec 2009	3.3	
Conversion difference	1 Jan–31 Dec 2010	0.1	
Additions due to earn-out consideration	31 Oct 2010	0.2	
Disposal due to earn-out consideration	30 Nov 2010	-1.1	
Carrying amount	31 Dec 2010	2.5	
Goodwill	30 Nov 2010	2.6	

The Group did not acquire any subsidiaries or associates in 2010.

5. Other operating income and expenses

M€	2010	2009
Other operating income		
Gains from sales of fixed assets	0.9	3.3
Royalties	0.2	0.1
Earnings share from associated companies	0.1	0.2
Other items	1.0	0.6
Total	2.2	4.2
Other operating expenses		
Losses from sales of fixed assets	0.2	0.6
Research and development expenses	16.1	15.5
Impairments	1.4	0.5
Total	17.7	16.6

The main part of other operating income in 2010 and 2009 results from sales of fixed assets. Other operating expenses occur mostly from research and development activities. In addition, other operating expenses in 2010 includes impairments charge of 1.4 million euros relating to the US machinery and equipment disposals. The 2009 impairment of 0.5 million euros was booked in connection with the sale of the German panel business.

6. Employee benefits

M€	2010	2009
Short-term employee benefits:		
- Salaries and bonuses	137.1	145.9
- Other social costs	23.3	24.6
Post-employment benefits:		
- Pension expenses – defined contribution plans	7.4	6.8
- Pension expenses – defined benefit plans	0.6	1.3
Other long-term employee benefits	0.5	0.0
Termination benefit expenses	0.4	3.9
Share based payments		
- Equity settled share-based payment transactions	0.1	0.1
Total	169.4	182.6

Information on the management's employee benefits is presented in note 32, Related party transactions.

7. Depreciation, amortisation and impairment

M€	2010	2009
Depreciation and amortisation by asset category		
Intangible rights	4.4	4.6
Other intangible assets	0.0	0.1
Land and water areas	0.1	0.1
Buildings and structures	4.3	3.9
Machinery and equipment	18.0	19.4
Other tangible assets	2.3	3.9
Total	29.1	32.0
Depreciation and amortisation by function		
Cost of goods sold	19.1	21.5
Dispatching and warehousing	1.3	1.8
Sales and marketing	2.3	2.2
Administration	5.7	5.8
Other	0.7	0.7
Total	29.1	32.0

In addition to depreciation, Building Solutions – North America's production machinery and equipment was impaired by 1.4 million euros in 2010. This booking did not have any cash flow effect and it is reported in other operating expenses. In 2009, the Group booked a goodwill impairment amounting to 0.5 million euros for the sale of the German panel business.

8. Financial income and expenses and currency exchange differences

M€	2010	2009
Financial income		
Dividend income on available-for-sale financial assets	0.0	0.0
Interest income from loans and other receivables	2.4	1.2
Change in fair value of financial assets designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	9.6	3.4
Exchange differences	4.5	7.0
Other financial income	0.0	0.1
Total	16.5	11.7

M€	2010	2009
Financial expenses		
Interest expense for financial liabilities measured at amortised cost	5.7	5.5
Change in fair value of financial liabilities designated at fair value through profit and loss		
- foreign currency derivatives, not under hedge accounting	12.7	11.1
Exchange differences	5.9	5.4
Other financial costs	2.9	2.4
Total	27.2	24.4

Exchange rate gains and losses are included in operating income and expenses totalling 0.6 million gain (loss of 0.3 million) euros. Interest expenses include the interest part of finance lease payments of 1.1 million (1.1 million) euros.

9. Income taxes

M€	2010	2009
Current year and previous years taxes		
For the financial period	14.7	5.5
For previous financial periods	-0.1	-0.7
Change in deferred taxes	0.1	6.5
Total	14.7	11.3
Tax reconciliation		
Profit before taxes	41.7	28.5
Computed tax at Finnish statutory rate	10.8	7.4
Difference between Finnish and foreign rates	2.5	3.3
Non-deductible expenses	1.3	1.3
Tax exempt income	-0.2	-0.1
Utilisation of previously unrecognised tax losses	-0.1	0.0
Change in tax legislation	0.0	-0.2
Taxes from previous years	-0.1	-0.7
Other items	0.5	0.3
Total	14.7	11.3
Effective tax rate, %	35.2	39.6

During the year 2010, there were no significant national tax legislation changes which would have affected the Group results. The effective tax rate in 2010 has decreased to 35.2 per cent from the previous year's 39.6 per cent. 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.

A tax audit is ongoing in some of the Group's Finnish companies for the tax years 2004–2007. Uponor Corporation (the parent company) has received the final tax audit report and has a different interpretation to the tax authorities of the transfer pricing mark-ups for the Group management services. The company has booked the tax burden into its FAS financials, but those have been reversed in the IFRS figures, because the Group management does not agree with the tax authorities' view on the transfer pricing principles. In addition, Uponor Business Solutions Oy has received a preliminary tax report for fiscal years 2004–2007. As the final outcome of the tax audit is unclear, the Group has not made any provisions in the 2010 financials.

10. Earnings per share

	2010	2009
Result from continuing operations, M€	27.0	17.2
Result from discontinued operations, M€	-2.3	-5.7
Profit for the period, M€	24.7	11.5
Shares, in thousands		
Weighted average number of shares *)	73,067	73,049
Diluted weighted average number of shares	73,067	73,049
Basic earnings per share, €	0.34	0.16
- Continuing operations	0.37	0.24
- Discontinued operations	-0.03	-0.08
Diluted earnings per share, €	0.34	0.16
- Continuing operations	0.37	0.24
- Discontinued operations	-0.03	-0.08

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

11. Intangible assets

2010 M€	Intangible rights	Goodwill	Other intangible assets	Investment in progress	Intangible assets
Acquisition costs 1 Jan	59.2	73.5	0.3	-	133.0
Translation difference	0.9	0.3	-	-	1.2
Increases	0.6	0.2	0.0	0.2	1.0
Decreases	1.2	1.1	-	-	2.3
Transfers between items	-0.1	-	-	-	-0.1
Acquisition costs 31 Dec	59.4	72.9	0.3	0.2	132.8
Accumulated depreciations and impairments 1 Jan	30.8	0.5	0.2	-	31.5
Translation difference	0.9	0.2	-	-	1.1
Acc. depreciation on disposals and transfers	-1.2	-	-	-	-1.2
Depreciation for the financial period	4.4	-	0.0	-	4.4
Transfers between items	0.1	-	-	-	0.1
Accumulated depreciations and impairments 31 Dec	35.0	0.7	0.2	-	35.9
Book value 31 December	24.4	72.2	0.1	0.2	96.9

2009 M€	Intangible rights	Goodwill	Other intangible assets	Investment in progress	Intangible assets
Acquisition costs 1 Jan	56.7	70.0	0.3	0.7	127.7
Translation difference	0.3	0.2	-	-	0.5
Increases	1.4	3.3	0.0	0.7	5.4
Decreases	1.2	-	0.0	-	1.2
Transfers between items	2.0	-	-	-1.4	0.6
Acquisition costs 31 Dec	59.2	73.5	0.3	-	133.0
Accumulated depreciations and impairments 1 Jan	26.3	-	0.1	-	26.4
Translation difference	0.4	-	-	-	0.4
Acc. depreciation on disposals and transfers	-1.1	-	0.0	-	-1.1
Depreciation for the financial period	4.6	-	0.1	-	4.7
Transfers between items	0.6	-	-	-	0.6
Impairments	-	0.5	-	-	0.5
Accumulated depreciations and impairments 31 Dec	30.8	0.5	0.2	-	31.5
Book value 31 December	28.4	73.0	0.1	-	101.5

According to the IFRS 3 standard, goodwill is not depreciated, but it is tested at least annually for any impairment. If unit's carrying value does not exceed goodwill amount, an impairment is booked.

In 2010 and 2009, investments in intangible assets were almost entirely related to the ERP system and to the goodwill arising from the purchase of The Underfloor Heating Company Limited in the UK. The goowill is allocated in full to Building Solution – Europe.

A majority of the Group's goodwill (23.4 million euros) relates to the Uponor minority share acquired by Asko Oyj, which due to Oy Uponor Ab's merger with Asko Oy has been allocated to the current Uponor Corporation, and the acquired Unicor businesses (43.2 million euros). This goodwill has been allocated between segments as follows: Building Solutions – Europe 62.7 (63.5) million euros, Infrastructure Solutions 9.5 (9.5) million euros.

Impairment tests are carried out for each separate cash-generating unit. Cash flow forecasts related to goodwill cover a period of 5 years. Terminal value is calculated from the fifth year's cash flow. A cash-generating unit's useful life has been assumed to be indefinite, since these units have been estimated to impact on the accrual of cash flows for an undetermined period. The discount rate used is based on the interest rate level reflecting the average yield requirement for the cash generating unit in question. Discount rates varied between 10.6 and 11.2 per cent. The 2010 goodwill impairment tests indicated that there was not any need to make impairments. In 2009, the Group recorded a €0.5 million loss for the sold German panel business.

A sensitivity analysis verified that a thirteen (13) per cent sales reduction compared to the forecasted long-term levels would not expose the Group to any material impairment risk. A discount rate increase by four (4) percentage points would not lead to any impairment either, provided that other business factors remained unchanged.

The Group does not have any capitalised development costs.

12. Property, plant and equipment

2010 M€	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	Tangible assets
Acquisition costs 1 Jan	11.8	126.3	293.8	34.4	15.9	482.2
Translation difference	0.5	4.1	12.0	0.8	1.6	19.0
Increases	0.3	0.7	10.3	2.8	3.9	18.0
Decreases	0.5	10.5	24.4	2.9	0.0	38.3
Transfers between items	0.1	-3.4	14.0	0.8	-11.4	0.1
Acquisition costs 31 Dec	12.2	117.2	305.7	35.9	10.0	481.0
Accumulated depreciations and impairments 1 Jan	2.0	72.0	206.4	26.7	-	307.1
Translation difference	-	2.0	7.9	0.7	-	10.6
Acc. depreciation on disposals and transfers	-0.2	-8.8	-22.1	-2.9	-	-34.0
Depreciation for the financial period	0.1	4.3	18.0	2.3	-	24.7
Transfers between items	-	-3.8	3.2	0.5	-	-0.1
Impairments	-	-	1.4	-	-	1.4
Accumulated depreciations and impairments 31 Dec	1.9	65.7	214.8	27.3	-	309.7
Book value 31 December	10.3	51.5	90.9	8.6	10.0	171.3
Book value for production plant, machinery and equipment			81.8			

2009 M€	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction work in progress	Tangible assets
Acquisition costs 1 Jan	12.7	127.6	302.3	27.2	17.1	486.9
Structural changes	-	0.0	0.2	-	-	0.2
Translation difference	-0.1	0.6	2.2	-0.2	0.1	2.6
Increases	0.1	0.9	12.5	2.1	6.4	22.0
Decreases	0.9	4.4	22.3	1.3	0.0	28.9
Transfers between items	-	1.6	-1.1	6.6	-7.7	-0.6
Acquisition costs 31 Dec	11.8	126.3	293.8	34.4	15.9	482.2
Accumulated depreciations and impairments 1 Jan	2.6	69.8	209.9	20.2	-	302.5
Structural changes	-	0.0	0.1	-	-	0.1
Translation difference	-	0.4	1.9	-0.1	-	2.2
Acc. depreciation on disposals and transfers	-0.7	-2.1	-20.4	-1.2	-	-24.4
Depreciation for the financial period	0.1	3.9	19.4	3.9	-	27.3
Transfers between items	-	-	-4.5	3.9	-	-0.6
Accumulated depreciations and impairments 31 Dec	2.0	72.0	206.4	26.7	-	307.1
Book value 31 December	9.8	54.3	87.4	7.7	15.9	175.1
Book value for production plant, machinery and equipment			78.7			

During 2010 a majority of property, plant and equipment increases related to machinery and equipment, and the most of them were replacement investments.

A year before, the North American distribution centre investment was finalised, which was included in buildings and structures. During the same year, production asset divestments included the sale of the St. John production plant in Canada.

The majority of the unfinished investments projects started in 2009 were finalised in 2010. Construction work in progress has decreased during 2010 by 5.9 million euros amounting to 10.0 million euros at closing date as a result of reduced investment activities.

Tangible assets include property acquired under finance lease arrangements, as follows:

2010 M€	Land and water areas	Buildings and structures	Others	Finance lease arrangements total
Acquisition costs 1 Jan	0.9	16.0	0.2	17.1
Translation difference	-	0.0	0.0	0.0
Increases	-	-	0.0	0.0
Decreases	-	-	0.0	0.0
Acquisition costs 31 Dec	0.9	16.0	0.2	17.1
Accumulated depreciations and impairments 1 Jan	-	8.0	0.1	8.1
Translation difference	-	0.0	0.0	0.0
Acc. depreciation on disposals and transfers	-	-	0.0	0.0
Depreciation for the financial period	-	0.6	0.0	0.6
Accumulated depreciations and impairments 31 Dec	-	8.6	0.1	8.7
Book value 31 December	0.9	7.4	0.1	8.4

2009 M€	Land and water areas	Buildings and structures	Others	Finance lease arrangements total
Acquisition costs 1 Jan	0.9	15.9	0.2	17.0
Translation difference	-	0.1	0.0	0.1
Increases	-	-	0.0	0.0
Decreases	-	-	0.0	0.0
Acquisition costs 31 Dec	0.9	16.0	0.2	17.1
Accumulated depreciations and impairments 1 Jan	-	7.4	0.1	7.5
Translation difference	-	0.0	0.0	0.0
Depreciation for the financial period	-	0.6	0.0	0.6
Accumulated depreciations and impairments 31 Dec	-	8.0	0.1	8.1
Book value 31 December	0.9	8.0	0.1	9.0

13. Financial assets and liabilities by measurement category

2010 M€	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	IFRS 7 Fair value hierarchy level	Note
Non-current financial assets								
Other shares and holdings				0.2		0.2		15
Non-current receivables			7.7			7.7		16
Derivative contracts	0.5					0.5	2	16
Current financial assets								
Interest-bearing receivable			0.0			0.0		18
Accounts receivable and other receivables			97.2			97.2		19
Derivative contracts	2.0	0.9				2.9	2	19
Cash and cash equivalent *)			11.9			11.9		
Carrying amount by category	2.5	0.9	116.8	0.2		120.4		
Non-current financial liabilities								
Interest-bearing liabilities					43.5	43.5		24
Current financial liabilities								
Interest-bearing liabilities					35.2	35.2		24
Derivative contracts	4.7	1.4				6.1	2	25
Accounts payable and other liabilities					52.8	52.8		25
Carrying amount by category	4.7	1.4			131.5	137.6		

*) Includes 0.7 million euros of restricted cash which was received in January 2011.

2009 M€	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	IFRS 7 Fair value hierarchy level	Note
Non-current financial assets								
Other shares and holdings				0.4		0.4		15
Non-current receivables			6.9			6.9		16
Derivative contracts	0.1					0.1	2	16
Current financial assets								
Interest-bearing receivable			0.0			0.0		18
Accounts receivable and other receivables			91.2			91.2		19
Derivative contracts	0.1	0.6				0.7	2	19
Cash and cash equivalent			13.2			13.2		
Carrying amount by category	0.2	0.6	111.3	0.4		112.5		
Non-current financial liabilities								
Interest-bearing liabilities					60.2	60.2		24
Derivative contracts	0.2					0.2	2	25
Current financial liabilities								
Interest-bearing liabilities					17.6	17.6		24
Derivative contracts	0.6	1.2				1.8	2	25
Accounts payable and other liabilities					48.0	48.0		25
Carrying amount by category	0.8	1.2			125.8	127.8		

The carrying value of financial assets and liabilities is considered to correspond to their fair value. All of the Group's financial instruments at fair value are classified as being level two in the IFRS7 fair value hierarchy.

14. Investment in associated companies

M€	2010	2009
Acquisition costs 1 Jan	0.0	0.0
Book value 31 December	0.0	0.0

The associated company shares of the two small Punitec companies do not have any book value.

15. Other shares and holdings

M€	2010	2009
Other non-current investments	0.2	0.4
Book value 31 December	0.2	0.4

Other non-current investments include other unlisted shares accounted for at cost, since it was not possible to determine their fair value reliably.

16. Non-current receivables

M€	2010	2009
Other loan receivables	5.7	5.4
Derivative contracts	0.5	0.2
Other receivables	2.0	1.5
Book value 31 December	8.2	7.1

Non-current receivables include a 4.0 million sterling pound vendor loan note, which relates to the sale of the Infrastructure businesses in the UK and Ireland in 2008. The note has a fixed interest rate and it matures in 2015. This receivable, including capitalised interest of 0.8 million euros, was valued at 5.4 million euros at the closing date.

17. Inventories

M€	2010	2009
Raw materials and consumables	12.6	11.8
Finished products/goods	70.3	61.4
Advance payments	1.5	1.1
Book value 31 December	84.4	74.3

Based on the FIFO principle, inventories are valued at the lower of cost or net realisable value. During the year, these inventories were scrapped or written down below cost by 7.3 (8.7 million) euros.

18. Interest-bearing current assets

M€	2010	2009
Other loan receivables	0.0	0.0
Book value 31 December	0.0	0.0

19. Accounts receivable and other receivables

M€	2010	2009
Accounts receivable	94.5	88.8
Doubtful accounts receivables	-1.4	-0.6
Current income tax receivables	1.1	8.5
Prepayments and accrued income	9.2	14.7
Derivative contracts	2.9	0.6
Other receivable	4.1	3.0
Book value 31 December	110.4	115.0

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

The Group recorded 1.4 (0.6) million euros of doubtful accounts receivables as expenses during the financial period. The Group is unaware of any factors which would cause possible additional write-downs.

Aging of accounts receivable is as presented in note 28 Financial risk management.

M€	2010	2009
Accrued income		
Taxes	3.4	8.9
Discounts received	0.0	0.1
Interest	0.3	0.2
Other	5.5	5.5
Book value 31 December	9.2	14.7

20. Shareholders' equity

During 2010, Uponor Corporation's share capital remained unchanged at 146,446,888 euros and the number of shares totalled 73,206,944. Each share entitles its holder to one vote at the shareholders' meeting. The share does not have any nominal value. Additionally, it does not have any minimum or maximum share capital. All shares issued have been paid in full.

The company had 160,000 treasury shares in 2010, which the company bought during the period 17 November–5 December 2008 at a cost of 1.2 million euros. The justification for the buy-back was the use of shares as consideration in connection with the company's share-based incentive schemes. Treasury shares are presented as a reduction in retained earnings and do not have any asset value in the financial statements.

Reserve for invested unrestricted equity includes foreign net investments complying with the Limited Liability Companies Act and hedge reserve is used for recording the changes in fair value of derivative contracts under hedge accounting.

At present, other reserves include statutory legal reserves.

21. Deferred taxes

M€	2010	2009
Deferred tax assets		
Internal profit in inventory	0.6	0.7
Provisions	1.9	3.2
Carry-forward losses	1.1	1.4
Tangible assets	0.2	0.7
Employee benefits	1.0	1.2
Fair valuation of available-for-sale investments and financial instruments	2.8	0.2
Other temporary differences	6.3	4.6
Total	13.9	12.0

M€	2010	2009
Deferred tax liabilities		
Accumulated depreciation difference and untaxed reserve	5.7	5.1
Tangible assets	1.0	4.1
Fair valuation of available-for-sale investments and financial instruments	0.4	-
Other temporary differences	2.4	0.5
Total	9.5	9.7

The Group has recognised a deferred tax asset for its net operating loss carry-forwards, which can probably be utilised against future profits in the relevant tax jurisdictions. On 31 December 2010, the Group carried forward losses of 4.4 (5.1) million euros, for which the Group has a recognised deferred tax receivable. With respect to carry-forward losses, 5.3 (3.9) million euros do not have an expiry date and none will expire in 2011. In 2010, there is a 0.9 million euros of loss carry-forwards for which deferred tax asset recognition has not been made due to uncertainty about the utilisation of these loss carry-forwards.

The Group does not provide for deferred taxes on the 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.

22. Employee benefit obligations

The Group has a number of pension plans covering its operations, complying with each country's local rules and regulations. Moreover, the Group applies defined contribution and defined benefit pension plans. Pensions are based on actuarial calculations or actual payments to insurance companies. Independent authorised actuaries have 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 salary. Most defined benefit plans are located in Germany and Sweden, constituting around 90% of the defined benefit pension liability in the Group's balance sheet. In Finland, pensions are handled in accordance with the TyEL system, a defined contribution pension plan.

M€	2010	2009
Post-employment benefit obligations:		
- Pensions – defined benefit plans	20.2	19.8
Other long-term employee benefit liability	0.9	0.7
Total	21.1	20.5

Pension obligations

M€	2010	2009
Reconciliation of assets and liabilities recognised in the balance sheet		
Present value of funded obligations	1.0	1.1
Present value of unfunded obligations	21.3	19.7
Fair value of plan assets	-0.5	-0.6
Unrecognised actuarial gains (+) and losses (-)	-1.6	-0.4
Net liability in the balance sheet	20.2	19.8
Expenses recognised in the income statement		
Current service costs	0.0	0.2
Interest costs	0.9	0.8
Expected return on plan assets	0.0	0.0
Actuarial gains (-) and losses (+)	0.0	0.0
Past service costs	0.0	0.1
Effect of any curtailments and settlements	-0.2	0.2
Total	0.7	1.3
Actual return on plan assets	-0.1	0.2
Expenses recognised in the income statement by function		
Cost of goods sold	-0.3	-0.1
Dispatching and warehousing	0.0	0.1
Sales and marketing	0.3	0.7
Administration	0.6	0.5
Other	0.1	0.1
Total	0.7	1.3
Movements in obligation		
Obligation at 1 Jan	20.8	21.7
Sale of businesses	-0.2	0.0
Current service cost	0.3	0.3
Interest cost	0.9	0.9
Actuarial gains (-) and losses (+)	1.0	0.7
Gains (-) and losses (+) on curtailments	0.0	0.0
Member contributions	0.0	0.0
Benefit payments	-1.1	-0.6
Settlements	-0.3	-2.9
Conversion difference	1.0	0.7
Obligation at 31 Dec	22.4	20.8

M€	2010	2009
Movements in fair value of plan assets		
Fair value of plan assets at 1 Jan	0.6	2.1
Sale of businesses	0.1	0.0
Expected return on plan assets	0.0	0.1
Actuarial gains (+) and losses (-)	-0.1	0.1
Contributions by employer	0.6	0.6
Member contributions	0.0	0.0
Settlements	-0.2	-1.9
Conversion difference	0.0	0.2
Benefit payments	-0.5	-0.5
Fair value of plan assets at 31 Dec	0.5	0.7
Major categories of plan assets as % of total plan		
Other	100.0	100.0
Total	100.0	100.0

Principal actuarial assumptions

	Nordic countries		Germany		Other countries	
	2010	2009	2010	2009	2010	2009
Discount rate (%)	3.25–4.50	4.00–5.50	4.50	5.25–5.50	4.50	5.25–5.50
Expected rate of return on plan assets (%)	4.50	5.50	n/a	n/a	n/a	n/a
Expected rate of salary increase (%)	3.00–3.50	3.00–3.75	3.00	3.00	n/a	n/a
Expected rate of pension increase (%)	0.50–2.00	2.00	2.00	2.00	2.00	2.00

The expected rate of return on plan assets is 4.50 per cent. When determining the expected long-term rate of return on plan assets, the Group took consideration of historical returns and future expectations for each asset class. Transaction expenses and any applicable yield taxes were deducted from the return on plan assets.

M€	2010	2009
Amounts for the current and previous period		
Present value of obligation	22.4	20.8
Fair value of plan assets	-0.5	-0.7
Surplus (+)/Deficit (-)	21.9	20.1
Experience adjustments on plan assets	-0.1	-0.1
Experience adjustments on plan liabilities	0.0	0.0

The Group expects to contribute 0.8 million euros to its defined benefit pension plans in 2011.

23. Provisions

M€	Guarantee and warranty obligations	Environ-mental obligations	Restruc-turing	Other provisions	Total
Provisions at 1 Jan 2010	9.1	4.7	2.6	2.0	18.4
Conversion difference	0.6	-	0.0	0.0	0.6
Additional provisions	0.4	0.3	-	0.2	0.9
Utilised provisions	-3.8	-0.3	-2.6	-0.5	-7.2
Unused amounts reversed	-0.1	-	-	-0.6	-0.7
Provisions at 31 Dec 2010	6.2	4.7	0.0	1.1	12.0
Current provisions	4.7	1.4	0.0	0.3	6.4
Non-current provisions	1.5	3.3	-	0.8	5.6

Warranty provisions were 6.2 (9.1) million euros at the end of the period. Warranty provisions are based on the 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 local legislation and commercial practices.

At period end, the environmental provision relating mainly to the divested Finnish real estate business in 2004 was 4.7 (4.7) million euros. Roughly 1.4 million euros of these provisions are expected to be realised during 2011.

24. Interest-bearing liabilities

M€	2010	2009
Non-current interest bearing liabilities		
Loans from financial institutions	32.0	48.0
Finance lease liabilities	11.5	12.2
Total	43.5	60.2

M€	2010	2009
Current interest-bearing liabilities		
Commercial papers	18.0	-
Loans from financial institutions	16.5	16.9
Finance lease liabilities	0.7	0.7
Total	35.2	17.6

M€	2012	2013	2014	2015	2016–
Maturity of non-current interest bearing liabilities					
Loans from financial institutions	16.0	16.0	-	-	-
Finance lease agreements	0.6	3.1	0.6	0.6	6.6
Total	16.6	19.1	0.6	0.6	6.6

	2010	2009
The interest rate ranges of interest-bearing liabilities, % pa		
Commercial papers	0.994–0.995	-
Loans from financial institutions	3.45	3.45

The Group increased its borrowings in 2008 by 80 million euros with a pension insurance company's reborrowing loan facility. This has a fixed interest rate and will be paid back over five (5) years period. The remaining capital amount of the loan is 48 million euros, of which the short-term part comprises 16 million euros. At the end of the financial period, the Group had issued commercial papers amounting to 18 million euros under the Finnish commercial paper program. The carrying value of interest bearing liabilities is considered to approximate their fair value.

M€	2010	2009
Finance lease liabilities		
Minimum lease payments		
In less than one year	1.6	1.8
1–5 years	7.6	8.0
Over 5 years	9.8	11.6
Total	19.0	21.4
Future finance charges	6.7	8.5
Finance lease liabilities – the present value of minimum lease payments	12.3	12.9
The present value of minimum lease payments		
In less than one year	0.8	0.7
1–5 years	4.9	4.5
Over 5 years	6.6	7.7
Total	12.3	12.9

The Group's finance lease agreements are mainly related to office, factory and warehouse premises. On 31 December 2010, the total amount of capitalised costs for finance lease agreements in the Group was 8.4 (9.0) million euros, which was included in the balance sheet under property, plant and equipment. The corresponding depreciations in 2010 were 0.6 (0.6) million euros. The total amount of finance lease payments in 2010 was 2.1 (2.0) million euros, which included 1.1 (1.1) million euros of interest expenses.

The most significant leasing liability is the finance lease agreement signed in connection with the purchase of the German Unicor business in 1999. In 2010, the Group did not enter into any significant new finance lease agreements.

25. Accounts payable and other liabilities

M€	2010	2009
Accounts payable	51.0	45.0
Current income tax liability	6.7	3.6
Accrued liabilities	56.8	59.0
Advances received	0.9	0.2
Derivative contracts	6.1	1.8
Other current liabilities	1.8	3.0
Total	123.3	112.6
Accrued liabilities		
Personnel expenses	19.5	18.3
Bonuses	9.5	8.7
Taxes	2.7	2.1
Interest	0.2	0.0
Others	24.9	29.9
Total	56.8	59.0

26. Contingent liabilities

M€	2010	2009
- on own behalf		
Pledges at book value	0.0	0.0
Mortgages issued	-	0.0
Guarantees issued	0.1	0.1
- on behalf of others		
Guarantees issued	7.0	7.4

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

Pledges at book value	0.0	0.0
Mortgages issued	-	0.0
Guarantees issued	7.1	7.5
Total	7.1	7.5

Contingent liabilities are presented 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".

27. Operating lease commitments

M€	2010	2009
Future minimum lease payments		
In less than one year	9.5	9.4
1–5 years	14.1	13.9
Over 5 years	5.6	6.8
Total	29.3	30.1

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

28. Financial risk management

Financial risk management aims to minimise the adverse effects on the Group's financial performance caused by uncertainties in the financial markets 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 the purposes of risk management, Uponor enters only financial instruments which 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 in 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 companies 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 the Group's internal forward transactions. Group Treasury is responsible for assessing net positions and hedging them in external currency markets. Currency forward agreements and options are mainly used. Currency contracts have a duration of less than 1 year.

During the first half of 2010 the rules for the currency of Group's internal invoicing were changed so that the production units invoice the sales units in their local currency. This change enabled the concentration of the currency risk to the production units, which have better resources for managing the currency risk together with the parent company's Group Treasury. Currency risk arises now in internal trade mainly from the sales of the production units in Germany, Sweden, the United States and Finland in the currencies other than their home currency.

Subsidiaries forecast their foreign currency cash flows for the following 12 month periods. In accordance with the Group's hedging policy, they are responsible for hedging at least 80% of the monthly net cash flow of the next 1–3 months, at least 50% of the next 4–6 months, and at least 30% of the next 7–9 months of their net cash flows in foreign currency. This mitigates against the effect of currency fluctuations on the margin and allows time for adjustments. In addition to the euro, the main invoicing currencies are the US dollar (USD), the Swedish krona (SEK) and the Norwegian krona (NOK). On 31 December 2010, these currencies accounted for approximately 39 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.

Group's currency risk position at 31 Dec 2010

Currency	SEK	USD	NOK	CAD	GBP
Net position	87.3	33.4	22.0	-18.2	11.3
External hedges	-87.2	-33.1	-22.0	18.2	-11.2
Open position	0.1	0.3	0.0	-0.1	0.1
Hedge level, %	100%	99%	100%	100%	99%

Group's currency risk position at 31 Dec 2009

Currency	SEK	USD	NOK	CAD	GBP
Net position	56.8	9.7	19.3	-14.3	5.6
External hedges	-56.8	-8.8	-17.6	14.3	-5.3
Open position	0.0	0.9	1.7	0.0	0.3
Hedge level, %	100%	91%	91%	100%	95%

Translational risks arise when the currency denominated assets and liabilities of subsidiaries located outside the euro area are exposed to currency fluctuations, upon these assets and liabilities being translated into the parent company's reporting currency, the euro. The most important net investments are in the United States (USD) and Sweden (SEK). Translational risk affects the reported profit and key ratios through changes in the balance sheet, but not the cash flow. According to the Group hedging policy, these non-euro denominated balance sheet items are not hedged. Starting from January 2010, the Group has changed its hedging policy so that the principals of non-euro denominated internal loans are hedged in full. In addition, hedge accounting has been applied from the January 2010 for certain loans defined by the Group's Treasury Committee. Thereby, the fair value changes in these loans and loan hedges will not impact on the profit, but will be recognised in equity to the extent that the hedge is effective.

Interest rate risk

The Group is exposed to interest rate risks due to changes in the value of balance sheet items (i.e. price risks) on the one hand and risks related to the restructuring of interest income and expenses necessitated by changes in interest rates, on the other. 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. Different derivative instruments, such as interest rate swaps, forward rate agreements and interest rate options can also be used. 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 overall impact of the said investments is insignificant. At the end of the period, the Group mainly had long-term loans with a fixed interest rate.

On the balance sheet date, the Group did not have any open interest rate swaps or other interest rate derivatives.

Financial instruments' sensitivity to fluctuations in market interest rates, as stated in the IFRS 7 standard, is presented in the following sensitivity analysis. The impact of an interest rate increase or decrease of one per cent on the income statement after taxes is +/- 0.0 million euros (+/- 0.1 million euros). The interest position consists of floating rate interest-bearing financial liabilities and assets. As the Group's only financial liability at year-end was fixed rate, a change in interest rates would only affect the financial 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.

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 of various types from several banks.

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 Group's credit facilities were renegotiated during 2010 by bilateral revolving credit facilities with the Group's main banks totalling 190 million euros, and the maturities were extended to 2015.

The most significant existing funding programmes on 31 December 2010 included:

- Pension insurance company's reborrowing loan of 48 million euros, maturing in 2011–2013.
- Several committed bilateral revolving credit facilities totalling 190 million euros and maturing in 2015.

In addition, the Group has a Finnish commercial paper programme totalling 150 million euros.

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

Contractual maturity of financial liabilities at 31 Dec 2010

M€	2011	2012	2013	2014	2015–
Commercial papers	18.0				
Loans from financial institutions	17.5	17.0	16.4	-	-
Finance lease liabilities	1.6	1.4	3.8	1.3	10.8
Bank overdrafts in use	0.3				
Accounts payable	32.7				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	6.1				
- cash inflow	1.8				
Commodity derivatives	1.1	0.4	0.1	0.0	
Guarantees issued on behalf of others	0.1	6.9	0.0	0.0	

Contractual maturity of financial liabilities at 31 Dec 2009

M€	2010	2011	2012	2013	2013–
Loans from financial institutions	18.1	17.5	17.0	16.4	
Finance lease liabilities	1.8	1.8	2.0	1.7	14.1
Bank overdrafts in use	0.5				
Accounts payable	45.0				
Derivative contracts					
Foreign currency derivatives					
- cash outflow	1.2				
- cash inflow	0.6				
Commodity derivatives	-0.6	-0.1	0.1	0.0	
Guarantees issued on behalf of others	0.5		6.9		

Counterparty and credit risk

The counterparty risk related to financial instruments has been defined as the 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 significant credit losses in its operations during the financial year. The maximum counterparty risk is the book value of financial assets on 31 December 2010.

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. Customer credit limits are established and monitored, and the evaluation of customers' financial conditions is performed on an ongoing basis. Trade receivables are credit insured when applicable. The Group recorded 1.4 million euros (0.6 million euros) of doubtful accounts receivables as expenses.

M€	2010	2009
The aging of accounts receivable		
Undue	73.2	71.0
Due 1–30 days	14.5	8.1
Due 31–60 days	3.4	5.7
Due 61–90 days	0.5	1.2
Due over 90 days	1.5	2.2
Total	93.1	88.2

Price risk

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

The table below presents the sensitivity of open electricity derivatives to fluctuations in electricity prices should the market price of electricity increase or decrease by 10 per cent. These figures include the impact of taxes, while other factors are expected to remain unchanged. Electricity derivatives recorded at fair value affect 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.

M€	2010	2009
Change in the income statement	+/- 0.1	+/- 0.1
Change in shareholders' equity	+/- 0.7	+/- 0.6

29. Derivative contracts and hedge accounting

M€	2010	2009
Nominal value		
Foreign currency derivatives:		
Forward agreements		
- not under hedge accounting	44.8	115.1
- under hedge accounting	130.3	-
Currency options, bought	21.6	-
Currency options, sold	21.6	-
Commodity derivatives:		
Forward agreements		
- not under hedge accounting	-	0.7
- under hedge accounting	6.0	6.5

Fair value	2010	2010	2010	2009	2009	2009
	Positive fair value	Negative fair value	Net fair value	Positive fair value	Negative fair value	Net fair value
Foreign currency derivatives:						
Forward agreements						
- not under hedge accounting	0.9	-1.1	-0.2	0.6	-1.2	-0.6
- under hedge accounting	0.9	-4.7	-3.8	-	-	-
Currency options, bought	0.0	0.0	0.0	-	-	-
Currency options, sold	0.0	-0.3	-0.3	-	-	-
Commodity derivatives						
- not under hedge accounting	-	-	-	0.0	-0.1	-0.1
- under hedge accounting	1.6	0.0	1.6	0.2	-0.8	-0.6

Uponor has applied hedge accounting to 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 which, in accordance with IAS 39, meet the hedge accounting criteria have been defined as hedging for inbound cash flows.

Changes in the fair values of electricity derivatives which are designated as inbound cash flow hedges are recognised in equity to the extent that the hedge is effective. A fair value movement gain of 1.8 million euros (gain of 1.0 million euro) was entered directly into equity during the financial period. The impact of the ineffective portion on the profit for the financial period was a gain of 0.1 million euros (a gain of 0.1 million euros). With respect to the hedging fund, a loss of 0.2 million euros (a loss of 0.5 million euros) was recorded in the consolidated statement of comprehensive income during the financial period, in costs of goods sold.

The Group has started to apply hedge accounting in 2010 for certain internal non-euro denominated loans defined by the Group's Treasury Committee. As the nominal amounts and the start date of the hedged net investment and the forward are the same, there is a prerequisite for an effective hedge. The part of the realised and unrealised foreign exchange gain or loss of forwards that is explained by a change of the spot rate is transferred to the equity in the balance sheet.

30. 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 per cent of annual 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. The Group's target is to keep its gearing between 30 and 70 per cent across quarters.

M€	2010	2009
Interest-bearing liabilities	78.7	77.8
Cash and cash equivalent	11.9	13.2
Net interest-bearing liabilities	66.8	64.6
Shareholders' equity	252.1	258.0
Gearing, %	26.5	25.0
Gearing across quarters, %	45.5	45.2

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

31. Management incentive scheme and share based payments

The Group has two management incentive schemes addressed at the Executive Committee and international business management. According to the agreement conditions, the Group parent company will grant the shares without any cash payments. Both of the management incentive schemes are conditional. These conditions are based on the Group's cumulative operating profit and the share amounts acquired by the management scheme's participants.

Management incentive scheme participants have a total of 34,019 shares. Based on the actual operating profit in 2009 and 2010 and that estimated for 2011, the share based payment volume is 19,622 shares. The management incentive scheme valuation impact on the Group's operating profit is 0.2 (0.2) million euros, on equity it is 0.1 (0.1) million euros and the liability reserved for paying any related income taxes for scheme participants is 0.1 (0.1) million euros. The management incentive scheme income statement and balance sheet impacts have been calculated on an accrual basis.

32. Related party transactions

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

M€	2010	2009
Transactions with associated companies		
Continuing operations		
Purchases	1.4	1.7
Balances at the end of period		
Accounts payable and other liabilities	0.0	0.0

T€	2010	2009
Executive Committee remuneration		
Remuneration, including the managing director and his deputy	2,590.1	2,115.0
Termination expenses	320.1	-
Post-employment benefit expenses	59.7	40.0
Total	2,969.9	2,155.0
Executive Committee remuneration: Managing director and his deputy		
Luomakoski Jyri, managing director	540.8	446.4
Bondestam Sebastian, deputy to the managing director from 18 March 2010	257.5	-
The retirement age for the managing director and his deputy is 63 years.		
Board remuneration		
Paasikivi Jari, Chairman	74.0	74.6
Rajahalme Aimo, Deputy Chairman	52.0	53.2
Eloranta Jorma	47.0	47.0
Silfverstolpe Nordin Anne-Christine	44.0	44.0
Simon Rainer S.	44.0	44.0
Total	261.0	262.8

Loans to management

The Group had not issued any loans to the management and Board members by 31 December 2010 or 31 December 2009.

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

Subsidiaries

Name	Domicile and country
Uponor Beteiligungs GmbH	Germany, Hassfurt
Uponor Hispania, S.A.	Spain, Móstoles
Uponor (Deutschland) GmbH	Germany, Hassfurt
Hewing GmbH	Germany, Ochtrup
Uponor GmbH	Germany, Hassfurt
Uponor S.A.R.L.	France, St. Etienne de St. Geoirs
Uponor A/S	Denmark, Hadsund
Uponor Eesti Oü	Estonia, Tallinn
Jita Oy	Finland, Virrat
Nereus Oy	Finland, Uusikaupunki
Uponor Business Solutions Oy	Finland, Vantaa
Uponor Suomi Oy	Finland, Nastola
Uponor Texnikes Lyseis gia Ktiria AE	Greece, Athens
Uponor Kft.	Hungary, Budapest
Cork Pipe Plant Limited (former Uponor Limited)	Ireland, Bishopstown
Uponor (Cork) Limited	Ireland, Bishopstown
Uponor (Ireland) Ltd	Bishopstown
Uponor S.r.l.	Italy, Badia Polesine
SIA Uponor Latvia	Latvia, Riga
UAB Uponor	Lithuania, Vilnius
Uponor s.r.o.	Czech, Prague
Uponor AS	Norway, Vestby
Uponor Sp. z o.o.	Poland, Plonie
Uponor Portugal – Sistemas para Fluidos, Lda.	Portugal, V.N. Gaia
Uponor Construcão e Ambiente – Sistemas de Tubagens, S.A.	Portugal, V.N. Gaia
Uponor AG	Pfungen
AO Asko-Upo (Spb)	Russia, St.Petersburg
ZAO Uponor Rus	Russia, Moscow
Uponor Innovation AB	Sweden, Borås
Uponor AB	Sweden, Virsbo
Uponor Vertriebs GmbH	Austria, Guntramsdorf
Uponor Limited	UK, England and Wales
The Underfloor Heating Co Ltd	Skelmanthorpe
Uponor NA Holding, Inc.	Delaware
Uponor NA Asset Leasing, Inc.	Delaware
Uponor North America, Inc.	USA, Delaware
Hot Water Systems North America, Inc.	USA, Delaware
Uponor, Inc.	USA, Illinois
Uponor Ltd	Canada, Saskatchewan
Radiant Technology, Inc.	USA, Delaware
Tulsa Pipe Plant, Inc. (former Uponor Aldyl Company, Inc.)	USA, Delaware
Uponor Trading (Beijing) Co., Ltd.	China, Beijing

Associated companies

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

33. Events after the balance sheet date

Since the balance sheet date, there have been no events with a material effect on the financial statements.

Shares and shareholders

The volume of Uponor shares traded on the NASDAQ OMX Helsinki Exchange in 2010 totalled 37,389,015, valued at €481.5 million. The share closed at €13.84 and the market capitalisation came to €1,013.2 million. The yearend number of shareholders totalled 22,087 of which foreign shareholders accounted for 19.1 per cent (23.7 per cent).

Major shareholders on 31 Dec 2010

Shareholder	Shares	%-of shares	%-of votes
Oras Invest Ltd	16,571,780	22.6	22.7
Varma Mutual Pension Insurance Company	5,162,072	7.1	7.1
Ilmarinen Mutual Pension Insurance Company	2,711,142	3.7	3.7
Tapiola Mutual Pension Insurance Company	1,356,500	1.9	1.9
Sigrid Juselius Foundation	773,200	1.1	1.1
State Pension Fund	755,000	1.0	1.0
Mandatum Life Insurance Company Limited	595,310	0.8	0.8
Nordea Life Assurance Finland Ltd	563,227	0.8	0.8
Paasikivi Jari	541,268	0.7	0.7
Paasikivi Jukka	538,173	0.7	0.7
Finnish Cultural Foundation	500,670	0.7	0.7
Paasikivi Pekka	443,096	0.6	0.6
Others	42,535,506	58.1	58.2
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 2010			
Skandinaviska Enskilda Banken AB	7,225,146	9.9	9.9
Nordea Bank Finland Plc	5,019,175	6.9	6.9
Svenska Handelsbanken AB (publ.)	1,268,169	1.7	1.7
Others	184,499	0.3	0.3
Total	13,696,989	18.8	18.8

The maximum number of votes which may be cast at the Annual General Meeting is 73,046,944 (status on 31 December 2010).
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.

Shareholders by category on 31 December 2010

Category	No. of shares	% of shares
Private non-financial corporations	20,308,251	27.7
Public non-financial corporations	182,524	0.3
Financial and insurance corporations	4,567,061	6.2
General government	11,526,022	15.7
Non-profit institutions	4,648,630	6.4
Households	18,016,779	24.6
Foreign (including nominee registrations)	13,956,823	19.1
Other (joint account)	854	0.0
Total	73,206,944	100.0

Shareholders by size of holding on 31 December 2010

Shares/shareholder	No. of shares, total	% of share capital	No. of shareholders	% of shareholders
1–100	339,081	0.5	4,919	22.3
101–1,000	5,789,961	7.9	13,309	60.3
1,001–10,000	9,491,300	13.0	3,539	16.0
10,001–100,000	7,328,810	10.0	276	1.2
100,001–1,000,000	10,943,808	14.9	37	0.2
1,000,001–	39,313,984	53.7	7	0.0
Total	73,206,944	100.0	22,087	100.0

Share capital development 2006–2010

	Date	Reason	Change, euro	Share capital, euro	Number of shares
2010	31 Dec			146,446,888	73,206,944
2009	31 Dec			146,446,888	73,206,944
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

Parent company financial statement (FAS)

PARENT COMPANY INCOME STATEMENT

M€	Note	2010	2009
Net sales	2	18.7	15.4
Other operating income	3	0.3	0.0
Personnel expenses	4	5.5	5.2
Depreciation and impairments	5	0.5	0.3
Other operating expenses	3	21.1	17.6
Operating loss		-8.1	-7.7
Financial income and expenses	6	19.0	35.1
Profit before extraordinary items		10.9	27.4
Extraordinary items	7	3.9	6.1
Profit before appropriations and taxes		14.8	33.5
Appropriations		0.0	-0.1
Income taxes	8	-0.2	0.8
Profit for the period		15.0	32.6

PARENT COMPANY BALANCE SHEET

M€	Note	31 Dec 2010	31 Dec 2009
Assets			
Non-current assets			
Intangible assets			
Other capitalised long-term expenditure		1.1	1.4
Investment in progress		0.1	-
Intangible assets	9	1.2	1.4
Tangible assets			
Machinery and equipment		0.1	0.2
Investment in progress		0.0	-
Tangible assets	9	0.1	0.2
Securities and long-term investments			
Shares in subsidiaries		211.4	207.1
Other shares and holdings		0.1	0.1
Loan receivables		176.8	209.6
Securities and long-term investments	10	388.3	416.8
Total non-current assets		389.6	418.4
Current assets			
Current receivables			
Accounts receivables		5.8	4.4
Loan receivables		108.8	66.1
Accruals		1.6	0.5
Deferred tax assets		0.8	0.3
Other receivables		19.5	20.1
Current receivables	11	136.5	91.4
Cash and cash equivalents		7.9	11.0
Total current assets		144.4	102.4
Total assets		534.0	520.8

M€	Note	31 Dec 2010	31 Dec 2009
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		99.6	103.5
Profit for the period		15.0	32.6
Total shareholders' equity	12	311.3	332.8
Accumulated appropriations			
Depreciation difference	13	0.1	0.1
Provisions	14	3.2	1.1
Accumulated appropriations total		3.3	1.2
Liabilities			
Non-current liabilities			
Loans from financial institutions		32.0	48.0
Non-current liabilities	15	32.0	48.0
Current liabilities			
Loans from financial institutions		16.0	16.0
Accounts payable		2.0	2.1
Accruals		3.3	2.9
Other current liabilities		166.1	117.8
Current liabilities	16	187.4	138.8
Total liabilities		219.4	186.8
Total liabilities and shareholders' equity		534.0	520.8

PARENT COMPANY CASH FLOW STATEMENT

M€	1 Jan–31 Dec 2010	1 Jan–31 Dec 2009
Cash flow from operations		
Net cash from operations		
Operating profit	-8.1	-7.7
Depreciation	0.5	0.3
Sales gains/losses from the sale of fixed assets	-0.1	-
Other non-cash items	2.1	-0.2
Net cash from operations	-5.6	-7.6
Change in working capital		
Receivables	-18.9	13.4
Non-interest-bearing liabilities	26.2	32.7
Change in working capital	7.3	46.1
Dividends received	17.1	30.4
Group contributions	6.1	3.7
Cash flow from operations	24.9	72.6
Cash flow from investments		
Purchase of fixed assets	-0.2	-0.7
Granted loans	-11.1	-20.0
Loan repayments	18.1	23.2
Share acquisitions	-4.3	-23.5
Interests received	7.7	9.1
Dividends received	0.0	0.0
Cash flow from investments	10.2	-11.9
Cash flow before financing	35.1	60.7
Cash flow from financing		
Borrowings of debt	67.6	53.8
Repayments of debt	-84.0	-89.1
Change in other short term debt	17.9	-0.2
Interests paid	-2.1	-2.7
Dividends paid	-36.5	-62.1
Income taxes paid	-1.1	0.8
Cash flow from financing	-38.2	-99.5
Change in cash and cash equivalents	-3.1	-38.8
Cash and cash equivalents at 1 Jan	11.0	49.8
Cash and cash equivalents at 31 Dec	7.9	11.0
Changes according to balance sheet	-3.1	-38.8

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 are 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.

Net sales

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

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.

Financial assets, financial liabilities and derivative contracts

Financial assets and liabilities are booked at their acquisition cost or their value less write-downs. The Company uses derivative contracts to decrease currency and price risks. Derivatives include currency forward agreements, currency options and commodity agreements. Currency derivatives are measured at their fair value, which are based on market prices on closing date. Commodity forward agreements are measured at their acquisition cost. Changes in the value of financial assets and liabilities, including derivatives, are recorded as gain or loss through profit and loss as financial income and expenses. Parent company does not apply hedge accounting. Otherwise the methods of measuring derivative contracts are explained in the section on the Group's accounting principles.

Leases

All leasing payments have been treated as rental expenses.

2. Net sales

M€	2010	2009
Income from services		
- From group companies	18.7	15.4
- External	0.0	0.0
Total	18.7	15.4

3. Other operating income and expenses

M€	2010	2009
Other operating income		
Gains from sales of fixed assets	-	0.0
Share divestments and result of subsidiary liquidations	0.2	-
Remuneration	0.1	-
Other	0.0	-
Total	0.3	0.0

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

M€	2010	2009
Other operating expenses		
Environmental expenses	0.3	1.5
Travel expenses	1.5	1.3
Purchased services	7.7	6.1
Environmental provision change	2.4	1.3
Other	9.2	7.4
Total	21.1	17.6

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

M€	2010	2009
Auditor's fees		
- Audit fees	0.1	0.1
- Other services	0.0	0.2

4. Personnel expenses

M€	2010	2009
Salaries and bonuses	4.3	4.0
Pension expenses	0.4	0.4
Other personnel expenses	0.8	0.8
Total	5.5	5.2
During financial period company employed:		
Employees, average	41	41
Salaries and emoluments paid to the Managing director and Board members, T€ *)		
Managing director and his deputy	798.3	446.4
Board of Directors	261.0	262.8
Total	1,059.3	709.2

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

Loans to company directors

On 31 December 2010, the company's managing director and members of the Board of Directors had no loans outstanding from the company or its subsidiaries.

The retirement age of the parent company managing director and his deputy is 63 years.

5. Depreciations

M€	2010	2009
Intangible assets	0.4	0.2
Tangible assets	0.1	0.1
Total	0.5	0.3

6. Financial income and expenses

M€	2010	2009
Interest income	0.5	0.6
Intercompany interest income	9.5	10.2
Dividend income	0.0	0.0
Dividend income from subsidiaries	17.2	30.4
Total	27.2	41.2
Interest expenses	5.3	5.2
Intercompany interest expenses	2.2	1.3
Other financial expenses	0.1	0.1
Exchange differences		
- Derivatives realised	10.6	-3.0
- Derivatives unrealised	4.2	0.4
- Others realised	5.0	1.3
- Others unrealised	-19.2	0.8
Total	8.2	6.1
Financial income and expenses	19.0	35.1

7. Extraordinary income

M€	2010	2009
Group contributions	3.9	6.1
Total	3.9	6.1

8. Taxes

M€	2010	2009
For the financial period	-	0.9
For previous financial periods	0.3	-0.1
Change in deferred taxes	-0.5	0.0
Total	-0.2	0.8

Taxes for previous financial periods include 345,146.10 euro taxes and interest concerning the tax audit report for fiscal years 2004–2007. The company disagrees with the tax audit report and will issue a rejoinder in 2011.

9. Intangible and tangible assets

2010 M€	Other capitalised long-term expenditure	Intangible investment in progress	Machinery and equipment	Investment in progress	Intangible and tangible assets
Acquisition costs 1 Jan	2.0	-	0.6	-	2.6
Increases	0.1	0.1	-	0.0	0.2
Acquisition costs 31 Dec	2.1	0.1	0.6	0.0	2.8
Accumulated depreciations 1 Jan	0.6	-	0.4	-	1.0
Depreciation for the financial period	0.4	-	0.1	-	0.5
Accumulated depreciations 31 Dec	1.0	-	0.5	-	1.5
Book value 31 December	1.1	0.1	0.1	0.0	1.3

2009 M€	Other capitalised long-term expenditure	Intangible investment in progress	Machinery and equipment	Investment in progress	Intangible and tangible assets
Acquisition costs 1 Jan	1.3	0.7	0.6	-	2.6
Increases	0.0	0.6	0.1	-	0.7
Decreases	0.6	-	0.1	-	0.7
Transfers between items	1.3	-1.3	-	-	-
Acquisition costs 31 Dec	2.0	-	0.6	-	2.6
Accumulated depreciations 1 Jan	1.0	-	0.4	-	1.4
Acc. depreciation on disposals and transfers	-0.6	-	-0.1	-	-0.7
Depreciation for the financial period	0.2	-	0.1	-	0.3
Accumulated depreciations 31 Dec	0.6	-	0.4	-	1.0
Book value 31 December	1.4	-	0.2	-	1.6

10. Non-current investments

M€	2010	2009
Shares in subsidiaries acquisition cost 1 Jan	207.1	183.7
Increases	4.3	46.7
Decreases	0.0	23.3
Shares in subsidiaries book value 31 Dec	211.4	207.1
Other shares and holdings 1 Jan	0.1	0.1
Other shares and holdings 31 Dec	0.1	0.1
Loans receivables		
- From group companies	166.4	199.7
- Subordinated loan	5.0	5.0
- Others	5.4	4.9
Loan receivables total	176.8	209.6
Total	388.3	416.8

11. Current receivables

M€	2010	2009
From group companies		
- accounts receivable	5.8	4.4
- loan receivable	108.8	66.1
- accruals	0.7	0.1
- other receivables	17.5	19.3
Total	132.8	89.9
From external parties		
- accruals	0.9	0.4
- deferred tax assets	0.8	0.3
- other receivables	2.0	0.8
Total	3.7	1.5
Total current receivables	136.5	91.4

Deferred tax assets are recorded for obligatory provisions in the balance sheet.

M€	2010	2009
Accruals		
Interest income	0.4	0.3
Taxes	0.4	0.0
Others	0.8	0.2
Total	1.6	0.5

12. Changes in equity

M€	2010	2009
Restricted equity		
Share capital on 1 Jan	146.4	146.4
Share capital on 31 Dec	146.4	146.4
Share premium on 1 Jan	50.2	50.2
Share premium on 31 Dec	50.2	50.2
Total restricted equity	196.6	196.6
Unrestricted equity		
Unrestricted equity 1 Jan	0.1	0.1
Unrestricted equity 31 Dec	0.1	0.1
Retained earnings 1 Jan	136.1	165.5
Dividend payments	-36.5	-62.0
Refund of unredeemed dividends	0.0	0.0
Profit for financial period	15.0	32.6
Retained earnings 31 Dec	114.6	136.1
Total unrestricted equity	114.7	136.2
Shareholders' equity 31 Dec	311.3	332.8
Distributable funds		
Unrestricted equity	0.1	0.1
Retained earnings	100.8	104.6
Profit for the period	15.0	32.6
Treasury shares	-1.2	-1.2
Distributable funds, 31 Dec	114.7	136.1

13. Depreciation differences

M€	2010	2009
- Other capitalised long-term expenditure	0.1	0.1
- Plant and machinery	0.0	0.0
Total	0.1	0.1

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

14. Provisions

M€	2010	2009
Pension obligation	0.1	0.1
Environmental provision	3.1	1.0
Total	3.2	1.1

15. Non-current liabilities

M€	2010	2009
Loans from financial institutions	32.0	48.0

Maturity of non-current interest bearing liabilities

M€	2012	2013	2014	2015	2016–
Loans from financial institutions	16.0	16.0	-	-	-

16. Current liabilities

M€	2010	2009
From group companies		
- accounts payable	1.1	0.9
- accruals	0.0	0.0
- other current liabilities	141.9	116.6
Total	143.0	117.5
From external parties		
- annual loan instalments	16.0	16.0
- accounts payable	0.9	1.2
- accruals	3.3	2.9
- other current liabilities	24.2	1.2
Total	44.4	21.3
Total current liabilities	187.4	138.8
Accrued liabilities		
Personnel expenses	0.7	0.7
Bonuses	0.9	0.8
Taxes	0.5	0.9
Interest	0.2	0.3
Others	1.0	0.2
Total	3.3	2.9

17. Contingent liabilities

M€	2010	2009
- on behalf group companies		
Guarantees issued	11.2	10.0
- on behalf of others		
Guarantees issued	6.9	6.9
Guarantees issued	18.1	16.9
Operating lease commitments		
Operating lease commitments for next 12 months	0.6	0.6
Operating lease commitments over next 12 months	0.4	0.7
Lease commitments	1.0	1.3
Total	19.1	18.2

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

18. Derivative contracts

M€	2010	2009
Foreign currency derivatives:		Nominal value
Forward agreements	175.1	115.1
Intragroup forward agreements	34.2	22.8
Currency options, bought	21.6	-
Currency options, sold	21.6	-
Commodity derivatives:		
Forward agreements	6.0	7.2
Foreign currency derivatives:		Fair value
Forward agreements	-4.0	-0.6
Intragroup forward agreements	0.1	0.1
Currency options, sold	-0.3	-
Commodity derivatives:		
Forward agreements	1.6	-0.7
Foreign currency derivatives:	Fair value changes recognised in the income statement	
Forward agreements	-4.0	-0.6
Intragroup forward agreements	0.1	0.1
Currency options, sold	-0.3	-

Proposal of the Board of Directors

The distributable funds of the parent company Uponor Corporation are €114,670,364.44 of which profit for the period is €15,002,775.93.

The Board of Directors proposes to the Annual General Meeting that

- a dividend of €0.55 per share will be paid, at maximum	€40,175,819.20
- the remainder be retained in the shareholders' equity	€74,494,545.24
	€114,670,364.44

The company's financial situation has not changed materially after the closing day and the company's liquidity is good. The Board of Directors' view is that the proposed profit distribution does not risk the company's liquidity.

Vantaa, 10 February 2011

Jari Paasikivi Chairman	Aimo Rajahalme	Jorma Eloranta	Anne-Christine Silfverstolpe Nordin	Rainer S. Simon	Jyri Luomakoski Managing director

Auditor's report

To the Annual General Meeting of Uponor Corporation

We have audited the accounting records, the financial statements, the Review by the Board of Directors, and the administration of Uponor Corporation for the financial period 1.1.– 31.12.2010. The financial statements comprise of the consolidated statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders´ equity and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the Review by the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the Review by 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 President and CEO 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 express an opinion on the financial statements, on the consolidated financial statements and on the Review by the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Review by the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Review by the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and the Review by the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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 Review by the Board of Directors.

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 Review by the Board of Directors

In our opinion, the financial statements and the Review by the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the Review by the Board of Directors in Finland. The information in the Review by the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Vantaa, 10 February 2011
Deloitte & Touche Oy
Authorized Public Audit Firm

Mikael Paul
Authorized Public Accountant

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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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Insider register

The public register of Uponor Corporation's insiders may be viewed at the Uponor Legal Department at Robert Huberin tie 3 B, 01511 Vantaa, Finland, 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 > Shareholders*.

Change of address

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.

Publications

The annual report will be published in Finnish and English and will also be available on the company website atw *ww.uponor.com > Investors > News & downloads > Annual reports*. 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.

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

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